



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Review of the FY 2017 Year-End Budget Monitoring Report, FY 2018 May Revision, and Recommended Revisions to the Mayor's FY 2018 Budget

This report presents the Office of the Independent Budget Analyst's final FY 2018 budget review and recommendations for Council budget modifications. The recommendations are based on the following: our analysis of the FY 2018 May Revision to the Proposed Budget (May Revise), the FY 2017 Year-End Budget Monitoring Report (Third Quarter Report), the FY 2017 CIP Year-End Budget Monitoring Report, and the FY 2018 Proposed Budget. Recommendations also reflect our review of Councilmember budget priority memoranda that were submitted to our Office on May 22, 2017 and released as IBA Report Number 17-24, as well as our consideration of feedback from the public, City staff, and City Councilmembers received during the Budget Review Committee (BRC) hearings.

This report is released at the end of a budget development process that has included extensive reviews of the Mayor's FY 2018 Proposed Budget by the City Council and the IBA, including:

- The IBA's review of the Mayor's FY 2018 Proposed Budget issued on April 28, 2017 as IBA Report No. 17-16
- Departmental and agency budget hearings with the BRC that took place on May 3-5 and May 8-10, 2017
- An evening City Council meeting held on May 15, 2017, in order to solicit input from the community on the Mayor's budget proposals and City Council's budget priorities for FY 2018
- The discussion of the May Revise and Third Quarter Report (both of which were released on May 16, 2017) at the BRC on May 18, 2017
- The discussion of the FY 2017 CIP Year-End Budget Monitoring Report at the Infrastructure Committee on May 24, 2017

- Financial Management responses to BRC requests for additional information released over several days between May 12 and May 30

In addition to approving final budget modifications, our Office recommends that the City Council designate any modifications made as either one-time or ongoing expenditures, in order to avoid confusion about their funding status in future budgets. This, and other requests for Council authority, are itemized in the concluding section of this report.

OVERVIEW OF THE FY 2018 MAY REVISE AND KEY ISSUES

The May Revise increases the Mayor’s FY 2018 General Fund expenditures budget to approximately \$1.42 billion, a \$14.6 million or 1% increase over the Proposed Budget. This increase in expenditures is supported by the use of \$14.1 million of Excess Equity and a slight net increase of \$482,000¹ in General Fund revenues, as displayed in the table below.

Resources for May Revise Expenditures	FY 2018
Use of Excess Equity	\$ 14,083,757
Increase in property tax revenue, primarily due to growth in Redevelopment Property Tax Trust Fund distributions	2,432,548
Increases in other/miscellaneous revenues, including fund closures	341,207
Increase in transient occupancy tax	51,600
Reduction in franchise fees	(726,335)
Reduction in sales tax due to the removal of one-time FY 2017 corrections	(1,616,928)
Total Resources	\$ 14,565,849

Overall, our Office considers the use of these resources to be appropriate. A review of projected FY 2017 year-end Excess Equity is provided in Attachment 1 of this report.

Significant May Revise Additions

Our Office has reviewed the additions included in the May Revise and notes their overall appropriateness. In many cases they fall in line with Councilmember budget priorities as noted in Council budget priority memoranda, Councilmember comments, and public testimony made during the BRC hearings. In the following sections we highlight and discuss items included in the May Revise that may be of particular interest to the City Council due to the size of the adjustment, or to provide additional information on the reasons for the addition.

FY 2019 Contribution to General Fund Reserve - \$10,317,576

The May Revise includes the addition of \$10.3 million in one-time non-personnel expenditures to prefund the FY 2019 General Fund Reserve policy target of 15.25% of General Fund operating

¹ Amount includes ongoing and one-time revenues.

revenues. In light of the anticipated budget deficit for FY 2019, we concur with using available FY 2017 Excess Equity to prefund this obligation.

Littering and Graffiti Abatement Pilot Program - \$800,000

The May Revise includes the addition of \$800,000 in one-time funding to support a litter and graffiti abatement pilot program initiated by the Environmental Services Department (ESD). This program was actually implemented on May 8, 2017 utilizing FY 2017 funding (approximately \$100,000 funded through one-time department savings) and the intent is to continue it as a 12-month pilot program. Per ESD, the proactive pilot program will target areas within the City that have the highest number of requests for litter abatement. The program will initially target nine areas: Logan Heights, Paradise Valley, Ocean Beach, Point Loma, City Heights, Mission and Pacific beaches, Webster and Mt. Hope, San Ysidro, and South Bay. The allocated funding will allow ESD to assign crews consisting of Urban Corps, Probation Crew, and City staff to remove litter four to five times per week within each specific area, and to report graffiti to the Public Works Dispatch Center or to the Transportation & Storm Water Department's (TSW) Street Division Graffiti Section via the Get It Done application.

The proposed increased service levels are expected to be primarily achieved through expanding the scope of services with an existing agreement with Urban Corps. The majority of the FY 2018 funding will be used to support additional Urban Corp services, with a portion of the funding for City staff performing weekend abatement services. The program will be monitored and evaluated to determine the effectiveness of targeting specific areas for proactive services, and ESD is currently developing performance measures for the program. Per the Department, if the additional service levels are successful in reducing requests for service in the targeted areas, the program could be adjusted to target alternative areas during the 12-month pilot period.

Prior to the initiation of this program, ESD provided abatement services to the specific areas of the program once or twice a week, as resources allowed. **Our Office recommends ESD report on the effectiveness of the pilot program in January 2018 to the appropriate City Council Committee.** This would provide sufficient time to determine whether the pilot program should be extended beyond FY 2018.

Earned Sick Leave and Minimum Wage Ordinance - \$133,671

The May Revise includes the addition of 1.00 Program Coordinator and associated non-personnel expenditures totaling \$134,000 to support the administration and enforcement of the Earned Sick Leave and Minimum Wage Ordinance. This position is in addition to the 4.00 full-time equivalent (FTE) positions already included in the FY 2018 Proposed Budget for this program (three of which have already been filled), and is expected to review complaints, conduct settlement conferences, and perform field investigations.

Originally enforcement of the Ordinance was divided so that minimum wage and retaliation complaints were directed to the California Labor Commissioner's Office, and the City adjudicated the earned sick leave as well as the notice and posting of violations. Beginning in FY 2018, the Office of the City Treasurer is proposing to update its program to enforce all claim types required by the Ordinance, including minimum wage, earned sick leave, retaliation, and notice and posting.

If approved, the City Treasurer plans to hire the position requested in the May Revise and the other vacant Program Coordinator position at the beginning of FY 2018.

New Projects Added to the Capital Improvements Program - \$1,971,000

The May Revise proposes an increase to the FY 2018 Capital Improvements Program (CIP) budget by a net of \$30.2 million, with adjustments to a total of 40 projects. Of this budget increase, 72% is due to new Development Impact Fees (DIF) and Facilities Benefit Assessments (FBA) revenue. The table below displays three new capital projects proposed to be added to the CIP for FY 2018.

New Projects Added to the CIP		
Project	Funding	Funding Source/Project Description
<i>Hendrix Pond/Aviary Park</i>	\$300,000	<ul style="list-style-type: none"> • Scripps Miramar Ranch FBA • Preliminary engineering for the design and construction of a 3.3 acre park
<i>Ocean Beach Pier Condition Assessment</i>	\$671,000	<ul style="list-style-type: none"> • Ocean Beach Pier Funds • Preliminary engineering
<i>Alvarado Road Realignment</i>	\$1,000,000	<ul style="list-style-type: none"> • Navajo Urban Community DIF • Preliminary engineering for the improvement of traffic flow
Total:	\$1,971,000	

New Funding for Road Repair - \$9,617,757

The May Revise proposes an estimated \$9.6 million in anticipated additional revenue attributed to recently enacted State legislation. Senate Bill (SB) 1 increases gas and diesel taxes and certain fees for various transportation purposes, including local street maintenance and repair. All \$9.6 million is proposed for slurry seal maintenance. Of this amount, \$8.0 million is allocated to a proposed new Road Maintenance and Rehabilitation Fund, and \$1.6 million is added to the existing Gas Tax Fund.

These revenues offset an anticipated need for additional slurry seal maintenance funding to be allocated in the FY 2018 CIP Mid-Year Budget Monitoring Report. Together with prior year savings projections, this is a net offset of about \$736,000. SB 1 revenue also partially offsets the allocation for slurry seal maintenance from the Infrastructure Fund proposed in the FY 2018 Proposed Budget by \$8.9 million. The total allocation for slurry seal maintenance proposed in the May Revise is \$25 million, which is consistent with the amount planned in the FY 2018-2022 Five-Year Capital Infrastructure Planning Outlook.

With SB 1 revenues making funding available in the Infrastructure Fund, as well as other budget adjustments,² \$10.2 million is proposed for reallocation to six capital projects as displayed in the following table. In addition to these projects, the Infrastructure Fund includes a revised allocation

² Other budget adjustments include: (1) reallocation of \$1.5 million for the modernization of the City Concourse parking garage elevators from the Infrastructure Fund to the Capital Outlay Fund; and (2) a decrease of approximately \$226,000 due to revised major General Fund revenue projections used to determine the required Infrastructure Fund allocation.

for slurry seal maintenance of \$6.4 million, and \$1.2 million for the construction of the Compressed Natural Gas fueling station which is unchanged from the FY 2018 Proposed Budget.

CIP Projects Added to the Infrastructure Fund		
Project	Funding	Project Description
<i>Drainage Projects</i>	\$5,632,560	<ul style="list-style-type: none"> • Citywide annual allocation for reconstructing or replacing failed drainage facilities.
<i>City Facilities Improvements</i>	\$2,000,000	<ul style="list-style-type: none"> • Annual allocation to provide capital improvements to City facilities. • Improvements to the following facilities: Mira Mesa Library; City Administration Building; Point Loma Library; Southcrest Senior Center; and Heath Davis House.
<i>Fire Station No. 22</i>	\$1,000,000	<ul style="list-style-type: none"> • Demolition of the existing station and reconstruction of a new station in Point Loma. A temporary station is being utilized to house the crew. Funding is for increased cost estimates for construction. • Project completion is estimated to be December 2018.
<i>SR 94/Euclid Avenue Interchange</i>	\$600,000	<ul style="list-style-type: none"> • Construction for improvements to the interchange to improve safety. • Project completion is estimated to be in FY 2019.
<i>Avenida De La Playa Storm Drain</i>	\$500,000	<ul style="list-style-type: none"> • Funding for unanticipated construction needs to improve the capacity of the storm drain system. • The warranty period for this project will end in FY 2018.
<i>Pershing Middle School Joint Use Field Turf Replacement</i>	\$423,985	<ul style="list-style-type: none"> • Final allocation to reimburse San Diego Unified School District for the replacement of synthetic turf. • A revised joint use and reimbursement agreement is expected to come before Council for approval by early fall. Upon approval, the City will reimburse the District.
Total:	\$10,156,545	

IBA PROPOSED MODIFICATIONS TO THE MAYOR'S FY 2018 BUDGET

The following table represents the IBA's recommended funding revisions and additions to the FY 2018 Proposed Budget and the May Revise. These recommendations are largely based on the priorities of a majority of City Councilmembers as reflected in their budget priority memoranda that were submitted to our Office on Monday, May 22, 2017. IBA staff carefully reviewed the proposals and discussed issues for clarification with appropriate City staff as needed. The Council memoranda are distributed for public review in IBA Report Number 17-24, and are provided as back-up to this Council item.

Recommended Modifications to the Mayor's FY 2018 Budget		
Description	Recommended Amount	One-Time/Ongoing
<i>Proposed FY 2018 Budget Revisions for Council Consideration</i>		<i>IBA Recommendation</i>
Police Department overtime for staffing ¹	\$ 3,000,000	One-time
Increase to Commission for Arts & Culture funding	1,000,000	One-time
Restoration of tree trimming	881,746	One-time
Funding for expansion of the Get it Done application	500,000	One-time ²
Police recruitment and retention marketing	350,000	One-time
Restoration of 2.00 Code Compliance Officers ³	203,000	Ongoing
Police Department AB 953 implementation	200,000	One-time
Downtown Mobility Plan ⁴	-	One-time
Total Suggested Budget Revisions	\$ 6,134,746	
<i>Proposed New Resources</i>		<i>Availability</i>
Excess Equity	\$ 4,000,000	One-time
San Diego Police Department vacancy savings ¹	3,000,000	One-time
Redevelopment Agency land sales	1,700,000	One-time
Total Available Resources	\$ 8,700,000	
Balance of Available Resources	\$ 2,565,254	

¹Cost of Police Department overtime for staffing will be offset by an increase in SDPD vacancy savings.

²Ongoing costs may be associated with this item, starting in FY 2019.

³The 2.00 Code Compliance Officers will be funded with one-time resources in FY 2018, but will be supported with ongoing Cannabis Business Tax revenues in FY 2019.

⁴The FY 2018 Proposed Budget includes \$2.5 million for the Downtown Mobility Plan, and therefore no additional resources are proposed at this time.

The FY 2018 Proposed Budget remains balanced with these recommendations and is in keeping with the City’s Budget Policy. All of the priorities mentioned by a majority of Councilmembers in their budget priority memoranda can be considered one-time requests and supported by available one-time resources, with the exception of the restoration of 2.00 Code Compliance Officers which is an ongoing expenditure. Our Office recommends that this restoration be funded with one-time resources in FY 2018, and funded with ongoing resources in FY 2019 when the City realizes a full year of Cannabis Business Tax revenue. An expanded discussion of the IBA’s final budget recommendations is included in the sections below, as well as suggestions from our Office pertaining to the allocation of the remaining \$2.6 million in one-time resources.

As indicated in the preceding table, our Office recommends the following:

- **That funding for Police Department recruitment and retention marketing, AB 953 implementation, and overtime staffing; the Commission for Arts & Culture; tree trimming; and the Get it Done application; all be designated as *one-time* expenditures**
- **That the funding for the restoration of 2.00 Code Compliance Officers be designated an *ongoing* expenditure**

- **That the intent for either ongoing or one-time funding for each item be stated in final Council budget actions to ensure clarification in future budgets**

KEY RESULTS OF COUNCILMEMBERS' FINAL BUDGET PRIORITY MEMORANDA AND ADDITIONAL IBA RECOMMENDATIONS

The following items were mentioned by five or more members of the City Council in their budget priority memoranda, and have been included in the IBA recommended revisions to the FY 2018 Budget as shown in the table on the preceding page.

Councilmember Proposals—Majority Priority Expenditures Recommended for Funding

Police Department Additional Overtime to Maintain Current Staffing Levels - \$3,000,000 one-time

A majority of Councilmember memoranda requested additional funding to maintain or increase daily police officer staffing levels while the Department seeks to fill vacant positions. As of May 29, 2017, the Police Department had 1,834 filled sworn positions out of 2,039 budgeted positions. Recent Police academies have also been under-enrolled. For example, the last three academies have started with an average of 24 recruits each, despite being budgeted for 43 recruits per class. As our Office noted in our review of the FY 2018 Proposed Budget, Police recruitment and retention will be one of the City's most significant challenges in FY 2018.

A majority of Councilmembers' budget priority memoranda included support for increased overtime expenditures and general support for the Department as it seeks to increase sworn staffing in accordance with its Five-Year Plan. In order to fund this budget priority, our Office recommends increasing the Police Department overtime budget by \$3.0 million, for a total of \$26.2 million in FY 2018. This change mirrors the year-end projection in the Third Quarter Report of \$26.0 million in overtime expenditures. The increase would fully fund the Department's overtime needs as identified by the Financial Management Department during the budget development process, before the inclusion of a \$3.0 million reduction in extension-of-shift overtime included in the Proposed Budget. The \$3.0 million increase that we are suggesting would reverse this extension-of-shift reduction. **Our Office recommends funding the additional \$3.0 million in overtime by increasing the Department's budgeted vacancy savings (which reduces salaries) to better reflect recent spending trends.** Continued close monitoring of Police overtime and vacancies will be required in FY 2018.

Increased Support for Arts and Culture - \$1,000,000 one-time

The FY 2018 Proposed Budget reduced arts and culture funding from approximately \$15.1 million in FY 2017 to \$10.4 million, a decrease of \$4.8 million or 31.3%. The May Revise included a one-time restoration of \$2.4 million to arts and culture funding for a total FY 2018 proposal of \$12.8 million. In their final budget priority memoranda, a majority of Councilmembers indicated support for an additional increase to arts and culture funding. A one-time increase of \$1.0 million supported by Excess Equity would allocate \$13.8 million to arts and culture in FY 2018—still \$1.4 million less than a full restoration of the FY 2017 budget, but our Office notes that it would be an increase

of \$1.2 million over FY 2016 arts and culture funding. The restoration of \$3.4 million over the Mayor’s Proposed Budget is significant in the current fiscal climate.

Arts and Culture Funding				
	FY 2017 Adopted	FY 2018 Proposed Budget	FY 2018 Proposed Plus Mayor's May Revise	IBA Recommendation \$1.0 million
Transient Occupancy Tax Projection (10.5 cents)	\$ 216,347,429	\$ 231,021,481	\$ 231,104,836	\$ 231,104,836
Arts and Culture Funding in Budget as a Percent of TOT	7.00%	4.50%	5.52%	5.96%
Arts and Culture Budgeted Funding	\$ 15,139,850	\$ 10,395,967	\$ 12,767,909	\$ 13,767,909

A plan for arts and culture funding to equal 1 cent of the City’s 10.5 cent transient occupancy tax (TOT) revenue—the Penny for the Arts Five-Year Blueprint (Blueprint)—was adopted by the City Council in October 2012. The Blueprint specifies that allocations to Arts, Culture, and Community Festivals programs should equal 9.52% of TOT. The increase to arts and culture funding in the May Revise equals approximately 5.52% of TOT, and an additional increase of \$1.0 million would equal 5.96% of TOT.

The City’s Commission for Arts & Culture Department staff has indicated that any increase in funding will be proportionally distributed across the Creative Communities San Diego and Organizational Support budget line items as recommended by the Commission. **Based upon Councilmember budget priority memoranda, our Office recommends that for FY 2018 an additional one-time increase of \$1.0 million be allocated to the Commission for Arts & Culture funded from Excess Equity, which would bring total funding to approximately \$13.8 million or 5.96% of TOT.**

Tree Trimming - \$881,746 one-time

A majority of Councilmember budget priority memoranda requested restoration of full funding for the City’s tree-trimming contract. The Proposed Budget reduced the amount of funding for tree trimming services in TSW by \$882,000, which would reduce the number of street trees to be trimmed in FY 2018 from 25,000 to 12,000. Restoring these expenditures would allow for FY 2017 levels of tree trimming to continue in FY 2018. **Our Office recommends this funding for FY 2018 supported by available Excess Equity.**

Get it Done - \$500,000 one-time

In their final budget priority memoranda, a majority of Councilmembers requested the allocation of \$500,000 to support and expand the City’s Get it Done application, specifically in order to integrate the application with ESD’s intake services. Currently still in the pilot phase, Get it Done is integrated with TSW’s intake system. However, any requests for service for items not under TSW’s purview that come through the application are routed via email to the appropriate department, meaning that end users do not have visibility into whether or not their request has been resolved. The Performance & Analytics Department (P&A) has indicated that a one-time addition of \$500,000 would allow the Department to expand Get it Done so that ESD and potentially other

departments could be integrated into the application. Our Office notes that if Get it Done is expanded in FY 2018, additional ongoing licensing and maintenance costs would be required in future years allocated to the General Fund and participating non-General Funds as appropriate. At this time those costs have not been identified and would be dependent in part on the number of City staff that would be assigned user roles in the application. P&A has indicated that the cost per year to maintain Get it Done within its current scope is approximately \$190,000.

Our Office recommends that should the City Council decide to allocate \$500,000 in one-time costs in FY 2018 for Get it Done, that they also request P&A return to Committee in the fall with an implementation roadmap that includes options for the scope of the project, associated one-time and ongoing funding levels, and any projected changes in resource needs for integrating additional City departments.

Police Department Recruitment and Retention - \$350,000 one-time

Police officer recruitment and retention was noted as a priority in a majority of Councilmember budget priority memoranda, including proposals for increased data collection and marketing as well as one-time compensation increases. Because the FY 2018 Proposed Budget includes \$100,000 for an updated Police compensation survey and \$150,000 was added in the May Revision for a recruitment and retention study and marketing plan, our Office does not recommend any further changes to Police compensation (beyond what has already been negotiated) until the results of those efforts are available. Data collected from the salary survey and the consultant's study will help ensure that future recruitment and retention efforts are as effective as possible. **Given the importance of increasing Police Department sworn staffing levels, our Office recommends increasing one-time expenditures for the recruitment and retention study and marketing plan by \$350,000 in FY 2018, from \$150,000 to \$500,000.**

Code Compliance Officers - \$203,118 ongoing

A majority of the Councilmembers' FY 2018 final budget priority memoranda included support for the restoration of the two eliminated Code Compliance Officers (CCO) within the Development Services Department (DSD). Restoration of the two CCO positions would add approximately \$203,000 in ongoing expenses to the FY 2018 Budget. **Our Office recommends FY 2018 costs for these positions be funded with available Excess Equity while ongoing costs in FY 2019 and beyond will be addressed through new ongoing revenue associated with a full year of Cannabis Business Tax collection beginning in FY 2019.** Additional information related to the cannabis tax revenue is discussed in the section on "Other IBA Resource Recommendations."

For DSD's Code Enforcement Division, the FY 2017 Adopted Budget included 43.00 FTE enforcement field staff positions including 4.00 CCOs. CCOs conduct field investigations into complaints involving lower priority, single-issue concerns including: complaints of excessive noise, off-street illegal parking, illegal storage, temporary signs, and news racks. During FY 2017, two of the four CCO positions were re-classified. One CCO position was converted to a Zoning Inspector to provide greater inspection capacity and one CCO position was re-classified to a Horticulturalist to support the Urban Forestry Program. The remaining two CCO positions were eliminated in the FY 2018 Proposed Budget.

Police Department AB 953 Implementation - \$200,000 one-time

A majority of Councilmember memoranda requested additional funding to support the implementation of AB 953, the Racial and Identity Profiling Act of 2015, which will require enhanced data collection and reporting by the Police Department. Councilmember proposals for increased funding ranged from \$100,000 to \$200,000 to support necessary training and technology improvements. **Our Office recommends that \$200,000 in one-time expenditures be added to the Police Department budget for AB 953 implementation, and that the Department present a report to the Public Safety and Livable Neighborhoods Committee detailing its plans to comply with new data collection regulations after those requirements are finalized by the State.**

Downtown Mobility/Bike Lanes - one-time

A majority of Councilmember final budget priority memoranda noted the importance of implementing high-priority bike lanes in the Downtown Mobility Plan, though specific projects and funding amounts were not identified in all memoranda. The Proposed Budget does include \$2.5 million for Downtown Mobility Plan implementation through Development Impact Fees, and TSW indicates that that amount is sufficient to continue funding design and planned implementation of the Plan. TSW will additionally pursue grant opportunities with SANDAG to cover additional needs in the future.

Given its interest in the implementation of the Downtown Mobility Plan, our Office recommends Council request TSW report back in the fall of this year, when all funding needs are finalized.

Councilmember Proposals—Majority Priority Resources Recommended

Use of Excess Equity - \$4,000,000

In their FY 2018 Budget Priorities memoranda, eight Councilmembers prioritized using a portion of, or all of, the remaining \$4.0 million in estimated Excess Equity, for Council priorities. As shown in the table below, \$4.0 million is estimated to be available in Excess Equity for one-time uses after factoring in changes proposed in the May Revise. Brief descriptions of the components in the following table are included in Attachment 1 of this report.

FY 2017 Excess Equity Estimate (\$ in millions)	
Beginning FY 2017 Reserve Balance	\$ 192.4
FY 2017 Projected Revenues in Excess of Expenditures (per the Third Quarter Report)	3.2
FY 2017 Budgeted General Fund Reserve Contribution ¹	7.6
Adjustment for FY 2015 Accrued Low Flow Diversion Capacity Charges	(3.0)
FY 2017 Year-End Reserve Estimate	200.2
FY 2017 14.75% Reserve Requirement (includes FY 2017 General Fund Reserve contribution) ¹	(173.8)
FY 2017 Year-End Excess Equity Estimate	26.4
FY 2018 Proposed Budget Use of Excess Equity	(8.3)
FY 2018 May Revise Use of Excess Equity	(14.1)
Adjusted FY 2017 Excess Equity Estimate	\$ 4.0

¹ The budgeted General Fund Reserve contribution is added back, as it is part of the \$173.8 million reduction for the FY 2017 14.75% Reserve Requirement line.

Redevelopment Agency Land Sales - \$1,700,000

A majority of Councilmember budget priority memoranda note the sale of former redevelopment agency property as a one-time source of revenue. On May 16, 2017, the City Council approved the sale of several former redevelopment agency properties. Net proceeds from these sales will be transmitted to the County Auditor Controller, which will then remit the City’s 17% share of these proceeds as General Fund property tax revenue. Civic San Diego staff estimated that the amount ultimately received by the City will total approximately \$1.7 million.

Potential Uses of Remaining \$2.6 Million in One-Time Resources

As mentioned earlier in this report, after recommending allocations for budget priorities identified by a majority of Councilmembers in their budget priority memoranda, \$2.6 million in one-time resources remain unallocated in the FY 2018 Budget. This \$2.6 million is made up of \$900,000 in remaining Excess Equity and \$1.7 million in Redevelopment Agency land sales. **Our Office offers the following three suggestions for Council to consider for this funding.**

Contributions to the Pension Reserve

A suggested potential use for all or a portion of the remaining \$2.6 million is to make a small contribution now to the Pension Payment Stabilization Reserve (PPSR) in preparation for FY 2019. To balance the FY 2018 General Fund Proposed Budget, the Mayor has proposed to utilize the full General Fund PPSR amount of \$16.0 million to partially offset unanticipated increases in the City’s FY 2018 Actuarially Defined Contribution (ADC) pension payment. The Mayor is required to develop a replenishment plan to return the reserve to policy levels within one year, and he has indicated that he plans to bring a proposal forward as part of the FY 2019-2023 Five-Year Financial Outlook in November 2017.

Since one-time funding is available, taking an initial step toward replenishment of the PPSR as part of final budget actions would be a prudent action. Council could make an allocation of up to \$2.6 million to the PPSR as part of final budget decisions. In addition to this action, we also

recommend a reevaluation of the PPSR Policy, as discussed in the “Other Issues for Further Discussion” section below.

Police Recruitment and Retention Implementation Funding

Another suggested use of all or a portion of the remaining funds is to set aside funding for implementing the Police Department recruitment and retention study and plans. Based on the results of the Police compensation survey, and the recruitment and retention study and marketing plan planned for FY 2018, the Council could designate one-time funding now to help fund the recommendations of those studies by adding a line item appropriation to the Police Department budget for this purpose. Specific decisions on the use of such funds would be determined in FY 2018 as implementation steps are defined.

Excess Equity

The \$2.6 million in available one-time funding could remain in Excess Equity for potential use during the review of the FY 2018 Mid-Year Budget Monitoring Report (Mid-Year Report). By that time, information from Police recruitment and retention studies may be available which could help define implementation funding needs. Possible further review of the PPSR Policy and the Mayor’s anticipated November proposal for replenishment would also help inform PPSR funding decisions. **Note that during the review of the Mid-Year Report, only the Mayor has the authority to initiate funding proposals while Council’s authority is limited to approving or modifying the Mayor’s funding recommendations.**

Other IBA Resource Recommendations

Future Cannabis Business Tax Revenue to Support Ongoing Code Enforcement Officers

If Council is interested in restoring 2.00 Code Compliance Officer positions, we recommend they be restored in FY 2018 supported by available Excess Equity funds and with ongoing Cannabis Business Tax (CBT) revenues in FY 2019. Only one expenditure mentioned by a majority of Councilmembers in their final budget priority memoranda was ongoing: the request for additional Code Compliance Officers. All other items requested by a majority of Councilmembers are one-time requests that can be accommodated by currently unallocated one-time resources.

The FY 2018 Proposed Budget includes half a year’s worth of CBT revenues, budgeted at \$2.4 million. A conservative projection from the City Treasurer’s Office for FY 2019 CBT revenues assumes no growth, but doubles FY 2018’s half-year projection for a total of \$4.8 million.

Use of Capital Outlay Fund Balance

At the time of the May Revise, it was reported that the Capital Outlay Fund balance of \$1.2 million had been fully allocated. Since that time, recent activity from land sales transactions earlier in the year have resulted in the availability of an uncommitted fund balance of \$2.1 million. This was reported in the FY 2017 CIP Year-End Budget Monitoring Report, which was heard at the Infrastructure Committee on Wednesday, May 24, 2017. Uses of the Capital Outlay Fund are

restricted to capital projects or debt service payments on capital financing. **Council has the option of allocating these funds for a priority capital project—e.g. a new project that requires funding for engineering and design, or an existing project that requires some additional funding to move forward or be completed. Alternatively, these funds could remain in the Capital Outlay Fund balance to be used for future debt service payments.**

Other Issues for Further Discussion

Review of the Current Pension Payment Stabilization Reserve Policy

We recommend that two sections of the current PPSR Policy be reevaluated: 1) the current funding level requirements of the Reserve, and 2) the limitations on the use of the Reserve. The Budget and Government Efficiency Committee may want to review these issues in FY 2018 working with the Chief Financial Officer and the IBA.

1. Current policy requires the Mayor to develop a replenishment plan which returns the Reserve to policy funding levels. The plan must be developed within one year, but there is no time limit on when the policy goal must be met. The policy requires the City to “fund and maintain a Pension Reserve equal to 8% of the most recent three year average of the ADC as reported in the Actuarial Valuation Reports.” For FY 2019, the amount that would need to be restored is estimated at \$18-\$19 million for the General Fund. While the Mayor could develop a plan that achieves the policy goal over several years, this could be a difficult exercise given current budget projections and numerous competing priorities. Further, funds contributed to the Reserve each year could be needed immediately to offset potential ADC increases for the upcoming fiscal year. Achieving and maintaining an \$18-\$19 million pension reserve may not be a realistic goal.
2. The existing language also states that the PPSR “will be maintained to mitigate service delivery risk due to the unanticipated increases in the annual pension payment, the Actuarially Determined Contribution.” It does not allow the fund to be used for **anticipated** annual ADC increases. For example, the most recent Actuarial Valuation projects the total ADC to increase from \$324.5 million in FY 2018 to \$329.3 million in FY 2019, an increase of \$4.8 million (General Fund \$3.5 million). Since this is an **anticipated** increase, current policy prohibits the use of the pension reserve to offset this increase. The significant increase in the ADC for FY 2018 of \$63.4 million (\$46.2 million General Fund) was largely **unanticipated**, meeting the criteria for using the PPSR. This language should be reviewed to determine if anticipated ADC increases should be an eligible use for the Reserve as well as unanticipated increases.

Performance Measures

During the BRC hearings, several Councilmembers suggested new departmental performance measures or offered modifications to existing ones. A list of performance measure additions or modifications requested during the BRC hearings are included with this report as Attachment 2. **Our Office recommends that Council request that the Performance & Analytics Department review these suggested performance measures and present their findings to the Budget and**

Government Efficiency Committee in the first half of FY 2018, in preparation for the FY 2019 budget process.

Multi-Year Street Repair Planning

Revenue from SB 1 proposed in the May Revise reflects partial year funding as the tax increases take effect in November 2017. FY 2019 will be the first year of full funding of the tax increases, in which the City could receive more than double the amount received in FY 2018. These revenues will continue to be an ongoing funding source for the City. **With this in mind, our Office recommends the City Council request that the Mayor develop a five-year street repair implementation plan which incorporates new or anticipated revenue sources.** The plan would provide a clear funding strategy that will keep the City on track to meet its goals for streets. It would also provide Council with an idea of the funding available from the Infrastructure Fund and commercial paper financing to use for non-street purposes.

Specifically, the plan should:

- a. Reflect the level of funding needed to achieve the Mayor's goal of maintaining an average Overall Condition Index of 70 for City streets;
- b. Include funding sources planned to address the need; and
- c. Account for new revenue streams available for streets, including SB 1 revenue and a scenario assuming the passage of the Mayor's proposed ballot measure to increase the transient occupancy tax.

Timing of Planned Commercial Paper Borrowing

Last year, in response to a request from the chair of the Budget and Government Efficiency Committee and anticipating that additional borrowing with commercial paper would occur in FY 2017, Councilmembers included capital project priorities in their budget priority memoranda for the FY 2017 Budget. The plan to bring a Commercial Paper Borrowing Program forward for General Fund capital projects will not occur as planned in FY 2017 because the City continues to spend down available cash and proceeds from the DC 3 Bonds issued in April of 2015. In the FY 2017 CIP Year-End Budget Monitoring Report that was presented to the Infrastructure Committee on May 24, staff indicated they now intend to bring the Commercial Paper Borrowing Program forward for Council consideration in FY 2018. Staff also reiterated their intent to bring a proposed list of projects forward for Council consideration at that time, which would potentially use proceeds from commercial paper borrowing.

The Proposed FY 2018 Budget includes \$300,000 for program start-up costs and \$200,000 for interest payments that would be due on any commercial paper notes issued and maturing in FY 2018. In anticipation of the new plan for commercial paper borrowing in FY 2018, some Councilmembers again submitted General Fund capital project priorities in their FY 2018 budget priority memoranda.

Based on our review of data in the FY 2017 CIP Year-End Budget Monitoring Report, it appears unlikely that the City will be able to spend down available cash and DC 3 proceeds in time to warrant commercial paper borrowing in FY 2018. As of April 30, 2017, the City had approximately

\$89 million of available funds for General Fund capital projects and an average monthly spend rate of \$4.1 million. Even if staff were able to increase their average monthly spend rate to \$6 million, it would take another 15 months to fully exhaust available resources. The City will additionally be receiving Infrastructure Fund and additional Gas Tax proceeds in FY 2018 that will also be available for General Fund capital projects. Given this information, it is possible that commercial paper borrowing may not occur until FY 2019. In the meantime, development of a five-year streets funding plan (discussed in the preceding section), which incorporates new funding sources, will give Council a clearer picture of the extent that future commercial paper issuances can be focused on non-street projects.

OVERVIEW OF THE FY 2017 YEAR-END BUDGET MONITORING REPORT

The Third Quarter Report was issued on May 16, 2017, and presented to the BRC on May 18, 2017. The Third Quarter Report describes revenue and expenditure year-end projections based on actual (unaudited) data from July 2016 through March 2017. The Third Quarter Report also includes a number of requests for authority for City Council approval.

Overall, our Office agrees with the year-end expenditure and revenue projections included in the Third Quarter Report. An analysis of select expenditure and revenue projections including over-budget expenditures in salaries and wages, major General Fund revenue projections, and the estimated year-end Excess Equity calculation, is appended to this report as Attachment 1. Our Office also concurs with the appropriation adjustment requests included in the Third Quarter Report, as well as the typical annual year-end budget control authorities requested in the report.

One highlight from the Third Quarter Report includes a transfer of \$1.7 million from the TOT Fund to the Qualcomm Stadium Operations Fund to help mitigate over-budget non-personnel expenditures. This increase in non-personnel expenditures is due to a payment to the stadium's concession vendor related to the San Diego Chargers early lease termination, as well as a transfer to the Qualcomm Stadium Capital Improvement Project Fund to replenish a fund balance deficit. The Qualcomm Stadium Operations Fund has adequate fund balance to mitigate the over-budget non-personnel expenditures, but the transfer was made so that Qualcomm Stadium debt service payments could be made from the Qualcomm Stadium Operations Fund through FY 2020.

Finally, our Office notes that the Real Estate Assets Department has indicated that no events will be scheduled at Qualcomm Stadium beyond December 31, 2018, and that the Stadium will be decommissioned in FY 2019. Qualcomm Stadium receives a transfer from the TOT Fund to support stadium operations each year, separate from the debt service payment: in FY 2018 the proposed transfer for operations is approximately \$7.7 million, and in FY 2017 the budgeted transfer for operations was \$8.1 million. **Our Office suggests that an update on plans for Qualcomm Stadium's decommissioning come to Committee in FY 2018, and that the update include a list of expenditures that could be eligible for TOT funding support in FY 2020, in lieu of the transfer to Qualcomm Stadium for operations support.**

FINAL BUDGET RECOMMENDATIONS AND REQUESTS FOR COUNCIL AUTHORITY

In order to approve the FY 2018 budget, the City Council is also being asked to approve a number of actions. These requests for authority are outlined below.

1. Approve the Mayor's FY 2018 Proposed Budget, as modified by the May Revise.
2. Approve the IBA's final budget recommendations included in IBA Report 17-23 in the table: "Recommended Modifications to the Mayor's FY 2018 Budget", and as modified by the City Council.
3. Clarify the Council's intent for either ongoing or one-time funding for each item added to the FY 2018 Budget, to ensure clarification in future budgets.
Our Office suggests that additional funding approved for the Police Department recruitment and retention marketing, AB 953 implementation, and overtime staffing; the Commission for Arts & Culture; tree trimming; and the Get it Done application; all be considered *one-time* expenditures, while funding for the restoration of 2.00 Code Compliance Officers be designated an ongoing expenditure.
4. Determine if the remaining \$2.6 million will be allocated to the Pension Payment Stabilization Reserve, set aside for Police Department recruitment and retention initiatives, remain in Excess Equity, or be used as otherwise directed by the City Council.
5. Determine if \$2.1 million in the Capital Outlay Fund will be allocated to qualifying expenditures, or remain in fund balance.

This report also includes a number of recommendations and suggestions that Council may wish to consider at this time, including:

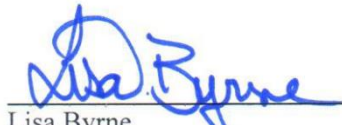
1. That the Environmental Services Department report on the effectiveness of the Litter and Graffiti Abatement pilot program in January 2018, to the appropriate City Council Committee.
2. That the City Council request that the Performance & Analytics Department return to Committee in the fall with a Get it Done implementation roadmap that includes options for the scope of the project, associated one-time and ongoing funding levels, and any projected changes in resource needs for integrating City departments.
3. That the City Council request that the Transportation & Storm Water Department report to Council in the fall on the implementation of the Downtown Mobility Plan, when all funding needs are finalized.
4. That the Budget and Government Efficiency Committee may want to review the following issues regarding the Pension Payment Stabilization Reserve Policy, working with the Chief Financial Officer and the IBA:
 - a. Current funding level requirements of the Reserve
 - b. Current limitations on the use of the Reserve
5. That the Performance & Analytics Department consider the attached performance measures suggested during the BRC department hearings, and present their review to the Budget and Government Efficiency Committee in the first half of FY 2018, in preparation for the FY 2019 budget process.

6. That the City Council request the Mayor develop a five-year street repair implementation plan. This plan should include the following components:
- a. The level of funding needed to achieve the Mayor’s goal of maintaining an average Overall Condition Index of 70 for City streets;
 - b. Funding sources planned to address the need; and
 - c. An account for new revenue streams available for streets, including SB 1 revenue and a scenario assuming the passage of the Mayor’s proposed ballot measure to increase the transient occupancy tax.



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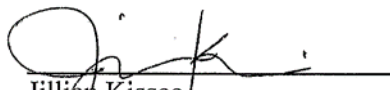

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- Attachment: 1. IBA Review of the FY 2017 Year-End Budget Monitoring Report
2. Updates to Key Performance Indicators

IBA Review of the FY 2017 Year-End Budget Monitoring Report

Overall, our Office agrees with the year-end expenditure and revenue projections included in the FY 2017 Year-End Budget Monitoring Report (Third Quarter Report). Our Office also concurs with the Third Quarter Report appropriation adjustment requests, as well as the typical annual year-end budget control authorities requested in the report. Details of select revenue and expenditure projections included in the Third Quarter Report including major General Fund revenue projections, over-budget expenditures in salaries and wages, and the estimated year-end Excess Equity calculation, are discussed in the following sections.

General Fund Revenues

FY 2017 General Fund revenues are projected to be approximately \$1.35 billion at fiscal year-end, \$15.4 million or 1.1% over the FY 2017 Adopted Budget, and \$5.9 million over the year-end projection reported in the FY 2017 Mid-Year Budget Monitoring Report (Mid-Year Report), as displayed in the following table.

FY 2017 Projected Year-End General Fund Revenue					
Revenue Source (\$ in millions)	Adopted Budget	Mid-Year Projection	Third Quarter Projection	Variance: Adopted Budget to Third Quarter	Variance: Mid-Year to Third Quarter
Major General Fund Revenues					
<i>Property Tax</i>	\$502.0	\$503.3	\$506.2	\$4.2	\$2.9
<i>Sales Tax</i> ¹	272.8	271.5	274.1	1.3	2.6
<i>Transient Occupancy Tax</i>	113.3	112.5	114.5	1.2	2.1
<i>Major Franchise Fees</i>	81.0	72.3	70.9	(10.1)	(1.4)
Sub-Total Major General Fund Revenues:	969.1	959.5	965.7	(3.4)	6.2
Miscellaneous Revenues ²	70.5	84.8	86.1	15.6	1.3
Property Transfer Tax	9.6	9.8	9.8	0.3	0.0
Department Revenues	280.8	285.4	283.8	3.0	(1.6)
Total:	\$1,330.0	\$1,339.4	\$1,345.4	\$15.4	\$5.9

Note: Table may not total due to rounding

¹Increases in Sales Tax revenue in the Year-End projections are mostly due to one-time payment and remittance corrections processed by the City's sales tax consultant; as such, the increased revenue does not substantially effect the base off of which FY 2018 sales tax revenues are based.

²Miscellaneous revenues is comprised of unexpected one-time and ongoing budgeted revenue amounts in categories that include: Revenue from Other Agencies, Other Refunds, and OHS Disaster Recovery. Overall, miscellaneous General Fund revenues are projected to come in \$15.6 million over-budget at year-end due primarily to the receipt of \$13.6 million for the annexation of property near the Mount Hope Cemetery.

Our Office agrees with the year-end revenue projections in the Third Quarter Report, and notes that major General Fund revenue projections have not changed significantly from the year-end projections reported in the Mid-Year Report.

General Fund Expenditures

FY 2017 projected General Fund expenditures are \$4.2 million over-budget, largely due to over-budget salaries and wages. A break-down of salaries and wages is included in the next section.

FY 2017 General Fund (GF) Expenditures					
<i>(\$ in millions)</i>	Adopted Budget	Mid-Year Projection	Third Quarter Projection	Variance: Adopted to Third Quarter	Variance: Mid-Year to Third Quarter
Salaries and Wages	\$ 534.5	\$ 546.5	\$ 540.8	\$ 6.3	\$ (5.6)
Fringe Benefits	376.9	377.7	375.7	(1.2)	(2.0)
Non-Personnel Expenditures	426.5	427.4	425.6	(0.9)	(1.8)
TOTAL GF EXPENDITURES	\$ 1,338.0	\$ 1,351.6	\$ 1,342.2	\$ 4.2	\$ (9.5)

Note: Table may not total due to rounding.

Salaries and Wages

General Fund salaries and wage types that are over-budget include the following categories:

- Special pay – \$2.4 million (\$1.3 million for Fire-Rescue and \$844,000 for Police)
- Overtime – \$12.0 million (\$3.5 million for Fire-Rescue, \$5.0 million for Police, and \$2.4 million for Transportation & Storm Water)
- Vacation pay-in-lieu – \$2.8 million
- Termination pay – \$1.0 million

These overages totaling \$18.2 million are partially offset by \$11.9 million in salary savings, yielding a net over-budget amount of \$6.3 million as shown in the following table.

FY 2017 General Fund Salaries and Wages Expenditures						
<i>(\$ in millions)</i>	Adopted Budget	Mid-Year Projection	Third Quarter Projection	Variance: Adopted to Third Quarter	Variance: Mid-Year to Third Quarter	
Salaries						
<i>Fire-Rescue</i>	\$ 73.2	\$ 75.9	\$ 73.7	\$ 0.5	\$ (2.1)	
<i>Park & Recreation</i>	31.0	30.0	29.3	(1.6)	(0.7)	
<i>Police</i>	169.6	167.0	165.7	(3.9)	(1.3)	
<i>Public Works - General Services</i>	8.6	7.8	7.3	(1.3)	(0.5)	
<i>Transportation & Storm Water</i>	29.6	28.8	28.2	(1.4)	(0.6)	
<i>Other Departments</i>	<u>116.9</u>	<u>115.0</u>	<u>112.7</u>	<u>(4.1)</u>	<u>(2.3)</u>	
Subtotal Salaries	<u>428.8</u>	<u>424.4</u>	<u>416.9</u>	<u>(11.9)</u>	<u>(7.5)</u>	
Special Pay						
<i>Fire-Rescue</i>	10.8	11.9	12.1	1.3	0.2	
<i>Police</i>	16.1	16.8	17.0	0.8	0.2	
<i>Other Departments</i>	<u>1.2</u>	<u>1.4</u>	<u>1.5</u>	<u>0.3</u>	<u>0.1</u>	
Subtotal Special Pay	<u>28.2</u>	<u>30.1</u>	<u>30.6</u>	<u>2.4</u>	<u>0.5</u>	
Overtime						
<i>Fire-Rescue</i>	30.1	33.6	33.7	3.5	0.0	
<i>Police</i>	21.0	26.0	26.0	5.0	(0.0)	
<i>Transportation & Storm Water</i>	1.0	2.6	3.5	2.4	0.8	
<i>Other Departments</i>	<u>1.3</u>	<u>2.3</u>	<u>2.3</u>	<u>1.0</u>	<u>0.0</u>	
Subtotal Overtime	<u>53.4</u>	<u>64.5</u>	<u>65.4</u>	<u>12.0</u>	<u>0.9</u>	
Hourly Wages	14.0	14.3	14.0	0.0	(0.2)	
Vacation Pay-in-Lieu	7.2	9.5	10.0	2.8	0.5	
Termination Pay	<u>2.8</u>	<u>3.7</u>	<u>3.9</u>	<u>1.0</u>	<u>0.2</u>	
TOTAL SALARIES AND WAGES	\$ 534.5	\$ 546.5	\$ 540.8	\$ 6.3	\$ (5.6)	

Note: Table may not total due to rounding.

Looking Ahead to FY 2018

The City's public safety departments, specifically Fire-Rescue and Police, comprise a large part of the variances included in the table above. The following table shows wage categories other than salaries for the Fire-Rescue and Police Departments.

Wages Other Than Salaries—Fire-Rescue and Police Departments					
<i>(\$ in millions)</i>	FY 2017 Adopted Budget	FY 2017 Third Quarter	FY 2018 May Revise	Variance: Adopted to Third Quarter	Variance: Third Quarter to FY 2018
Fire-Rescue					
<i>Special Pay</i>	\$ 10.8	\$ 12.1	\$ 11.5	\$ 1.3	\$ (0.6)
<i>Overtime</i>	30.1	33.7	32.8	3.5	(0.9)
<i>Hourly Wages</i>	2.5	2.5	2.2	0.0	(0.3)
<i>Vacation Pay-in-Lieu</i>	2.8	3.7	2.8	0.9	(0.9)
<i>Termination Pay</i>	1.4	1.4	1.1	(0.0)	(0.3)
Total Fire-Rescue	<u>47.7</u>	<u>53.4</u>	<u>50.3</u>	<u>5.7</u>	<u>(3.0)</u>
Police					
<i>Special Pay</i>	16.1	17.0	16.0	0.8	(1.0)
<i>Overtime</i>	21.0	26.0	23.2	5.0	(2.8)
<i>Hourly Wages</i>	1.7	1.8	1.7	0.1	(0.1)
<i>Vacation Pay-in-Lieu</i>	3.7	3.8	3.7	0.1	(0.1)
<i>Termination Pay</i>	1.0	1.6	0.9	0.6	(0.7)
Total Police	<u>43.5</u>	<u>50.1</u>	<u>45.5</u>	<u>6.7</u>	<u>(4.7)</u>
TOTAL FIRE-RESCUE AND POLICE WAGES OTHER THAN SALARIES	\$ 91.2	\$ 103.5	\$ 95.8	\$ 12.3	\$ (7.7)

Note: Table may not total due to rounding.

As of the May Revise, FY 2018 budget amounts for “wages other than salaries” are less than what is projected to be spent in FY 2017—at \$3.0 million for Fire-Rescue and \$4.7 million for Police. If spending trends for wages other than salaries continue in FY 2018 and salaries are incurred at the FY 2018 funded level, total salaries and wages will be over-budget. On the other hand, if salaries are *not* incurred at the FY 2018 funded level (i.e. vacancy savings are higher than budgeted), any additional vacancy savings could mitigate potential overages in the wage types other than salaries.

Excess Equity

As reflected in the following table, projected General Fund Excess Equity for FY 2017 is \$4.0 million, calculated as follows:

- Adjusting the \$192.4 million beginning General Fund Reserve for the following items leaves \$200.2 million in FY 2017 estimated year-end Reserve.
 - \$3.2 million increase for FY 2017 projected revenues in excess of expenditures, per the Third Quarter Report
 - \$7.6 million increase for the budgeted General Fund Reserve contribution, as it is also part of the \$173.8 million reserve requirement line in the table
 - \$3.0 million reduction to adjust for low-flow diversion capacity charges (to properly reflect a prior year accrual)

- Then, comparing the estimated \$200.2 million year-end Reserve to the \$173.8 million Reserve requirement yields projected year-end Excess Equity of \$26.4 million for FY 2017.
- Finally, use of Excess Equity in the FY 2018 Proposed Budget (\$8.3 million) and May Revise (\$14.1 million) brings the FY 2017 Excess Equity estimate to \$4.0 million.

FY 2017 Excess Equity Estimate (\$ in millions)	
Beginning FY 2017 Reserve Balance	\$ 192.4
FY 2017 Projected Revenues in Excess of Expenditures (per the Third Quarter Report)	3.2
FY 2017 Budgeted General Fund Reserve Contribution ¹	7.6
Adjustment for FY 2015 Accrued Low Flow Diversion Capacity Charges	(3.0)
<i>FY 2017 Year-End Reserve Estimate</i>	200.2
FY 2017 14.75% Reserve Requirement (<i>includes FY 2017 General Fund Reserve contribution</i>) ¹	(173.8)
FY 2017 Year-End Excess Equity Estimate	26.4
FY 2018 Proposed Budget Use of Excess Equity	(8.3)
FY 2018 May Revise Use of Excess Equity	(14.1)
Adjusted FY 2017 Excess Equity Estimate	\$ 4.0

¹ The budgeted General Fund Reserve contribution is added back, as it is part of the \$173.8 million reduction for the FY 2017 14.75% Reserve Requirement line.

Updates to Key Performance Indicators

During the Budget Review Committee (BRC) hearings of May 3-5 and May 8-10, 2017, Councilmembers requested some changes to department performance measures (key performance indicators or KPIs)—either modifications to existing KPIs or the creation of new ones.

A list of changes to KPIs discussed by the BRC is provided below. Council may wish to request that the Performance & Analytics Department review these measures for inclusion in the FY 2019 Proposed Budget, and present their review to the Budget and Government Efficiency Committee in the first half of FY 2018.

Department	Current Measure	Proposed Measure
City Treasurer	n/a	Percent (%) of wage & sick leave complaints investigated and addressed within 60 days
	n/a	Percent (%) of wage & sick leave complaints investigated and addressed by City Staff (vs. State Labor Commissioner)
	n/a	Note: There was a request that the Department consider measures related to cannabis business tax since it is a new responsibility for the City Treasurer
Development Services	n/a	Average time to process a permit by project type
	Percentage of projects completed with less than 3 eligible review cycles	Number of cycles it takes for an applicant to go through permit process
	n/a	Response time for code enforcement staff
	n/a	Number of code enforcement cases closed per year
	n/a	Customer satisfaction (survey results)
Police	n/a	Actual sworn staffing versus sworn staffing goal in Five-Year Plan
	n/a	Budgeted and actual sworn staffing per 1,000 population
	n/a	Number of abandoned 911 calls
	Percentage of 911 calls answered within 10 seconds	Number of 911 calls with various wait times (10 seconds, 60 seconds, etc.)

Department	Current Measure	Proposed Measure
	n/a	Average non-emergency call wait time
	n/a	Number of non-emergency calls with various wait times (60 seconds, 5 minutes, 10 minutes, etc.)
	n/a	Number of abandoned non-emergency calls
	n/a	Number of sworn officers assigned to dispatch
	n/a	Percentage of police dispatcher background checks completed within 3 months
Purchasing & Contracting	Average number of days to award a contract	Average number of days to award a contract by type of contract or contract size

Note: a request was also made during the BRC to the Performance & Analytics Department, that the target for their KPI: "Percentage of City workforce participating in Operational Excellence initiatives" increase above the current 1%.