



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 17, 2018

IBA Report Number: 18-22

Budget & Government Efficiency Committee Docket Date: July 25, 2018

Item Number: TBD

Proposed FY 2019 Statement of Budgetary Principles

OVERVIEW

The Statement of Budgetary Principles (Principles) was first put into place in FY 2008 to address issues of budgetary authority and to provide a means to communicate budget changes between the Executive and Legislative branches following budget adoption each year. For the past eleven fiscal years, the Principles have been adopted by the City Council as a companion resolution to the Appropriation Ordinance (AO), which was approved by the City Council on June 25, 2018. The purpose of the Principles is to preserve the intent of the AO as a true appropriation setting document rather than a policy document. The Principles represent an annual agreement between the City Council and the Mayor, which we recommend be continued in FY 2019.

In 2004, the voters approved a Strong Mayor/Strong Council form of government for the City of San Diego. The change from a City Manager to a Strong Mayor/Strong Council form of government necessitated clarifications of the roles and responsibilities of the Executive and Legislative branches of City government. The Principles were enacted in order to designate areas of Mayoral and Council authority, and to establish the processes by which budget and administrative information would be communicated between the two branches in order to support the effective and efficient governance of the City.¹

The proposed FY 2019 Principles closely mirror the FY 2018 Principles with only minor revisions reflecting date changes and an updated description of the City's performance dashboard, PerformSD.

¹ The Principles were part of a larger movement that has, over time, codified areas of authority and practice in relation to budget and administrative City governance after the Strong Mayor/Strong Council form of government was put in place. Other documents that have clarified the roles of the Executive and Legislative branches include the City's Budget Policy (Council Policy 000-02) and the addition of the ability of the Mayor (and subsequently the City Council) to make changes to the Adopted Budget via the Mid-Year Budget Monitoring Report, to the City's Municipal Code (Section 22.0229, amended by O-20551).

This draft of the Principles is provided for the July 25, 2018 Budget and Government Efficiency Committee for review with a recommendation to forward the item, with any desired modifications, to the full City Council for review and adoption. Since this is an agreement between the City's two branches of government, any proposed revisions will also be subject to Mayoral approval.



Chris Olsen
Fiscal & Policy Analyst



Andrea Tevlin
Independent Budget Analyst

- Attachments: 1. FY 2019 Statement of Budgetary Principles – Clean Copy
2. FY 2019 Statement of Budgetary Principles – Redline Copy

FY 2019 STATEMENT OF BUDGETARY PRINCIPLES

WHEREAS, pursuant to sections 69(c) and 265(b)(14) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April 12, 2018, the Mayor released the Fiscal Year 2019 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2019 Budget; and

WHEREAS, between April 16 and June 11, 2018 the City Council held more than one public hearing to consider the City's Fiscal Year 2019 Budget in accordance with City Charter section 69(d), and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year 2019 Budget; and

WHEREAS, on May 15, 2018, the Financial Management Director provided the City Council with their May Revision to the Fiscal Year 2019 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May 17, 2018, the May Revision was presented to the City Council sitting as the Budget Review Committee; and

WHEREAS, Councilmembers submitted their budget priorities to the Independent Budget Analyst on May 21, 2018 to assist with the development of final budget recommendations; and

WHEREAS, on May 31, 2018, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY 2019 Budget (IBA Report # 18-13 *Recommended City Council Modifications to the Mayor's Proposed FY 2019 Budget and May Revision*) was issued; and

WHEREAS, on June 11, 2018, the City Council approved the City's Fiscal Year 2019 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the IBA Final Report on the FY 2019 Budget, dated May 31, 2018, with revisions proposed by the City Council, and directed the City Clerk to return the same to the Mayor for his consideration under Charter section 69(f)(2); and

WHEREAS, on June 13, 2018, the Mayor signed Budget Resolution R-311783, which is the Fiscal Year 2019 Adopted Budget, in accordance with Charter section 69(g); and

WHEREAS, pursuant to Charter section 69(k), the Council is required to adopt an appropriation ordinance no later than June 30, to establish budgetary appropriations for the Fiscal Year 2019 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2019 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, in accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, mid-year budget adjustments shall be reported to address any projected surplus or deficit in addition to reporting significant reductions in programs or services; and

WHEREAS, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor and to establish a framework for the administration by the Mayor of the Fiscal Year 2019 Budget in light of the respective duties of the Mayor as Chief Executive Officer and Chief Budget Officer of the City, and the duties of the Council as the legislative and policy setting body of the City, and in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs; and

WHEREAS, the City Council adopted Resolution 307737 on October 15, 2012, subsequently signed by the Mayor, establishing ten fundamental principles for an effective, cooperative and transparent Mayor-Council form of government in the City of San Diego ("Ten Fundamental Principles").

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles for the Fiscal Year 2019 Budget:

Fiscal Year 2019 Budget—Communication on Proposed Program/Service Changes

1. The Mayor, or his designee, will provide reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be given verbally, and are intended to improve the flow of information between the Mayor, Council, and public.
2. The Council President will provide time on the Council's agenda for the Report of the Mayor.
3. Consistent with Chapter 2, Article 2, Division 2 of the Municipal Code, prior to any reduction in service levels or elimination of programs or services as represented and funded in the FY 2019 Adopted Budget, the Mayor, or designee, shall provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service levels impacts.

4. Notwithstanding the foregoing, the Mayor need not provide prior written notice of any change or modification that results in a more efficient delivery of public services and that accomplishes the legislative intent. However, in these circumstances the Mayor is requested to provide the Council with an informational memo upon implementation.

Fiscal Year 2019 Budget—Appropriation Ordinance

1. Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year 2019 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2019 Budget, including the appropriations reflected in the Fiscal Year 2019 Appropriation Ordinance. However, the Mayor has discretion to effectively and efficiently spend public monies, and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes.
3. The Council shall have no authority to make or adopt changes to the Fiscal Year 2019 Budget without first receiving a funding recommendation of the Mayor. The Mayor will provide such funding recommendation within 30 calendar days of the Council request, or such later period as contained in the request of the Council.
4. In accordance with Charter section 28, the Mayor has the authority to allocate Fiscal Year 2019 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 2019 Budget, as approved by the Council. The Appropriation Ordinance shall specify the spending authority by Department and by Fund, and all other conditions, authorizations, and requirements appropriate therefore. The Appropriation Ordinance will include necessary budget delegation to carry out the business of the City; provided however, the Appropriation Ordinance will not include Policy directions.
6. The Statement of Budgetary Principles applies to departments and programs that are under the direction and authority of the Mayor. These Principles shall also apply to those offices that are independent of the Mayor. This Statement of Budgetary Principles is subject in all respects to the provisions of the City Charter.

Fiscal Year 2019 Budget—"Budget-Related Fundamental Principles for an Effective, Cooperative, and Transparent Mayor-Council Form of Government" applying to budget implementation

1. The “Structural Budget Deficit Principles” adopted by Council on February 22, 2010 and outlined in Resolution 305615 should be continually adhered to ensuring a structurally balanced budget.
2. The Mayor will update the City’s Five-Year Financial Outlook (Outlook) in November 2018 and present the results to the Budget and Government Efficiency Committee and City Council.
3. In FY 2019 the City’s performance dashboard, PerformSD, will display historical information and targets for performance measures in the following areas: civic engagement, communication, customer satisfaction, economy and finance, infrastructure, public safety, recreation and culture, sustainability, and transportation and mobility. The performance measure data available as part of the performance dashboard will be discussed and reviewed by the Budget and Government Efficiency Committee by the end of the first quarter of FY 2019. The data will be evaluated for updates quarterly in FY 2019, and will be a subset of the performance measures included in the Proposed and Adopted Budgets. Additional performance measures may be evaluated and added to the performance dashboard in FY 2019.
4. The Mayor will address the City's deferred capital backlog by implementing funded projects in a timely and cost effective manner and working with the Council to identify resources necessary to address remaining unfunded deferred capital as well as new infrastructure needs.

FY ~~2018-2019~~ STATEMENT OF BUDGETARY PRINCIPLES

WHEREAS, pursuant to sections 69(c) and 265(b)(14) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April ~~13~~12, ~~2017~~2018, the Mayor released the Fiscal Year ~~2018~~2019 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2018-2019~~ Budget; and

WHEREAS, between April ~~17-16~~ and June ~~5~~11, ~~2017-2018~~ the City Council held more than one public hearings to consider the City's Fiscal Year ~~2018-2019~~ Budget in accordance with City Charter section 69(d), and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year ~~2018-2019~~ Budget; and

WHEREAS, on May ~~16~~15, ~~2017~~2018, the Financial Management Director provided the City Council with their May Revision to the Fiscal Year ~~2018-2019~~ Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May ~~18~~17, ~~2017~~2018, the May Revision was presented to the City Council sitting as the Budget Review Committee; and

WHEREAS, Councilmembers submitted their budget priorities to the Independent Budget Analyst on May ~~22~~21, ~~2017-2018~~ to assist with the development of final budget recommendations; and

WHEREAS, on May 31, ~~2017~~2018, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY ~~2018-2019~~ Budget (IBA Report # ~~17-2318-13~~ *Review of the FY 2017 Year-End Budget Monitoring Report, FY 2018 May Revision, and Recommended Revisions to the Mayor's FY 2018 Budget* Recommended City Council Modifications to the Mayor's Proposed FY 2019 Budget and May Revision) was issued; and

WHEREAS, on June ~~5~~11, ~~2017~~2018, the City Council approved the City's Fiscal Year ~~2018-2019~~ Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the IBA Final Report on the FY ~~2018-2019~~ Budget, dated May 31, ~~2017~~2018, with revisions proposed by the City Council, and directed the City Clerk to return the same to the Mayor for his consideration under Charter section 69(f)(2); and

WHEREAS, on June ~~9~~13, ~~2017-2018~~, the Mayor ~~modified and~~ signed Budget Resolution ~~R-311158~~R-311783, which is the Fiscal Year ~~2018-2019~~ Adopted Budget, in accordance with Charter section 69(g) ; and

~~WHEREAS, in accordance with Charter section 69(h), on June 13, 2017 the Fiscal Year 2018 Budget became a controlling document for purposes of preparing the annual appropriation ordinance; and~~

WHEREAS, pursuant to Charter section 69(k), the Council is required to adopt an appropriation ordinance no later than June 30, to establish budgetary appropriations for the Fiscal Year 2018-2019 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2018-2019 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

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services as represented and funded in the FY ~~2018-2019~~ Adopted Budget, the Mayor, or designee, shall provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service levels impacts.

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