IBA Budget Crash Course: Understanding the FY 2024 Budget Process

Spring 2023
Why is the City’s Budget Important?

The Budget is a statement of – and plan to address – City priorities.

Library
The City’s Budget has Two Parts

Operating Budget:
Outlines how funds will be spent on City services, including public safety and parks and recreation

Capital (CIP) Budget:
Allocates revenue for capital projects to improve or expand existing infrastructure and build new public assets
Understanding the FY 2024 Budget Process

Presentation Overview

• Creation of the Independent Budget Analyst’s Office
• Department of Race and Equity: Budget Equity
• Roles in the Budget Process
• Operating Budget Overview
• Capital Improvements Program Overview
• Public Involvement and Resources
Creation of the Office of the Independent Budget Analyst (IBA)
Why was the IBA Created?

In 2003 serious financial problems led to a citizen initiative to change the structure of San Diego’s City government.

- Voters approved measure in 2004 to adopt a Strong Mayor/Strong Council form of government.
  - Requires elected Mayor to run the city, instead of city manager reporting to City Council
  - Became permanent in 2010
  - Included creation of the IBA
Why was the IBA Created? (con’t)

After new government structure, new needs followed

- City Council (legislative branch) no longer had City Manager as an advisor.
- City Council may have different perspectives than the Mayor (executive branch).
- Public lacked clear information about budget and budget process.

Need for unbiased, objective information and advice for effective decision-making

IBA
What is the Independent Budget Analyst?

IBA’s Mission:

To provide clear, objective, and unbiased analysis and advice to the City Council and the public on all legislative items bearing financial and policy impacts to the City.

To provide clear, objective, and unbiased analysis and advice we must be independent.
## Why our Office’s role is important?
Provides checks and balances

<table>
<thead>
<tr>
<th>Internal Role</th>
<th>External Role</th>
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<tbody>
<tr>
<td>Reviews all items, proposals, and budgets coming to City Council</td>
<td>Provides public with reports and presentations in easily understandable language</td>
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<tr>
<td>Offers clear analyses of those proposals to inform Councilmembers’ decisions</td>
<td>Educates public as to how it can be involved in major decisions and budget processes</td>
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Public Involvement in the Process is Key

The IBA has developed resources to help the public be informed and engage in the budget process:

- *A Public Guide to the City’s Budget Process*
- *A Public Guide to Infrastructure*
- *IBA Crash Course on the Budget Process*
THE DEPARTMENT OF FINANCE

THE CITY OF SAN DIEGO

BUDGET EQUITY

Overview

THE DEPARTMENT OF RACE & EQUITY

Council President Pro Tem Monica Montgomery Steppe leads the charge to establish the office in ordinance with an allocated budget.

San Diego City Council unanimously pass Mayor Todd Gloria’s “Ready to Rebuild” fiscal year 2023 budget, which added 4 new positions to the Department of Race & Equity. All City Councilmembers participate in “Operationalizing a Budget Equity Lens” workshop.

The Performance & Analytics Department and the Department of Race & Equity launch a new Tactical Equity Plan process that merges tactical planning and equity action planning.

- Oct. 19, 2020: Mayor Todd Gloria appoints the first Chief Race & Equity Officer, Kim Desmond.
- Jul. 3, 2021: Mayor Todd Gloria launches Strategic Plan that includes an Equity Commitment.
- Jan. 1, 2022: Department of Race & Equity hires two Program Managers.
- June 2022: Department of Race & Equity launches a Budget Equity Framework to prepare City departments to systematically integrate an Equity Lens into budget proposals, adjustments and requests.
The Department of Race & Equity uses the below key terms to guide work

**Equality** means each individual, family, neighborhood or community is given the same resources and opportunities without recognition that each person has different circumstances.

An **Equity Lens** is a set of specific questions we ask to critically and thoughtfully analyze policies, programs, practices and budget decisions to achieve equitable outcomes.

When we identify a disparity in a policy, program, practice or budget decision, an **Equity Opportunity** emerges to promote equitable outcomes and inclusive access.

**Equity** occurs when we eliminate institutional racism and systemic disparities, providing everyone with equitable access to opportunity and resources to thrive, no matter where they live or how they identify.
## Department Deliverables

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Submission</th>
<th>Timeline</th>
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</table>
| **Budget Equity Questionnaire** | • Complete questionnaire responses to be stored for internal use in "Budget Equity Questionnaire Response" spreadsheet  
• Budget Adjustment answers also to be included in Public Budget Formulation (PBF) | **December 12 – January 6:** Budget Adjustments will be submitted in the budget application (PBF), along with responses to the Budget Equity Questionnaire |
| **Budget Equity Impact Statement** | • Executive Budget Review (EBR) Presentation  
• Budget Review Committee Presentation  
• Volume II Budget Narratives | **February 1:** Will be developed and submitted to Performance and Analytics along with the Department Budget Narratives and Key Performance Measures (KPIs) |
| **Equity Highlights** | • Executive Budget Review (EBR) Presentation  
• Budget Review Committee Presentation | • **Early February:** EBR Presentations  
• **Early May:** Budget Review Committee Presentations |
The **Budget Equity Impact Statement (BEIS)** is a brief, public-facing summary of how your budget addresses identified disparities. It is a summation of your responses to the Budget Equity Questionnaire that will be described in Volume 2 of the Proposed and Adopted Budget documents.
Roles and Authorities in the Budget Process
Are there standards for a sound budget?

City Council has a Budget Policy

<table>
<thead>
<tr>
<th>Process</th>
<th>Principles</th>
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<tbody>
<tr>
<td>• Required reporting timeline</td>
<td>• Balanced budget</td>
</tr>
<tr>
<td>• 5-year forecasts for both operating and capital budgets</td>
<td>• One-time revenues should fund one-time expenditures</td>
</tr>
<tr>
<td>• Quarterly budget monitoring reports</td>
<td>• Ongoing expenditures should be funded by ongoing revenues</td>
</tr>
<tr>
<td>• Public hearings and outreach to gain feedback</td>
<td>• Fund annual pension payment</td>
</tr>
<tr>
<td>• Include performance measures in budget</td>
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</tbody>
</table>
Budget Process Roles and Authorities

• **Mayor**
  - Proposes a balanced budget to Council by April 15
  - Carries out the City’s goals and services reflected in the Council-approved budget
  - Has sole authority to propose budget changes during the fiscal year after Proposed Budget is approved

• **Council**
  - May change the Mayor’s Proposed Budget as long as the budget remains balanced
  - Reviews, approves, and amends the Proposed Budget on or before June 15
  - Has final budget authority (i.e., approves recommended changes from the Mayor)

• **IBA**
  - Analyzes the Mayor’s financial reports, including the Proposed Budget
  - Supports Council & Committee budget hearings, participates in Budget Town Halls
  - Develops final budget recommendations for Council consideration
Budget Process Roles and Authorities (con’t)

Additional Powers and Roles:

• **Mayor can veto** Council changes to the Proposed Budget.

• **Council can override** a Mayoral veto with six votes.

• After budget adoption, Mayor, Council, and IBA monitor expenditures, revenues, and significant City programs throughout the fiscal year.
IBA Review and Analysis of the Mayor’s FY 2024 Proposed Budget

- Projected revenues and expenditures
- Comparison to City Council’s FY 2024 Budget Priorities
- Impacts of cuts or reductions on service levels
- Review of key issues
- Evaluate whether the budget is structurally balanced and financial practices and policies have been applied
- Highlight issues for further discussion
How is the Budget created?

Budget Development Process

Public Input

Sep-Nov
City Council Budget Priorities
Mayor’s Five-Year Financial Outlook

Dec-Jan
City departments develop & submit budget proposals to Finance Department (DoF)

Dec-Feb
Council Updated Budget Priorities

IBA Review
How is the Budget created? *(con’t)*

**Budget Adoption Process**

**April 15**
- Mayor releases Proposed Budget
  - IBA review and recommendations

**May**
- City Council holds public hearings
- Mayor’s May Revision
- Council final budget modification priorities
  - IBA review and final budget recommendations

**June 15**
- Budget adopted by Council
FY 2023 Budget Overview

While the City’s total FY 2023 Budget is $5.1 billion, the General Fund has the most freedom to fund City services.
FY 2023 General Fund Budget Overview

Revenues: $1.95 Billion

- Property Tax: $706.2M (36%)
- Sales Tax: $380.2M (19%)
- Franchise Fees: $95.6M (5%)
- Transient Occupancy Tax: $135.2M (7%)
- American Rescue Plan: $147.6M (8%)
- Other: $487.4M (25%)
- American Rescue Plan

Expenditures: $1.96 Billion

- Police: $584.7M (30%)
- Fire-Rescue: $311.0M (16%)
- Transportation: $93.6M (5%)
- Parks & Recreation: $161.9M (8%)
- Citywide Program: $258.6M (13%)
- Environmental Services: $81.0M (4%)
- Other: $389.2M (20%)
- City Attorney: $74.9M (4%)
- Property Tax
- Sales Tax
## Mayor’s Five-Year Outlook FY 2024-2028

### Baseline General Fund Revenue and Expenditures ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
<th>FY 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline General Fund Revenues</td>
<td>$1,881.1</td>
<td>$1,955.4</td>
<td>$2,017.3</td>
<td>$2,086.1</td>
<td>$2,149.4</td>
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<tr>
<td>Baseline General Fund Expenditures</td>
<td>1,931.6</td>
<td>1,978.0</td>
<td>2,038.1</td>
<td>2,085.4</td>
<td>2,143.3</td>
</tr>
<tr>
<td>Baseline (Shortfall)/Surplus</td>
<td>(50.5)</td>
<td>(22.6)</td>
<td>(20.9)</td>
<td>0.7</td>
<td>6.1</td>
</tr>
<tr>
<td>Additional Outlook Priorities Beyond Baseline</td>
<td>(25.4)</td>
<td>(73.0)</td>
<td>(86.4)</td>
<td>(94.8)</td>
<td>(118.7)</td>
</tr>
<tr>
<td>Recommended Use of Available ARPA Funds</td>
<td>52.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recommended Use of Available Excess Equity</td>
<td>23.8</td>
<td>48.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overall Outlook Shortfall</td>
<td>$0.0</td>
<td>$(47.3)</td>
<td>$(107.3)</td>
<td>$(94.1)</td>
<td>$(112.6)</td>
</tr>
</tbody>
</table>
# FY 2024 Priorities Receiving Majority Support

## Operating Budget Priorities
- Homelessness and Housing
- Environment and Climate Action
- Public Safety
- Neighborhood Services
- Youth Services
- Arts and Culture
- Human Capital and Employee Compensation
- World Design Capital 2024
- Office of the City Auditor
- Office of Labor Standards and Enforcement
- ADA Transition Plan/Complaint Projects

## Infrastructure Budget Priorities
- Transportation and Mobility Safety
- Streets
- Sidewalks
- Stormwater
- Facilities
- Americans with Disabilities Act (ADA)
- Security-Related Infrastructure

## Resource and Mitigation Priorities
- Federal American Rescue Plan Act (ARPA)
Capital Improvements Program (CIP) Overview
City Infrastructure

The City Owns and Maintains Many Infrastructure Assets.

City is NOT Responsible for:
- Trolley
- Rail
- Bus system
- County, state, and federal facilities, roads, freeways
City of San Diego CIP Budget Development Process

**Spring – July**
Every other year, ECP gets input from Community Planner’s Committee

**Sept**
ECP sends call memo to Council for capital priorities before the 5 Year Outlook

**Oct – Jan**
Departments review needs and request funding from DOF

**January**
5 Year CIP Outlook is released. IBA does report. CIPRAC submits budget recommendation

**April 15**
Mayor releases proposed budget

**June**
Council adopts Budget

**May**
CIP budget hearing and May Revision is released

**During FY**
CIP budget amended in Mid-Year and Year-End Report, and standalone items

**Start**

**End**
Infrastructure is a major challenge for the City.

Capital needs far exceed funding.
CIP Outlook - Funding Gap by Asset Managing Department

<table>
<thead>
<tr>
<th>Department</th>
<th>Total Funding</th>
<th>Funding Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library</td>
<td>$38.5 M</td>
<td></td>
</tr>
<tr>
<td>DREAM</td>
<td>$74.4 M</td>
<td></td>
</tr>
<tr>
<td>ESD</td>
<td>$84.1 M</td>
<td></td>
</tr>
<tr>
<td>Police</td>
<td>$63.6 M</td>
<td></td>
</tr>
<tr>
<td>HSS</td>
<td>$99.1 M</td>
<td></td>
</tr>
<tr>
<td>GSD - Facilities</td>
<td>$78.0 M</td>
<td></td>
</tr>
<tr>
<td>GSD - Fleet</td>
<td>$230.0 M</td>
<td></td>
</tr>
<tr>
<td>Fire-Rescue</td>
<td>$369.1 M</td>
<td></td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>$1,094.9 M</td>
<td></td>
</tr>
<tr>
<td>Stormwater</td>
<td>$2,138.8 M</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>$2,475.3 M</td>
<td></td>
</tr>
<tr>
<td>Public Utilities</td>
<td>$3,001.3 M</td>
<td></td>
</tr>
</tbody>
</table>

$ in Millions
Highlights of the FY 2023 CIP Budget
Available revenues drive the types of projects that get funded
## Highlights of the FY 2023 Adopted CIP Budget

Pure Water, Water, and Wastewater Account for 75% of the CIP

<table>
<thead>
<tr>
<th>Account</th>
<th>$ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potable Reuse (Pure Water)</td>
<td>$349.0</td>
</tr>
<tr>
<td>Water</td>
<td>$180.1</td>
</tr>
<tr>
<td>Wastewater</td>
<td>$99.7</td>
</tr>
<tr>
<td>Buildings</td>
<td>$63.8</td>
</tr>
<tr>
<td>Transportation</td>
<td>$60.2</td>
</tr>
<tr>
<td>Drainage</td>
<td>$28.1</td>
</tr>
<tr>
<td>Parks</td>
<td>$32.3</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$8.9</td>
</tr>
<tr>
<td>Landfills</td>
<td>$9.3</td>
</tr>
<tr>
<td>Golf Courses</td>
<td>$2.0</td>
</tr>
<tr>
<td>Airport Assets</td>
<td>$0.7</td>
</tr>
<tr>
<td>Reclaimed Water</td>
<td>$0.0</td>
</tr>
</tbody>
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$ in Millions: $0.0, $100.0, $200.0, $300.0, $400.0
# Prioritizing Projects
(Updated in December 2022)

## Factors

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Legal Compliance and Risk to Health and Safety and Environment</td>
</tr>
<tr>
<td>2</td>
<td>Asset Condition and Service Level</td>
</tr>
<tr>
<td>3</td>
<td>Equal and Equitable Community Investment</td>
</tr>
<tr>
<td>4</td>
<td>Sustainability and Conservation</td>
</tr>
<tr>
<td>5</td>
<td>Funding Availability</td>
</tr>
<tr>
<td>6</td>
<td>Project Readiness</td>
</tr>
<tr>
<td>7</td>
<td>Multi Asset Benefit</td>
</tr>
</tbody>
</table>
Implementing the CIP

- Direction from the Mayor and City Council
- Preservation of Public Safety
- Legal Requirements or Mandates
- Data Driven Asset Management Practices
- City Plans
- Community Input
Implementing Projects
Opportunities for Public Input

• **Contact the Mayor**
  ✓ November – April: during budget development

• **Contact Councilmembers**
  ✓ September: as they develop budget priority memos
  ✓ November: during Council’s review of the Mayor’s Five-Year Outlook
  ✓ December/January: as they update budget priority memos

• **Participate in CIP public outreach process**
  ✓ August/September: every other year through your Community Planning Group

• **Report needs**
  ✓ Get It Done App, Department staff

• **Get involved**
  ✓ Community planning, recreation committees, and other groups
Upcoming Public Meetings & Important Dates

• May:
  • Budget Review Committee hearings: May 3\textsuperscript{rd}-9\textsuperscript{th}
  • City Council meetings: May 3\textsuperscript{rd} and 10\textsuperscript{th} at 6:00 PM
  • Council District Town Halls or budget discussions
  • Contact Councilmembers prior to them sending their final budget priority memoranda to the IBA on May 26\textsuperscript{th}

• June 12th: When City Council makes final budget decisions

• Throughout the year:
  • Review Mayoral or IBA budget reports released
  • Contact the IBA with any questions
Important Budget and Legislative Resources

**IBA Resources**: [https://www.sandiego.gov/iba](https://www.sandiego.gov/iba)
- IBA reports
- Full list of key budget dates
- A Public Guide to the City’s Budget Process
- A Public Guide to Infrastructure

- Call our Office for additional information: **619-236-6555**
- Follow us on Twitter: [@SanDiegoIBA](https://twitter.com/SanDiegoIBA).

**Department of Finance Resources**
- Adopted Budget
- Department of Finance various reports