IBA Crash Course: Understanding the FY 2025 Budget Process

March 2024
Why is the City’s Budget Important?

The Budget is a statement of – and plan to address – City Priorities.
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 existing infrastructure and build new public infrastructure
Understanding the FY 2025 Budget Process

Presentation Overview

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

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

2004
Voters approved a measure to try a Strong Mayor form of government for 5 years. This required an elected mayor to run the city instead of a city manager. Measure also included the creation of the IBA.

2010
Voters approved the Strong Mayor form of government to become permanent.
Why was the IBA Created? (con’t)

After new government structure, new needs followed

- City Council no longer had City Manager as an advisor
- City Council may have different perspectives than the Mayor
- 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

INDEPENDENCE is key
Why our Office’s role is important?

**Internal Role**
- **Reviews** all items that come to City Council
- **Analyses** proposals to inform Councilmembers’ decisions

**External Role**
- **Translates** City business into easily understandable language
- **Public Outreach** on how to be involved in major decisions, like the budget
Public Involvement in the Process is *Key*

Clear Information is *Vital*
The City of SAN DIEGO

BUDGET EQUITY Overview

THE DEPARTMENT OF FINANCE

THE DEPARTMENT OF RACE & EQUITY
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.

- **Inclusive Equity Lens**
  
  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.

- **Equity Opportunity**
  
  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**
  
  **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.
As noted in the City’s Equity Commitment, “Equity is an achievable outcome when disparities are eliminated in systems.” The Operationalizing Equity model shown to the left embodies the approach of the Department of Race & Equity (DRE).
EQUITY FACTORS

Access
- Enhance access to City services or programs, and schools, (i.e. trash and recycling collection, parks and recreation, library, safety response, etc.
- Interpretation and translation

Neighborhood Demographics
- Communities of concern
- Structurally excluded communities

Assets
- Infrastructure: streets, sidewalks, miles of levees, miles of pipes, miles of channels, miles of street sweeping annually, watersheds, pump stations, safety assets, drain structures, facilities, etc.

Process
- Budget Equity
- Tactical Equity Plans
- Policy
EQUITY LENS QUESTIONS:

How does/will this program enhance access to City services or programs?

How does this budget allocation directly benefit specific neighborhoods and City employees?

What are the operational impacts on policy, programs, or practices?

What are the potential unintended consequences and/or burdens to specific neighborhoods and City employees?
BUDGET EQUITY IMPACT STATEMENT (BEIS)

- The **Budget Equity Impact Statement (BEIS)** is a brief, public-facing summary of how your budget addresses identified disparities.
- A summation of responses to the Budget Equity Questionnaire.
- Included in:
  - Executive Budget Review Presentation (EBR)
  - Budget Review Committee Presentation
  - Budget Volume II Narratives
- The BEIS will also include Equity Highlights.
<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application of an Equity Lens into the Budget</td>
<td>• Answers from the Budget Equity Questionnaire will be entered into Public Budget Formulation (PBF) and summarized in the Budget Equity Impact Statement</td>
</tr>
</tbody>
</table>
| Budget Equity Impact Statement (BEIS)                        | • Includes Equity Highlights and Budget Equity Questionnaire responses about ongoing operations and budget adjustment requests  
• Will be presented/published in:  
  • Executive Budget Review (EBR) Presentations  
  • Budget Review Committee Presentations  
  • Volume II Budget Narrative |
| Equity Description *(Only applicable to designated departments)* | • 1-2 paragraph description of what, if any, disparities the program will address  
• Will be published in the Five-Year Outlook – Program Update Requests |
Roles and Authorities in the Budget Process
Budget Process Roles and Authorities

**Mayor**
- Proposes a balanced budget
- Carries out the City budget and services

**IBA**
- Reviews, approves, and amends the Mayor’s Proposed Budget
- Approves the Mayor’s recommended budget changes during the fiscal year
- Analyzes the Mayor’s Proposed Budget and supports Council
- Develops final budget recommendations for Council consideration

**Council**
Budget Process Roles and Authorities (con’t)

Additional Powers and Roles:

Mayor can **veto** Council’s Changes to the Budget

Council can **override** a Mayoral veto with six votes
Budget Process Roles and Authorities (con’t)

Additional Powers and Roles:

Mayor, Council, and IBA monitor expenditures, revenues, and City programs throughout the fiscal year.
IBA Review and Analysis of the Mayor’s Proposed Budget

Projected revenues and expenditures

Impacts of cuts or reductions on service levels

Review of key issues

Evaluate consistency with sound fiscal practices
Key standards for a sound budget

**Budgetary Principles**

- **Balanced budget**
- **One-time** revenues should fund **one-time** expenditures
- **Ongoing** expenditures should be funded by **ongoing** revenues
- Fund annual pension payment
How is the Budget created?

Budget Development Process

Public Input

SEP - OCT
Council Budget Priorities

OCT - NOV
Mayor Releases 5-Year Outlook

NOV - DEC
IBA Reviews 5-Year Outlook

DEC - JAN
Departments Submit Budget Proposals to DoF

JAN - FEB
Council Updates Budget Priorities
How is the Budget created?

Budget Adoption Process

- **APR**
  - Mayor Releases Proposed Budget
  - IBA Releases Review of Proposed Budget

- **MAY**
  - City Council Holds Public Hearings
  - Mayor Releases May Revision to the Budget
  - Council Submits Final Budget Memos to IBA

- **JUN**
  - IBA Releases Final Budget Recommendations
  - Council Discusses Budget Modifications
  - Council Adopts Budget by June 15

Public Input - Ongoing
FY 2024 Budget Overview

While the City’s total FY 2024 Budget is $5.17 billion, the **General Fund** has the most freedom to fund City services.
FY 2024 General Fund Revenues

Total: $2 Billion

($ in millions)

- Property Tax: $758.6 (38%)
- Sales Tax: $401.7 (20%)
- Transient Occupancy Tax: $172.6 (9%)
- Other: $574.6 (28%)
- Franchise Fees: $110.3 (5%)

Total: $2 Billion ($ in millions)
How much the City Receives from Major Taxes

Property Tax Rate: 1% of Assessed Value

City receives 18¢
Other entities receive 82¢

Sales Tax Rate: 7.75% on Taxable Sales

City receives 13¢
Other entities receive 87¢
FY 2024 General Fund Expenditures

Total: $2.1 Billion

($ in millions)

- Police: $622.9, 30%
- Fire-Rescue: $351.7, 17%
- Park & Recreation: $178.3, 9%
- Environmental Services: $104.7, 5%
- Transportation: $101.8, 5%
- Library: $73.2, 3%
- Stormwater: $61.9, 3%
- Homelessness Strategies & Solutions: $44.0, 2%
- Other: $337.1, 16%
- Citywide Program Expenditures: $206.3, 10%
Mayor’s Five-Year Outlook FY 2025-2029

General Fund Revenue and Expenditures
($ in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2024</td>
<td>$2,250.0</td>
<td>-</td>
</tr>
<tr>
<td>FY 2025</td>
<td>$2,750.0</td>
<td>$250.0</td>
</tr>
<tr>
<td>FY 2026</td>
<td>$2,250.0</td>
<td>$500.0</td>
</tr>
<tr>
<td>FY 2027</td>
<td>$2,750.0</td>
<td>$750.0</td>
</tr>
<tr>
<td>FY 2028</td>
<td>$2,250.0</td>
<td>$1,000.0</td>
</tr>
<tr>
<td>FY 2029</td>
<td>$2,750.0</td>
<td>$1,250.0</td>
</tr>
</tbody>
</table>

Capitalizes:
- $115.4m Shortfall
- $233.4m Shortfall
- $243.5m Shortfall
- $258.3m Shortfall
- $227.3m Shortfall
FY 2025 Operating Budget Priorities Receiving Majority Support

- Homeless and Housing
- Environment and Climate Action
- Public Safety
- Neighborhood Services
- Storm Response and Recovery
- Arts and Culture
- Other Operating Priorities
Capital Improvements Program (CIP) Budget Overview
The City Owns and Maintains a Variety of Infrastructure

- Roads
- Bridges
- Airports
- Parks
- Facilities
- Water Utilities
About the CIP Budget

• Funding either improves existing infrastructure or creates new

• Rolling budget since projects take multiple years to implement

• Restrictions on funding sources is a big driver of what gets funded
FY 2024 CIP Budget by Funding Source

Total: $704 million

- Flexible Funding: $149.3 million (21%)
- Other: $51.9 million (8%)
- Right-of-Way: $34.1 million (5%)
- Community Based: $51.6 million (7%)
- Water and Wastewater: $417.2 million (59%)

($ in millions)
FY 2024 CIP Budget by Asset Type

Total: $704 million
($ in millions)

- Water and Wastewater: $360.1 (51%)
- Buildings: $63.3 (9%)
- Transportation: $161.4 (23%)
- Drainage: $41.1 (6%)
- Parks: $48.9 (7%)
- Other: $29.3 (4%)

Office of the Independent Budget Analyst
Infrastructure is a major challenge for the City

- Capital needs far exceed funding

City's Five-Year Capital Infrastructure Needs, Available Funding, and Gap

<table>
<thead>
<tr>
<th></th>
<th>Available Funding</th>
<th>Capital Needs</th>
<th>Funding Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Funding</td>
<td>$4.44 B</td>
<td>$9.25 B</td>
<td>$4.81 B</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY 2025-2029 CIP Outlook
### Top Unfunded Needs

#### Funded and Unfunded Asset Needs

<table>
<thead>
<tr>
<th>Asset</th>
<th>Funded Needs</th>
<th>Unfunded Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stormwater</td>
<td>$571.7</td>
<td>$1,632.0</td>
</tr>
<tr>
<td>Streets and Roads – Pavement</td>
<td>264.2</td>
<td>989.3</td>
</tr>
<tr>
<td>Parks</td>
<td>302.5</td>
<td>773.4</td>
</tr>
<tr>
<td>Streetlights</td>
<td>24.4</td>
<td>427.0</td>
</tr>
<tr>
<td>Fire–Rescue</td>
<td>75.3</td>
<td>282.1</td>
</tr>
<tr>
<td>Police</td>
<td>0.9</td>
<td>167.6</td>
</tr>
<tr>
<td>Existing Facilities</td>
<td>5.9</td>
<td>140.3</td>
</tr>
</tbody>
</table>
How do projects get into the CIP?

Identifying Needed Projects
- Direction from Mayor/Council
- Preservation of Public Safety
- Legal Requirements
- City Plans
- Community Input

Prioritizing Projects
- Legal Compliance
- Equity

Identifying Funding for Projects
- Condition Levels
- Funding Availability
- General Fund
- Non-City Sources (grants, loans)
- Other City Funds (infrastructure fund, bonds)

Implementing Projects

Asset Benefits
FY 2025 CIP Priorities Receiving Majority Support

- Transportation and Mobility Safety
- Sidewalks
- Streets
- American with Disabilities Act
- Stormwater
- Facilities
Get Involved
Opportunities for Public Input

**Contact the Mayor**
- November – April: during budget development

**Contact Councilmembers**
- September: as they develop their budget priorities
- November: during their review of the 5-Year Outlook
- December/January: as they update their budget priorities

Get involved in community planning, recreation committees, and other groups

Report needs through the *Get It Done App* or department staff

Online City survey to provide input on infrastructure
Office of the Independent Budget Analyst

Upcoming Public Meetings

- **APRIL 12**: Mayor releases Proposed Budget
- **APRIL 26**: IBA releases review of Proposed Budget
- **May 1-7**: BRC convenes
- **May 1**: Public input at 6PM BRC meeting
- **May 8**: Council sends IBA final budget memos
- **May 22**: Public input at 6PM Council meeting
- **June 7**: BRC discusses budget modifications
- **June 11**: Council approves FY 2025 Budget
Important Resources

Office of the IBA

Website: [https://www.sandiego.gov/iba](https://www.sandiego.gov/iba)
- IBA Reports
- Key Budget Dates
- Public’s Guide to the Budget
- Public’s Guide to Infrastructure

X (Twitter) Office of the Independent Budget Analyst @SanDiegoIBA

Phone number 619-236-6555

Department of Finance

Website: [https://www.sandiego.gov/finance](https://www.sandiego.gov/finance)

Other Financial Reports

Adopted Budget

Other Financial Reports
Thank you for participating!

We’re happy to take questions!

https://rb.gy/a0s5h2