



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 17, 2025

IBA Report Number: 25-22 REV

City Council Meeting Date: July 28, 2025

Item Number: TBD

Proposed FY 2026 Statement of Budgetary Principles

BACKGROUND

The Statement of Budgetary Principles (Principles) was first put in 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 eighteen fiscal years, the Principles have been adopted by the City Council as an accompanying resolution to the Appropriation Ordinance (AO) to preserve the intent of the AO as an appropriation setting document rather than a policy document. The Principles also help establish a framework for the administration of the Fiscal Year 2026 Budget by the Mayor; support a fiscally responsible budget process; and facilitate better communication on fiscal matters between the Council and the Mayor. The AO for the FY 2026 Adopted Budget was approved by the City Council on June 30, 2025. The Principles represent an annual agreement between the City Council and the Mayor, which we recommend be continued in FY 2026.

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

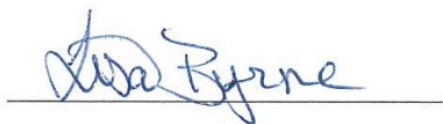
¹ The Principles were part of a larger movement that has, over time, codified areas of authority and practice in relation to budget and administrative City governance after the Strong Mayor/Strong Council form of government was put in place. Other documents that have clarified the roles of the Executive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

Our Office developed the proposed FY 2026 Principles based on the FY 2025 Statement of Budgetary Principles, obtaining review and input from the Department of Finance, as well as the City Attorney's Office. The resulting proposed FY 2026 Principles, which largely mirror the FY 2025 Principles, were presented to the Budget and Government Efficiency (B&GE) Committee on July 16, 2025. Revisions from FY 2025 to FY 2026 are mostly date changes or technical adjustments, with the inclusion of two changes that are more substantive in nature. The first is a requirement for the Department of Finance to notify Council about the addition of programmatic supplemental positions outside the budget adoption process via the quarterly budget monitoring reports (section C.2.). The second is the inclusion of language that would allow time for technical and operational review of budget reductions proposed by Council during final budget deliberations (section C.7.).

At the July 16 B&GE meeting, the Committee forwarded the proposed FY 2026 Principles to Council with modifications to the new section C.7. language mentioned above. These changes include that Councilmembers "are encouraged to", rather than "will", present and discuss any proposed amendments to the budget prior to the Council's final budget adoption meeting. Additionally, the language change includes that such presentation and discussion of any proposed amendments will be with the Office of the Independent Budget Analyst (IBA), rather than at the last Budget Review Committee meeting prior to the Council's final budget adoption meeting.

The resulting new language is incorporated in the proposed Principles, which appear in Attachment 1 to this report. Revisions from the FY 2025 Statement of Budgetary Principles document to the FY 2026 Principles are delineated in Attachment 2 to this report, which is the "redline" version of the proposed FY 2026 Principles. Note that the B&GE Committee's modification to the proposed FY 2026 Principles is further delineated as highlighted text within the redline version.

The proposed FY 2026 Statement of Budgetary Principles will be presented to Council for review and adoption on July 28, 2025. Since this is an agreement between the City's two branches of government, any proposed revisions will also be subject to Mayoral approval.



Lisa Byrne
Principal Fiscal and Policy Analyst



Charles Modica
Independent Budget Analyst

- Attachments: 1. FY 2026 Statement of Budgetary Principles – Clean Copy
2. FY 2026 Statement of Budgetary Principles – Redline Copy

FY 2026 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 15, 2025, the Mayor released the Fiscal Year 2026 Proposed Budget (Draft Budget) to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2026 Proposed Budget; and

WHEREAS, between April 15 and June 10, 2025 the City Council held more than one public hearing to consider the City's Fiscal Year 2026 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 2026 Budget; and

WHEREAS, on May 14, 2025, the Mayor, Chief Financial Officer, and Department of Finance Director and City Comptroller provided the City Council with their May Revision to the Fiscal Year 2026 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May 19, 2025, the May Revision was presented to the City Council; and

WHEREAS, Councilmembers submitted their budget modification priorities to the Independent Budget Analyst on May 21, 2025 to assist with the development of final budget recommendations; and

WHEREAS, on June 3, 2025, the Independent Budget Analyst's final report and recommendations on the FY 2026 Budget (IBA Report 25-18, *Recommended City Council Modifications to the Mayor's Proposed FY 2026 Budget and Review of the May Revision*) was issued; and

WHEREAS, on June 10, 2025, the City Council approved the City's Fiscal Year 2026 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the IBA's final report and recommendations on the FY 2026 Budget, 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 18, 2025, the Mayor vetoed the Council's FY 2026 Budget Resolution, in accordance with Charter section 69(g); and

WHEREAS, on June 23, 2025, the Council partially overrode the Mayor's veto via Council's Final Budget Resolution (R-316263), which is the Fiscal Year 2026 Adopted Budget, in accordance with Charter section 69(h); 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, and for the Fiscal Year 2026 Budget the Appropriation Ordinance was adopted on June 30, 2025; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2026 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, the Mayor shall bring forward to the City Council a budget amendment resolution with any recommended mid-year budget adjustments to address any projected surplus or deficit, and the Mayor shall also notify the Council of significant reductions in programs or services; and

WHEREAS, in addition to preserving the intent of the Appropriation Ordinance as an appropriation setting document rather than a policy document, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor, to ensure a fiscally responsible budget process, and to establish a framework for the administration by the Mayor of the Fiscal Year 2026 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

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles during FY 2026:

A. Communication on Budgeted Programs and Services

1. The Mayor, or his designee, will provide written reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be presented in a public meeting 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. In accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, the Mayor shall bring forward to the City Council, as part of the Mid-Year Budget Monitoring Report, a report of any projected deficit or surplus, with any accompanying budget amendment resolution to address the reported deficit or surplus. The Mayor may recommend budgeting all, none, or any portion of any projected surplus, and shall provide a recommendation to the City Council to address any projected deficit.

4. Also consistent with Chapter 2, Article 2, Division 2 of the Municipal Code, prior to any significant reduction in service levels or planned elimination or delay of programs or services as represented and funded in the FY 2026 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 level impacts, including potential unintended consequences and/or burdens that create disproportionate inequity for Communities of Concern. In addition, when written notice of a program planned to be delayed, reduced, or eliminated has been provided, the Budget and Government Efficiency Committee must place such written notice on the Committee's next available meeting agenda for discussion.
5. 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.

B. Appropriation Ordinance

1. Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year 2026 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2026 Budget, including the appropriations reflected in the Fiscal Year 2026 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. It is the Council's intent that the services funded in the adopted Fiscal Year 2026 Budget be implemented equally and equitably: *equally* in that every resident should receive the same level of service no matter where they live or how they identify; and *equitably* by recognizing that each individual, family, neighborhood, and community has different circumstances, and applying an equity lens to eliminate institutional racism and systemic disparities.
3. The Council shall have no authority to make or adopt changes to the Fiscal Year 2026 Budget without first receiving a funding recommendation from 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 2026 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 2026 Budget, as approved by the Council. The Appropriation Ordinance specifies the spending

authority by department and by fund, and all other conditions, authorizations, and requirements appropriate therefore. The Appropriation Ordinance includes necessary budget delegation to carry out the business of the City; the Appropriation Ordinance does 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.

C. Principles for an Effective, Collaborative, and Transparent Mayor-Council Form of Government: as Applicable to the City's Budget Process

1. The following principles should be followed to ensure a fiscally responsible budget process:
 - a. Establish a plan to eliminate any structural budget deficit via ongoing expenditure reductions and/or generation of ongoing revenues, including identifying new revenue sources.
 - b. Support ongoing expenditures with ongoing revenues, rather than one-time revenues; one-time revenues should only support one-time expenditures.
 - c. Prepare a Five-Year Financial Outlook (Outlook) in November of each year. The Mayor will present the Outlook to the Budget and Government Efficiency Committee and City Council and discuss alternative budget balancing options with the Committee, Council, and Independent Budget Analyst should the Outlook suggest an ongoing structural deficit.
 - d. Actively pursue alternative service delivery methods, including efficiency improvements, elimination of service duplications, process streamlining, and consideration of insourcing services that are currently outsourced.
 - e. Prioritize City service expenditures based on City Charter requirements, public input, benchmarking studies, departmental goals, performance data, and equitable provision of services across all areas of the City.
 - f. Identify ongoing operational expenses and supportive funding when deciding to construct new facilities or establish new programs.
 - g. Adhere to the City's Reserve Policy, including budgeting for required contributions to reserves.
 - h. Commit to only using the General Fund Stability Reserve as a one-time resource for critical needs. Per the City's Reserve Policy, in the event the

Stability Reserve is reduced below the established policy amount, “the Mayor shall prepare a plan no later than one year from the reserve action to replenish the Stability Reserve balance to the policy level.”

Additionally, the Mayor should identify future ongoing resources to support any ongoing items funded through use of the Stability Reserve.

- i. Achieve 100 percent cost recovery for programs and services that are intended to be fully cost recoverable through fees. When approving fees for City services, less than 100 percent cost recovery can be considered to achieve a policy objective, for compliance with regulatory requirements or statutes, or when the collection of fees is not cost-effective.
 - j. Maintain full funding of the Actuarially Determined Contribution (ADC) pension payment as required by City Charter section 143; and fund the City’s retiree healthcare costs in a manner that meets the obligations related to eligible members while keeping the CalPERS Employer Retiree Benefit Trust solvent over the applicable benefit years.
 - k. Develop a plan to fund deferred capital infrastructure and maintenance needs. 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.
 - l. Consider the debt service ratios established in the City’s Debt Policy when planning for debt issuances and appropriations.
2. To mitigate the addition of programmatic supplemental positions¹ outside the Budget adoption process, the Mayor should recommend all new positions anticipated to be needed in the upcoming fiscal year in the Proposed Budget or the May Revision, or will otherwise recommend further anticipated positions to Council for consideration during Council’s final actions to adopt the Budget. If programmatic supplemental positions are needed during the fiscal year, requests for those positions should only be initiated after the conclusion of the fiscal year's first quarter, except in the event that the need for supplemental positions was not known before Budget approval and waiting until the conclusion of the fiscal year’s first quarter would restrict the City’s ability to provide critical services to residents. The Department of Finance will notify Council about the addition of programmatic supplemental positions within the quarterly budget monitoring reports.
 3. Key Performance Indicators will be reviewed and discussed at the Budget and Government Efficiency Committee (or other Committee as appropriate) during FY

¹ Programmatic supplemental positions include permanent or (time) limited positions that are added to City operations for service enhancement purposes and should be used sparingly and for unanticipated critical needs. Programmatic supplemental positions do not include supplemental positions used to address operational gaps that exist when employees on extended leave are unavailable to work or similar circumstances.

2026. The Mayor includes such performance measure results and goals for City services as part of the Proposed Budget and final Adopted Budget.

4. The Mayor will cooperate and collaborate with the Council and the Office of Independent Budget Analyst, including but not limited to, supplying requested information concerning the budget process and fiscal condition of the City.
5. The Mayor will work collaboratively with the Independent Budget Analyst, City Attorney, Council Committees, and Council to efficiently carry out Council-initiated policy directives; services, including constituent services; and programs that have been included in the Adopted Budget.
6. The Mayor will work collaboratively with the Independent Budget Analyst, City Attorney, and Council to efficiently carry out the City's labor relations policies and duties under State and local law. The Mayor will propose an annual Salary Ordinance to the Council that is consistent with any existing Memoranda of Understanding between the City and its recognized employee organizations or otherwise in conformance with the Meyers-Milias-Brown Act (MMBA), City Council Policy 300-06, or any other legal requirements governing labor relations. Per City Charter section 290, the Salary Ordinance passed by the Council shall become a controlling document for the preparation of the annual Appropriation Ordinance for the ensuing fiscal year.
7. In order to allow Council to receive feedback on the impacts of Council's final budget adjustments – including potential operational and service-level impacts of Councilmember proposed budget reductions (including positions and non-personnel expenditures) – and to allow time for any necessary technical corrections, Councilmembers are encouraged to present and discuss any proposed amendments with the Office of the IBA prior to the Council's final budget adoption meeting.

FY ~~2025~~2026 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, 2024~~15, 2025, the Mayor released the Fiscal Year ~~2025~~2026 Proposed Budget (Draft Budget) to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2025~~2026 Proposed Budget; and

WHEREAS, between April ~~12~~15 and June ~~11, 2024~~10, 2025 the City Council held more than one public hearing to consider the City's Fiscal Year ~~2025~~2026 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 ~~2025~~2026 Budget; and

WHEREAS, on May 14, ~~2024~~2025, the Mayor, ~~Chief Operating Officer~~, Chief Financial Officer, and Department of Finance Director and City Comptroller provided the City Council with their May Revision to the Fiscal Year ~~2025~~2026 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May ~~16, 2024~~19, 2025, the May Revision was presented to the City Council ~~sitting as the Budget Review Committee~~; and

WHEREAS, Councilmembers submitted their budget modification priorities to the Independent Budget Analyst on May ~~22, 2024~~21, 2025 to assist with the development of final budget recommendations; and

WHEREAS, on June ~~4, 2024~~3, 2025, the Independent Budget Analyst's final report and recommendations on the FY ~~2025~~2026 Budget (IBA Report ~~24-1425-18~~, *Recommended City Council Modifications to the Mayor's Proposed FY ~~2025~~2026 Budget and Review of the May Revision*) was issued; and

WHEREAS, on June ~~11, 2024~~10, 2025, the City Council approved the City's Fiscal Year ~~2025~~2026 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the IBA's final report and recommendations on the FY ~~2025~~2026 Budget, 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 ~~14, 2024~~18, 2025, the Mayor ~~signed~~vetoed the Council's FY 2026 Budget Resolution, in accordance with Charter section 69(g); and

WHEREAS, on June 23, 2025, the Council partially overrode the Mayor's veto via Council's Final Budget Resolution (R-315627,316263), which is the Fiscal Year ~~2025~~2026 Adopted Budget, in accordance with Charter section 69(~~gh~~); 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, and for the Fiscal Year ~~2025~~2026 Budget the Appropriation Ordinance was adopted on June ~~25, 2024~~30, 2025; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year ~~2025~~2026 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, the Mayor shall bring forward to the City Council a budget amendment resolution with any recommended mid-year budget adjustments to address any projected surplus or deficit, and the Mayor shall also notify the Council of significant reductions in programs or services; and

WHEREAS, in addition to preserving the intent of the Appropriation Ordinance as an appropriation setting document rather than a policy document, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor, to ensure a fiscally responsible budget process, and to establish a framework for the administration by the Mayor of the Fiscal Year ~~2025~~2026 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

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles during FY ~~2025~~2026:

A. Communication on Budgeted Programs and Services

1. The Mayor, or his designee, will provide written reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be presented in a public meeting 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. In accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, the Mayor shall bring forward to the City Council, as part of the Mid-Year Budget Monitoring Report, a report of any projected deficit or surplus, with any accompanying budget amendment resolution to address the reported deficit or surplus. The Mayor may recommend budgeting all, none, or any portion of any

projected surplus, and shall provide a recommendation to the City Council to address any projected deficit.

4. Also consistent with Chapter 2, Article 2, Division 2 of the Municipal Code, prior to any significant reduction in service levels or planned elimination or delay of programs or services as represented and funded in the FY ~~2025~~2026 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 level impacts, including potential unintended consequences and/or burdens that create disproportionate inequity for Communities of Concern. In addition, when written notice of a program planned to be delayed, reduced, or eliminated has been provided, the Budget and Government Efficiency Committee must place such written notice on the Committee's next available meeting agenda for discussion.
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B. Appropriation Ordinance

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2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year ~~2025~~2026 Budget, including the appropriations reflected in the Fiscal Year ~~2025~~2026 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. It is the Council's intent that the services funded in the adopted Fiscal Year ~~2025~~2026 Budget be implemented equally and equitably: *equally* in that every resident should receive the same level of service no matter where they live or how they identify; and *equitably* by recognizing that each individual, family, neighborhood, and community has different circumstances, and applying an equity lens to eliminate institutional racism and systemic disparities.
3. The Council shall have no authority to make or adopt changes to the Fiscal Year ~~2025~~2026 Budget without first receiving a funding recommendation ~~off~~from 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 ~~2025~~2026 Budget appropriations within departments in order to best carry out the Council's legislative intent.
 5. The Appropriation Ordinance implements the Fiscal Year ~~2025~~2026 Budget, as approved by the Council. The Appropriation Ordinance specifies the spending authority by department and by fund, and all other conditions, authorizations, and requirements appropriate therefore. The Appropriation Ordinance includes necessary budget delegation to carry out the business of the City; the Appropriation Ordinance does 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.
- C. Principles for an Effective, Collaborative, and Transparent Mayor-Council Form of Government: as Applicable to the City's Budget Process
1. The following principles should be followed to ensure a fiscally responsible budget process:
 - a. Establish a plan to eliminate any structural budget deficit via ongoing expenditure reductions and/or generation of ongoing revenues, including identifying new revenue sources.
 - b. Support ongoing expenditures with ongoing revenues, rather than one-time revenues; one-time revenues should only support one-time expenditures.
 - c. Prepare a Five-Year Financial Outlook (Outlook) in ~~the fall~~November of each year. The Mayor will present the Outlook to the Budget and Government Efficiency Committee and City Council and discuss alternative budget balancing options with the Committee, Council, and Independent Budget Analyst should the Outlook suggest an ongoing structural deficit.
 - d. Actively pursue alternative service delivery methods, including efficiency improvements, elimination of service duplications, process streamlining, and consideration of insourcing services that are currently outsourced.
 - e. Prioritize City service expenditures based on City Charter requirements, public input, benchmarking studies, departmental goals, performance data, and equitable provision of services across all areas of the City.
 - f. Identify ongoing operational expenses and supportive funding when deciding to construct new facilities or establish new programs.

- g. Adhere to the City's Reserve Policy, including budgeting for required contributions to reserves.
 - h. Commit to only using the General Fund Stability Reserve as a one-time resource for critical needs. Per the City's Reserve Policy, in the event the Stability Reserve is reduced below the established policy amount, "the Mayor shall prepare a plan no later than one year from the reserve action to replenish the Stability Reserve balance to the policy level." Additionally, the Mayor should identify future ongoing resources to support any ongoing items funded through use of the Stability Reserve.
 - i. Achieve 100 percent cost recovery for programs and services that are intended to be fully cost recoverable through fees. When approving fees for City services, less than 100 percent cost recovery can be considered to achieve a policy objective, for compliance with regulatory requirements or statutes, or when the collection of fees is not cost-effective.
 - j. Maintain full funding of the Actuarially Determined Contribution (ADC) pension payment as required by City Charter section 143; and fund the City's retiree healthcare costs in a manner that meets the obligations related to eligible members while keeping the CalPERS Employer Retiree Benefit Trust solvent over the applicable benefit years.
 - k. Develop a plan to fund deferred capital infrastructure and maintenance needs. 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.
 - l. Consider the debt service ratios established in the City's Debt Policy when planning for debt issuances and appropriations.
2. To mitigate the addition of programmatic supplemental positions¹ outside the Budget adoption process, the Mayor should recommend all new positions anticipated to be needed in the upcoming fiscal year in the Proposed Budget or the May Revision, or will otherwise recommend further anticipated positions to Council for consideration during Council's final actions to adopt the Budget. If programmatic supplemental positions are needed during the fiscal year, requests for those positions should only be initiated after the conclusion of the fiscal year's first quarter, except in the event that the need for supplemental positions was not known

¹ Programmatic supplemental positions include permanent or (time) limited positions that are added to City operations for service enhancement purposes and should be used sparingly and for unanticipated critical needs. ~~The limiting of these Programmatic supplemental~~ positions ~~is do~~ not ~~intended to limit include~~ supplemental positions used to address operational gaps that exist when employees on extended leave are unavailable to work or ~~other administrative uses of supplemental positions-similar circumstances.~~

before Budget approval and waiting until the conclusion of the fiscal year's first quarter would restrict the City's ability to provide critical services to residents. The Department of Finance will notify Council about the addition of programmatic supplemental positions within the quarterly budget monitoring reports.

3. Key Performance Indicators- will be reviewed and discussed at the Budget and Government Efficiency Committee (or other Committee as appropriate) during FY ~~2025~~2026. The Mayor includes such performance measure results and goals for City services as part of the Proposed Budget and final Adopted Budget.
4. The Mayor will cooperate and collaborate with the Council and the Office of Independent Budget Analyst, including but not limited to, supplying requested information concerning the budget process and fiscal condition of the City.
5. The Mayor will work collaboratively with the Independent Budget Analyst, City Attorney, Council Committees, and Council to efficiently carry out Council-initiated policy directives; services, including constituent services; and programs that have been included in the ~~annual-adopted budget~~Adopted Budget.
6. The Mayor will work collaboratively with the Independent Budget Analyst, City Attorney, and Council to efficiently carry out the City's labor relations policies and duties under State and local law. The Mayor will propose an annual Salary Ordinance to the Council that is consistent with any existing Memoranda of Understanding between the City and its recognized employee organizations or otherwise in conformance with the Meyers-Milias-Brown Act (MMBA), City Council Policy 300-06, or any other legal requirements governing labor relations. Per City Charter section 290, the Salary Ordinance passed by the Council shall become a controlling document for the preparation of the annual Appropriation Ordinance for the ensuing fiscal year.
7. In order to allow Council to receive feedback on the impacts of Council's final budget adjustments – including potential operational and service-level impacts of Councilmember proposed budget reductions (including positions and non-personnel expenditures) – and to allow time for any necessary technical corrections, Councilmembers will are encouraged to present and discuss any proposed amendments to the Proposed Budget and May Revision at the last Budget Review Committee meeting with the Office of the IBA prior to the Council's final budget adoption meeting.