



THE CITY OF SAN DIEGO

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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** July 18, 2022

**IBA Report Number:** 22-18 REV

**City Council:** August 1, 2022

**Item Number:** TBD

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# Proposed FY 2023 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 fourteen 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 AO for the FY 2023 Adopted Budget was approved by the City Council on June 28, 2022. The Principles represent an annual agreement between the City Council and the Mayor, which we recommend be continued in FY 2023.

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.<sup>1</sup>

The proposed FY 2023 Principles attached to this report closely mirror the FY 2022 Principles with two notable changes. The first is updating a reference to the City's former data dashboard. The FY 2022 Principles state that performance data will be displayed on the City's performance

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<sup>1</sup> 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, pursuant to the City's Municipal Code (Section 22.0229, amended by O-20551).

dashboard called PerformSD, which has been discontinued. In its place, the City has launched, and continues to build-out, the Strategic Plan Dashboard. Therefore, our Office is proposing to make corresponding changes to reflect this update. The second change is the incorporation of budget equity within the Communication section and Appropriation Ordinance section of the Statement of Budgetary Principles. This proposed change is in response to a request made by Council President Elo-Rivera at the Budget and Government Efficiency Committee on July 13, 2022. Our Office has worked with the Office of Race and Equity and the Department of Finance on the proposed amendment.

This draft of the Principles will be presented to the full City Council for review and adoption on August 1, 2022. Since this is an agreement between the City’s two branches of government, any proposed revisions made at the Council meeting will also be subject to Mayoral approval.



Jillian Kisse  
Deputy Director



APPROVED: Charles Modica  
Independent Budget Analyst

- Attachments: 1. FY 2023 Statement of Budgetary Principles – Clean Copy  
2. FY 2023 Statement of Budgetary Principles – Redline Copy

**FY 2023 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, 2022, the Mayor released the Fiscal Year 2023 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2023 Proposed Budget; and

WHEREAS, between April 15 and June 13, 2022 the City Council held more than one public hearing to consider the City's Fiscal Year 2023 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 2023 Budget; and

WHEREAS, on May 17, 2022, the 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 2023 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May 19, 2022, 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 27, 2022 to assist with the development of final budget recommendations; and

WHEREAS, on June 8, 2022, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY 2023 Budget (IBA Report #22-15 *Recommended City Council Modifications to the Mayor's Proposed FY 2023 Budget and Review of the May Revision*) was issued; and

WHEREAS, on June 13, 2022, the City Council approved the City's Fiscal Year 2023 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 2023 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 17, 2022, the Mayor signed Budget Resolution R-314153, which is the Fiscal Year 2023 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 2023 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2023 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 2023 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 2023 Budget:

Fiscal Year 2023 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 2023 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, including potential

unintended consequences and/or burdens that create disproportionate inequity for Communities of Concern.

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 2023 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 2023 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2023 Budget, including the appropriations reflected in the Fiscal Year 2023 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 2023 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 2023 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 2023 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 2023 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.

Fiscal Year 2023 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 2022 and present the results to the Budget and Government Efficiency Committee and City Council.
3. In FY 2023, the City’s Strategic Plan Dashboard will display metrics that demonstrate progress towards achieving outcomes in the Strategic Plan. 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 2023. The data will be evaluated for updates regularly in FY 2023. Additional performance measures may be evaluated and added to the performance dashboard in FY 2023.
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 ~~2022-2023~~ STATEMENT OF BUDGETARY PRINCIPLES**

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WHEREAS, on April 15, ~~2021-2022~~, the Mayor released the Fiscal Year ~~2022~~ 2023 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2022-2023~~ Proposed Budget; and

WHEREAS, between April 15 and June ~~14~~13, ~~2021-2022~~ the City Council held more than one public hearing to consider the City's Fiscal Year ~~2022-2023~~ 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 ~~2022-2023~~ Budget; and

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WHEREAS, on May ~~20~~19, ~~2021-2022~~, 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 ~~26~~27, ~~2021-2022~~ to assist with the development of final budget recommendations; and

WHEREAS, on June ~~9~~8, ~~2021-2022~~, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY ~~2022-2023~~ Budget (IBA Report #~~21-1822-15~~ *Recommended City Council Modifications to the Mayor's Proposed FY 2022 2023 Budget and Review of the May Revision*) was issued; and

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2. The Mayor will update the City’s Five-Year Financial Outlook (Outlook) in November ~~2021-2022~~ and present the results to the Budget and Government Efficiency Committee and City Council.
3. In FY ~~2022~~2023, the City’s ~~performance dashboard, PerformSD Strategic Plan Dashboard,~~ will display metrics that demonstrate progress towards achieving outcomes in the Strategic Plan. ~~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 ~~2022~~2023. The data will be evaluated for updates ~~quarterly regularly~~ regularly in FY ~~2022~~2023, ~~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 ~~2022~~2023.
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