



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 18, 2023

IBA Report Number: 23-16 REV

City Council Meeting Date: July 31, 2023

Item Number: TBD

Proposed FY 2024 Statement of Budgetary Principles

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 sixteen 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 2024 Adopted Budget was approved by the City Council on June 27, 2023. The Principles represent an annual agreement between the City Council and the Mayor, which we recommend be continued in FY 2024.

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


For FY 2024 our Office worked with the Department of Finance to prepare an updated set of agreed-upon Principles; and on July 12, 2023 we presented them to the Budget & Government Efficiency (B&GE) Committee, which recommended their approval, with one modification. The

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).

Committee requested that our Office work with the Department of Finance to develop a new Principle limiting the addition of supplemental positions immediately following budget approval for a fiscal year. The resulting new language is incorporated in the proposed Principles, which appear in Attachment 1 to this report.

Aside from the addition discussed above, the proposed FY 2024 Principles largely mirror the FY 2023 Principles. Revisions from FY 2023 to the FY 2024 proposal are mostly date changes or technical adjustments, with an addition on the bottom of the last page to further align the Principles with the “[Ten Fundamental Principles](#)” included in Resolution 307737 (approved by Council on October 15, 2012). The revisions from FY 2023 to FY 2024 are delineated in Attachment 2 to this report, which is the “redline” version of the proposed FY 2024 Principles. Note that the new Principle that has been developed to address the B&GE Committee’s request is further delineated as highlighted text in the redline version.

The proposed FY 2024 Statement of Budgetary Principles will be presented to the full City Council for review and adoption on July 31, 2023. 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.



Lisa Byrne
Principal Fiscal and Policy Analyst



Charles Modica
Independent Budget Analyst

- Attachments: 1. FY 2024 Statement of Budgetary Principles – Clean Copy
2. FY 2024 Statement of Budgetary Principles – Redline Copy

FY 2024 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 14, 2023, the Mayor released the Fiscal Year 2024 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2024 Proposed Budget; and

WHEREAS, between April 14 and June 12, 2023 the City Council held more than one public hearing to consider the City's Fiscal Year 2024 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 2024 Budget; and

WHEREAS, on May 16, 2023, 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 2024 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May 18, 2023, 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 26, 2023 to assist with the development of final budget recommendations; and

WHEREAS, on June 7, 2023, the Independent Budget Analyst's Final Report and Recommendations on the FY 2024 Budget (IBA Report 23-12 REV, *Recommended City Council Modifications to the Mayor's Proposed FY 2024 Budget and Review of the May Revision*) was issued; and

WHEREAS, on June 12, 2023, the City Council approved the City's Fiscal Year 2024 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 2024 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 15, 2023, the Mayor signed Budget Resolution R-314971, which is the Fiscal Year 2024 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, and for the Fiscal Year 2024 Budget the Appropriation Ordinance was adopted on June 27, 2023; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2024 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, 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 2024 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 2024 Budget:

Fiscal Year 2024 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 significant reduction in service levels or elimination of programs or services as represented and funded in the FY 2024 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.

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 2024 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 2024 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2024 Budget, including the appropriations reflected in the Fiscal Year 2024 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 2024 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 2024 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 2024 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 2024 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 2024 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 2023 and present the results to the Budget and Government Efficiency Committee and City Council.
3. 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.
4. In FY 2024, 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 2024. The data will be evaluated for updates regularly in FY 2024. Additional

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performance measures may be evaluated and added to the performance dashboard in FY 2024.

5. 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.
6. The Mayor will work cooperatively with 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.

FY ~~2023~~2024 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~~14, 2023, the Mayor released the Fiscal Year ~~2023~~2024 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2023~~2024 Proposed Budget; and

WHEREAS, between April ~~15~~14 and June ~~13, 2022~~12, 2023 the City Council held more than one public hearing to consider the City's Fiscal Year ~~2023~~2024 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~~2024 Budget; and

WHEREAS, on May ~~17, 2022~~16, 2023, 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 ~~2023~~2024 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May ~~19, 2022~~18, 2023, 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 ~~27, 2022~~26, 2023 to assist with the development of final budget recommendations; and

WHEREAS, on June ~~8, 2022~~7, 2023, the Independent Budget Analyst's Final ~~Budget~~ Report and Recommendations on the FY ~~2023~~2024 Budget (IBA Report ~~#22-1523-12 REV~~, *Recommended City Council Modifications to the Mayor's Proposed FY ~~2023~~2024 Budget and Review of the May Revision*) was issued; and

WHEREAS, on June ~~13, 2022~~12, 2023, the City Council approved the City's Fiscal Year ~~2023~~2024 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the ~~IBA~~IBA's Final Report and Recommendations on the FY ~~2023~~2024 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

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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 20232024 Budget the Appropriation Ordinance was adopted on June 27, 2023; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 20232024 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 ~~shall be reported~~ to address any projected surplus or deficit ~~in addition to reporting, and the Mayor shall also notify the Council of~~ 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 20232024 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”~~); (“Ten Fundamental Principles”).

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3. Consistent with Chapter 2, Article 2, Division 2 of the Municipal Code, prior to any significant reduction in service levels or elimination of programs or services as represented and funded in the FY 20232024

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~~level impacts, including potential unintended consequences and/or burdens that create disproportionate inequity for Communities of Concern.

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