

IBA Crash Course: “Understanding the City’s 2019-2020 Budget Process”

January 30, 2019



Independent Budget Analyst





Office of the Independent Budget Analyst (IBA)

IBA provides clear, objective, unbiased analysis and advice to the City Council and the public regarding all legislative items bearing financial and policy impacts to the City of San Diego

- Provides support to the City Council and its Committees and information for the public
- Annually reviews and analyzes the Mayor's Proposed Budget and Five-Year Financial Forecast
- Analyzes and makes recommendations on financial reports and policy matters important to the City Council and the community

Why was the IBA Created?

In 2003, serious financial problems led to a loss of confidence at City Hall

- Loss of confidence led to citizen initiative to do away with City Manager form of government and switch to Strong Mayor/Strong Council which went into effect January 2006
- Strong Mayor ballot included creation of the Office of the IBA to advise the Council



Why our Office's Role is Important

It is critical to have checks and balances between the Executive Branch and the Legislative Branch in a Strong Mayor form of government

- To help ensure the City Council is coequal to the Mayor, the Council needs its own executive-level position to serve as independent advisor on all proposals before the Council



Mayor/Council Roles and Authorities in the Budget Process

As the City's CEO, the Mayor is responsible for:

- Proposing a balanced budget to Council by April 15
- Providing any known changes to the budget in the May Revision, for Council consideration
- Carrying out the City's goals, policies, programs, and services reflected in the budget following adoption by Council

Mayor/Council Roles and Authorities in the Budget Process *cont'd*

The Council:

- Is responsible for reviewing and approving the Proposed Budget on or before June 15
- Has the authority to change budgeted line items or services and programs proposed in the Mayor's budget, as long as the budget remains balanced
- Has final budget authority



Mayor/Council Roles and Authorities in the Budget Process *cont'd*

The Office of the IBA:

- Reviews and analyzes the Mayor's Proposed Budget for Council and the public
- Provides support to the City Council and its Committees throughout the process
- Develops final budget recommendations for City Council consideration

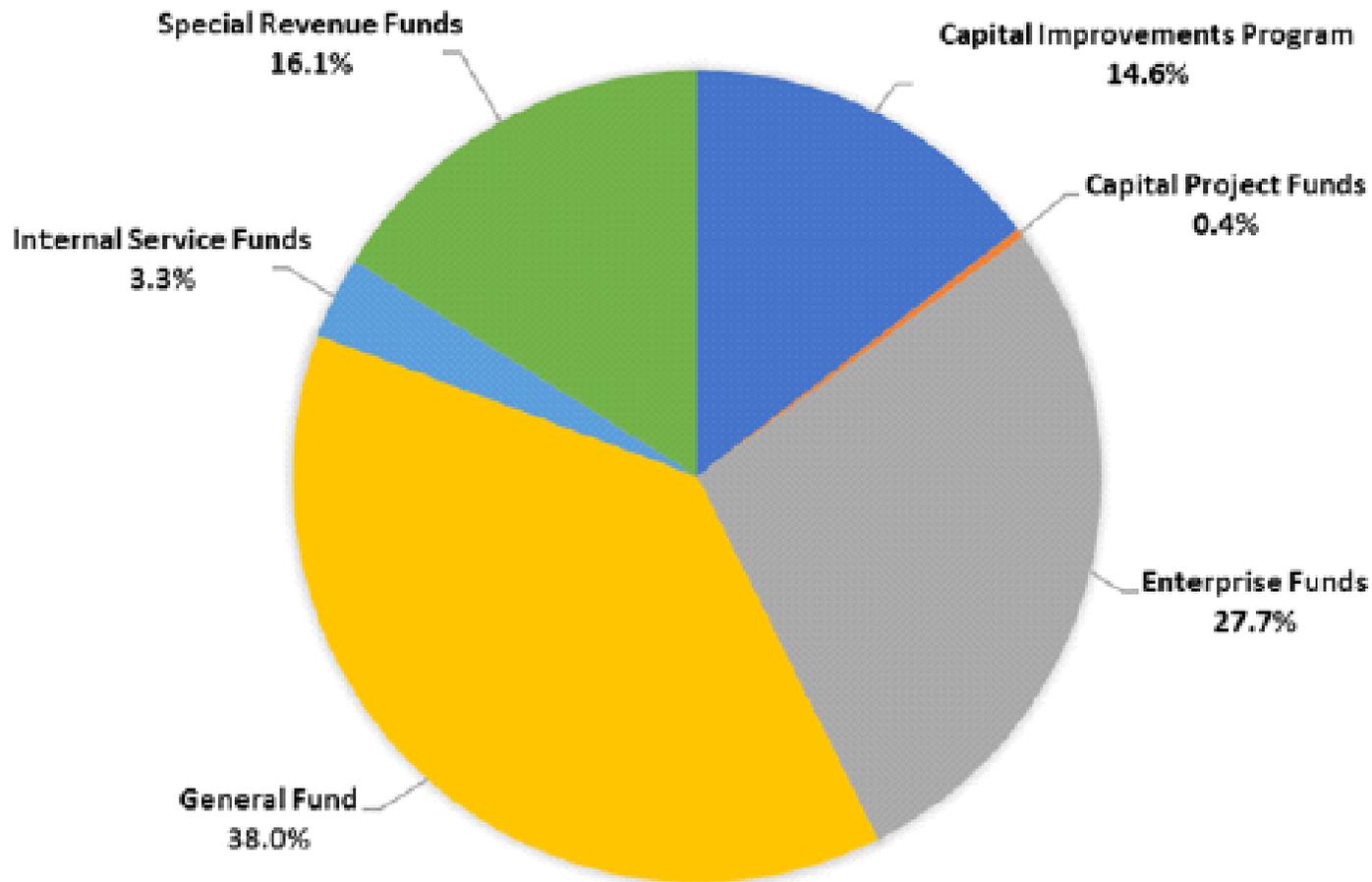
Mayor/Council Roles and Authorities in the Budget Process *cont'd*

- The Mayor can veto Council changes to the Proposed Budget
- The Council can override a Mayoral veto with six votes
- After the budget is adopted, the Mayor, Council, and IBA monitor expenditures, revenues, and significant City programs and services throughout the fiscal year
- Once the budget is adopted only the Mayor can initiate changes to the budget during the fiscal year

FY 2019 Budget Overview

\$3.84 Billion

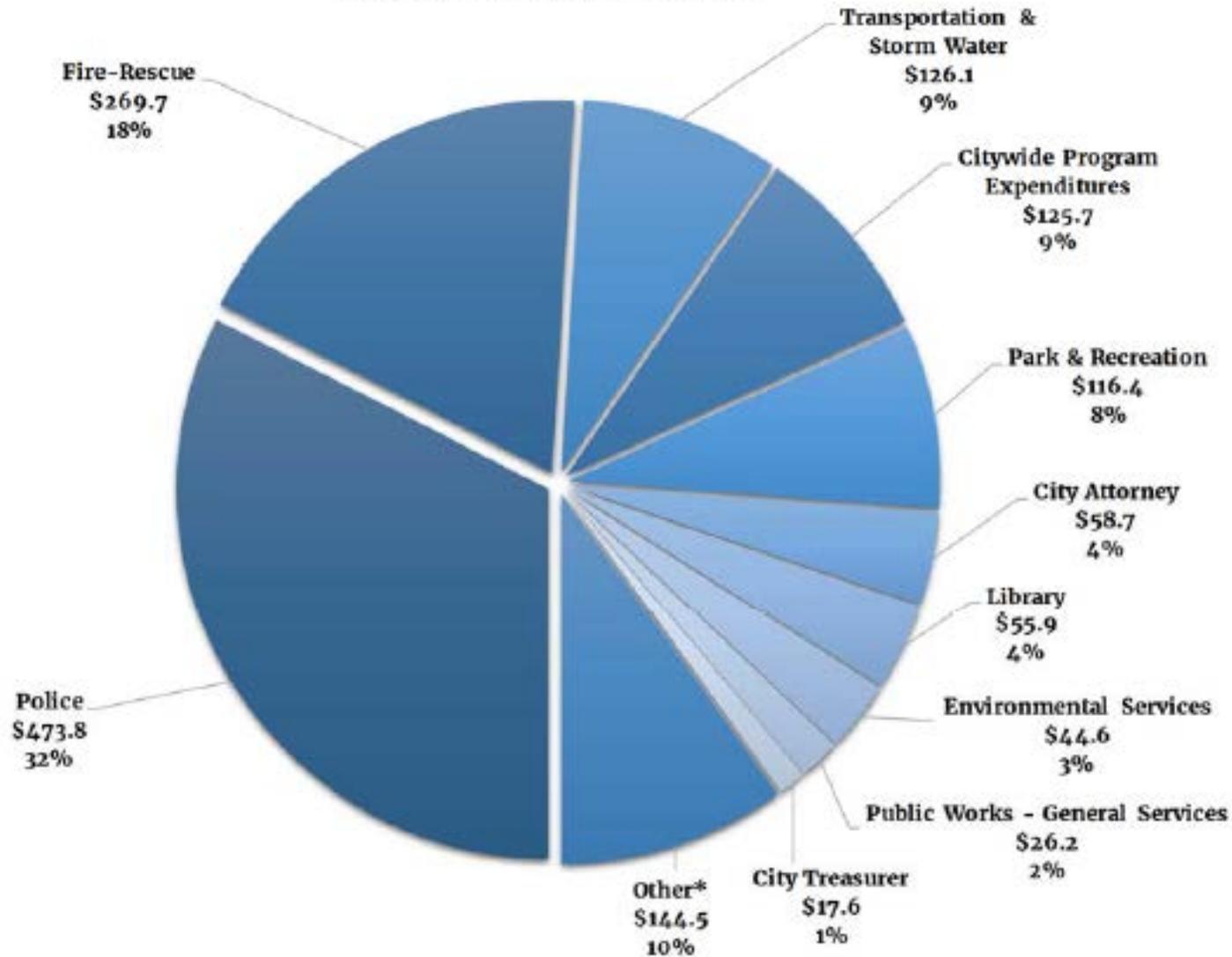
Figure 1: Fiscal Year 2019 Adopted Expenditure Budget by Fund Type/Program



Note: Numbers may not add to 100% due to rounding.

FY 2019 Budget Overview *cont'd* *(General Fund)*

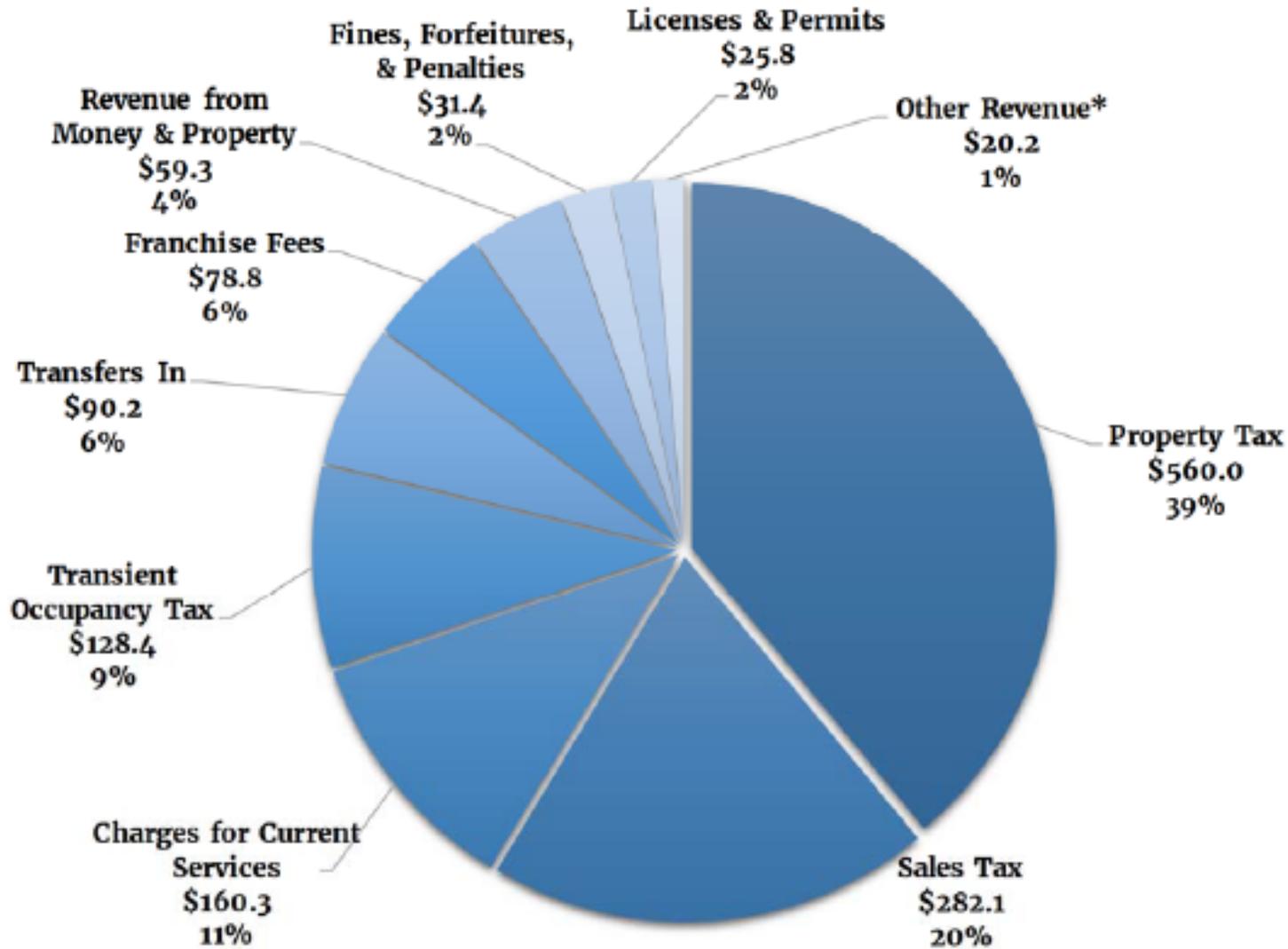
FY 2019 General Fund Expenditures by Department
 (Total: \$1.46 Billion; \$ in millions)



FY 2019 Budget Overview *cont'd* *(General Fund)*

FY 2019 General Fund Revenue

(Total: \$1.44 Billion; \$ in millions)



City Council Budget Policies Guide the Budget
The City's Budget Policy provides standards for developing and monitoring the City's annual operating and capital budget as recommended by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB)

Standards include:

- A balanced budget (expenditures shall not exceed annual revenues plus available unrestricted fund balances)
- Performance measures and reporting of results during the budget process

City Council Budget Policies *cont'd*

- Mayor is required to prepare five-year forecasts for both operating and capital budgets
- Mayor provides quarterly budget monitoring reports to Council
- Public involvement (public hearings and outreach)
- ***One-time*** revenues shall be used to fund ***one-time*** expenditures; ***ongoing*** expenditures shall be supported by ***ongoing*** revenues

City Council Budget Policies *cont'd*

- The City shall fully fund the annual pension payment; and funding for retiree health shall also be a priority (based on existing labor agreements)

City Council Reserve Policy

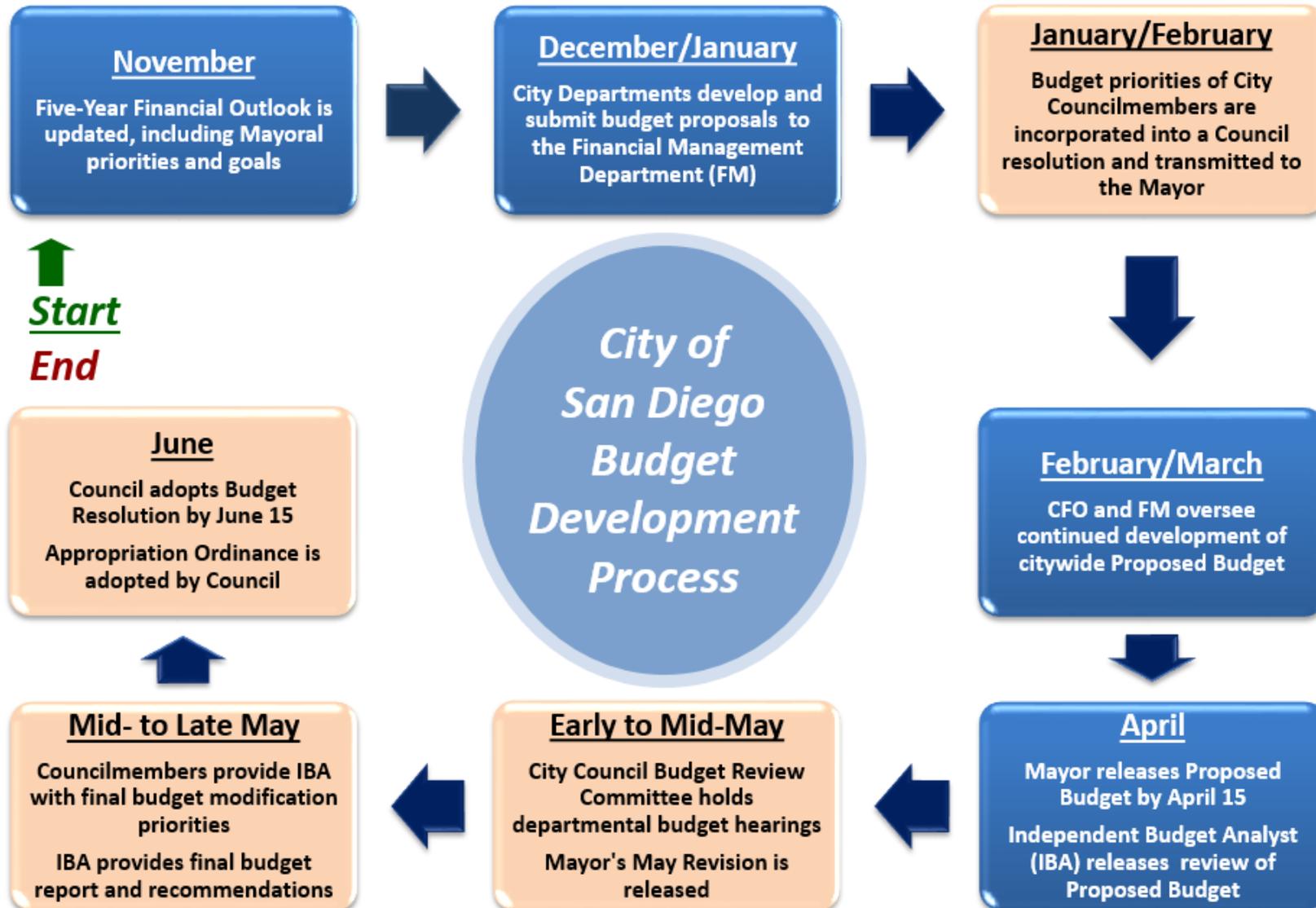
Strong reserves position an organization to weather unexpected events or significant economic downturns more effectively

- The Reserve Policy documents the City's approach to establishing and maintaining reserves, including:
 - Target reserve levels, and their calculation methodology
 - Time-frame for meeting reserve targets
 - Criteria for use of reserves
 - Process to replenish reserves

City Council Reserve Policy *cont'd*

- Some of the City's Reserves included in the policy:
 - General Fund Reserve
 - FY 2019 Reserve target is 15.25% of operating revenues
 - FY 2025 target is 16.7%
 - Comparatively, the FY 2007 GF Reserve was 3.8%
 - Pension Payment Stabilization Reserve
 - Risk Management Reserves (for the Workers' Compensation, Public Liability, and Long-Term Disability Funds)

FY 2020 Budget Development Process



FY 2020 Budget Development Process *cont'd*

Budget development begins in the fall of each year and ends in June when the Council adopts the budget

- October/November: CIP budget development process begins
- November:
 - Five-Year Financial Forecast released
 - Proposed budget development begins
- January:
 - Five-Year CIP Forecast released
 - City Council budget priorities developed

FY 2020 Budget Development Process *cont'd*

- February/March:
 - Approved City Council budget priorities sent to Mayor for consideration in the Proposed Budget
 - Mid-Year Budget Monitoring discussed at Council
- April:
 - Mayor's Proposed Budget released by April 15
 - IBA's review of the Proposed Budget released two weeks later
- May:
 - City Council Budget Review Committee hearings held, including one evening meeting
 - Mayor's May Revision to the Proposed Budget released

FY 2020 Budget Development Process *cont'd*

- May (*cont'd*):
 - Mayor's Year-End Budget Monitoring report released
 - City Councilmembers send final budget priority memoranda to IBA
- June:
 - IBA releases final budget recommendations report
 - City Council adopts the budget by June 15
 - Mayor has five business days to veto all or part of the Adopted Budget
 - Council has five business days to override all or part of the Mayor's veto (six votes needed)

FY 2020 Budget Development Process *cont'd*

Where we are currently in the process for FY 2020

- Mayor's FY 2020-2024 Five-Year Financial Outlook was released in November 2018
- FY 2019 Mid-Year Report scheduled to be released today
- FY 2020 City Council Budget Priorities will be considered at Budget & Government Efficiency Committee January 31, then at full Council February 11 as the Council Budget Priorities Resolution

Council Budget Priorities: Background

- City Council's first step in the annual budget process is the development of a "Budget Priorities Resolution" in order to provide early guidance to the Mayor
- City Councilmembers have set their priorities this way each year since 2006
- In June 2016, voters amended the Charter to include this important step in the budget process
- IBA Report #19-01 identifies the highest-priority fiscal and policy items recurring in Councilmember memoranda

Council Budget Priorities: Key Items

- Unanimous support for the following expenditure categories:
 - Programs related to homelessness and housing
 - Infrastructure improvements for Parks and Recreation Department facilities (parks, recreation centers, senior centers)
 - Infrastructure improvements related to transportation safety

Council Budget Priorities: Key Items *cont'd*

- Majority support for:
 - Arts and Culture
 - Clean SD and other Neighborhood Clean-Up and Compliance Items
 - CAP Strategy 3: “Bicycling, Walking, Transit, and Land Use”
 - CAP Strategy 5: “Climate Resiliency”
 - Fill Vacant Positions in Key Departments
 - Get It Done and 311
 - Infrastructure: Library Facility Improvements, Sidewalks, and Street Lights
 - Library Programming and Hours
 - Library Materials and Technology
 - Public Safety: Police Recruitment and Retention
 - Public Safety: Lifeguard Positions



More City of San Diego Budget Information

Information on the City's budget and other legislative items can be found on the IBA website

- IBA reports and a full list of key budget dates are online: <https://www.sandiego.gov/iba>
- Call our office for additional information: 619-236-6555
- City of San Diego budget visualization tool (charts and graphs displaying budget data by year): <https://sandiegoca.opengov.com/>
- City of San Diego budget document (Proposed and Adopted): <https://www.sandiego.gov/fm>