

Recommended City Council Modifications to the Mayor's Proposed FY 2023 Budget and Review of the May Revision

City Council

Item 604 – Approval of the City's FY 2023 Budget

June 13, 2022



Office of the Independent Budget Analyst



IBA Report 22-15: Released June 8th

Report includes IBA recommended budget modifications and May Revise Review

- Recommended modifications are based on:
 - Review of Councilmember budget priority memoranda (received May 27)
 - Analyses of the FY 2023 Proposed Budget, FY 2023 May Revision, and FY 2022 Third Quarter Report
 - Feedback from the public, City staff, and City Council during the Budget Review Committee and Town Hall meetings
- Attachment 1 to the report reviews the May Revision



May Revision Review

General Fund Revenues

General Fund Revenues in the May Revision (\$ in millions)			
	Proposed Budget	May Revision	Change
Major General Fund Revenues			
Property Tax	\$ 700.1	\$ 706.2	\$ 6.2
Sales Tax	369.3	376.1	6.8
Transient Occupancy Tax	132.2	135.2	3.0
Franchise Fees	95.8	93.8	(2.0)
Other Major General Fund Revenues	91.6	92.2	0.5
Subtotal Major General Fund Revenues	\$ 1,389.0	\$ 1,403.4	\$ 14.5
Departmental Revenues			
Parks & Recreation	\$ 46.7	48.8	\$ 2.1
Stormwater	10.7	12.2	1.5
Department of Information Technology	-	1.1	1.1
Fire-Rescue	56.2	56.9	0.7
Police	53.2	53.5	0.3
City Treasurer	54.3	52.8	(1.5)
Other Departments	153.1	153.4	0.3
Departmental Revenues Subtotal	\$ 374.4	\$ 378.7	\$ 4.3
American Rescue Plan Act	\$ 123.5	\$ 147.6	\$ 24.2
Total General Fund Revenue	\$ 1,886.8	\$ 1,929.8	\$ 43.0

Note: Figures may not total due to rounding.

May Revision Review

General Fund Expenditures

General Fund Expenditure Adjustments in the May Revision (\$ in millions)		
Item	FTEs	Amount
Proposition B Transition Costs	-	\$ 22.4
Transfer to the Bridge to Home Program	-	\$ 5.8
Homelessness Shelter Capacity Expansion (FY 2022 Carryforward)	-	\$ 5.4
Environmental Services - Refuse Disposal Fees	-	\$ 1.9
Parks & Recreation - Restroom Cleaning	16.00	\$ 1.5
Broadband Access Expansion	-	\$ 1.1
Sidewalk Vending Ordinance Support (DSD, EDD, ESD, P&R)	-	\$ 1.0
Net Non-Discretionary Changes (incl. fuel, vehicle assignment fees)	-	\$ 1.0
Facilities Maintenance (onetime)	-	\$ 1.0
Personnel Department - Staffing/Funding (largely to assist in hiring process)	12.00	\$ 0.9
Clean SD Services	-	\$ (0.9)
Climate Equity Fund Transfer (removes General Fund pass-through)	-	\$ (1.5)
Public Liability Operating Fund Transfer	-	\$ (4.3)
Net Other Changes	15.88	\$ 7.6
Total General Fund Expenditure Adjustments	43.88	\$ 43.0

Note: Table may not total due to rounding.

May Revision Review

Unwinding Proposition B – Status/Background

- Most significant expenditure change in the May Revise – related to costs for current City employees under Proposition B
 - Council has approved joint agreement with MEA/Local 127
 - Tentative Agreements (DCAA, Teamsters Local 911, IAFF Local 145)
- Pending negotiations
 - POA regarding recruits and other matters
 - Proposition B employees who have left City employment
- Ultimate cost dependent upon the remaining negotiations with the REOs, the number of employees choosing the SDCERS pension system, and how financial markets impact affected employees' SPSP-H balances.

May Revision Review

Unwinding Proposition B – Budget and Costs

- Budget proposal as of the May Revise essentially covers the estimated FY 2023 costs
- Cost estimates for current employees (preliminary)
 - Ongoing cost – \$33.2M (\$20.2M General Fund) for FY 2023
 - One-time cost – \$149.9M (\$82.3M General Fund)
 - FY 2023 one-time cash payments – \$44.7M (\$26.0M General Fund)
 - Debt to SDCERS – \$105.2M (\$56.3M General Fund): anticipated to be amortized as part of the pension system's UAL, rather than paid in FY 2023
 - If SDCERS decides debt is to be paid upfront, available Excess Equity and General Fund (GF) Reserve can be used for GF portion

May Revision Review

Notable Personnel Adjustments

- Personnel Department positions – \$865k, 12.00 FTE (ongoing)
 - Most positions will assist hiring departments and help to make hiring process more efficient
- Police vacancy savings and overtime – \$58k (ongoing)
 - Vacancy savings and offsetting overtime increase net to \$58k
 - Adjustment accounts for increasing vacancies and corresponding overtime
- Fire-Rescue personnel – \$809k, 6.00 FTE (ongoing)
 - Increases include 5.00 Lifeguard Sergeants and 1.00 Fire Captain

May Revision Review

Sidewalk Vending Ordinance

Sidewalk Vending Ordinance – Proposed Expenditures by Department			
Department	Proposed Budget	May Revision⁽¹⁾	Total
Parks & Recreation (27.00 FTEs)	\$1,250,559	\$1,207,915	\$2,458,474
Environmental Services (12.00 FTEs)	2,277,987	(666,712)	1,611,275
Development Services (5.00 FTEs)	547,305	243,000	790,305
Economic Development	-	232,500	232,500
Total (44.00 FTEs)	\$4,075,851	\$1,016,703	\$5,092,554

IBA Recommended Budget Modifications

Additions include resources, ongoing and one-time operating expenditures, and expenditures for specific one-time capital projects

- Recommendations include expenditure additions supported by a majority of Councilmember Budget Modification Memoranda
 - Exception – Street Vending Outreach, Education, and Support
- Recommendations include expenditure additions to City Attorney's Office to align vacancy factor and for 1.00 Deputy City Attorney for lease backlog

IBA Recommended Budget Modifications

Summary of Recommended Modifications			
	Ongoing	One-Time	Total
<i>General Fund</i>			
Resources	\$ 6,169,956	\$ 19,758,027	\$ 25,927,982
Expenditures	(4,123,000)	(14,288,000)	(18,411,000)
Amount Remaining - General Fund	\$ 2,046,956	\$ 5,470,027	\$ 7,516,982
<i>Non- General Fund</i>			
Resources	\$ 73,000	\$ 436,000	\$ 509,000
Expenditures	(73,000)	(425,000)	(498,000)
Amount Remaining - Non-General Fund	\$ -	\$ 11,000	\$ 11,000

Use of remaining amount should be specified in Council’s final budget motion

IBA Recommended Budget Modifications

Non-General Fund Resources/Expenditures

Non-General Funds Recommended Modifications		
	Ongoing	One-Time
<i>Resources</i>		
Risk Management Fund Balance	\$73,000	\$ -
Capital Outlay Funds	-	436,000
<i>Expenditures</i>		
Risk Management - Restore 1.00 Administrative Aide 2	(73,000)	-
Shade Structures for North Park Mini Park	-	(425,000)
Amount Remaining - Non-General Funds	\$ -	\$ 11,000

IBA Recommended Budget Modifications

General Fund Expenditures – Ongoing

General Fund Recommended Expenditure Additions - Ongoing		
Item	FTE	Amount
City Attorney: Fix Vacancy Factor, Add Staff	1.00	\$ 1,494,000
Homeless Outreach for Downtown & Urban Core	-	1,000,000
Graffiti Abatement	6.00	684,000
Library Position Restructure	6.80	672,000
City Treasurer: Restore Position	1.00	77,000
Council Admin Transfer & Position Authority	(5.00)	(765,000)
Council Offices Transfer & Position Authority	45.00	961,000
Total Ongoing General Fund Expenditures	54.80	\$ 4,123,000



IBA Recommended Budget Modifications

General Fund Expenditures – One-Time

General Fund Recommended Expenditure Additions - One-Time	
Capital Items	Amount
Beyer Park Development	\$ 2,200,000
San Carlos Branch Library Design	1,500,000
Redland Dr Loop & 55th St Reconstruction	1,171,000
Convoy District Gateway Sign	1,000,000
Rancho Bernardo Community Park Improvements	750,000
Marie Widman Memorial Park GDP	500,000
47th St & Hartley St HAWK Hybrid Beacon	500,000
Barrio Logan Truck Route Traffic Calming	250,000
Beach Access: Spindrift Drive	100,000
Total Capital Items	\$ 7,971,000

General Fund Recommended Expenditure Additions - One-Time	
Operating Budget Items	Amount
Housing Stability Fund	\$ 3,570,000
Graffiti Abatement	900,000
Small Business Enhancement Program	695,000
Broadband Master Plan	500,000
CPPS Funding	352,000
SDPD Street Racing and Sideshow Enforcement	200,000
Free4Me Pilot	100,000
Total Operating Budget Items	6,317,000
Total Capital Items	7,971,000
Total General Fund One-Time Expenditures	\$ 14,288,000

IBA Recommended Budget Modifications

Resources, Expenditures, and Amount Remaining

General Fund Recommended Modifications			
	Ongoing	One-Time	Total
<i>Resources</i>			
Monsanto Settlement	\$ -	\$ 9,000,000	\$ 9,000,000
Excess Equity from FY 2022 Increased Sales Tax	-	6,758,027	6,758,027
Reimbursable Revenue from the TOT Fund	-	4,000,000	4,000,000
Revised Sales Tax Revenue Projection	4,168,231	-	4,168,231
Reimbursable Revenue from Environmental Growth Funds	2,193,725	-	2,193,725
Sidewalk Vending Permit Revenue Reduction	(192,000)	-	(192,000)
<i>Total Resources</i>	6,169,956	19,758,027	25,927,982
<i>Total Expenditures</i>	(4,123,000)	(14,288,000)	(18,411,000)
General Fund Amount Remaining	\$ 2,046,956	\$ 5,470,027	\$ 7,516,982

IBA Recommended Budget Modifications

Available Resources Remaining After IBA Recommendations

- Some options for allocating excess funds could include:
 - City's resurfacing annual allocation
 - General Fund Reserve contribution
 - Council priorities not included in 5 or more priorities memos
 - Partial funding for \$3.8M in estimated public safety compensation increase that is not included in the Proposed Budget (up to \$2.0M ongoing resources available)
- We recommend that further allocation of excess funds (beyond public safety compensation) be for one-time purposes.

Final Budget Recommendations

City Council is being asked to approve the following budget actions:

1. Approve the Mayor's FY 2023 Proposed Budget, as modified by the Mayor's May Revision.
2. Approve the IBA's recommended final budget expenditure and resources modifications included in IBA Report 22-15, as summarized in Table 1 (page 3) and Table 3 (page 9), and as modified by the City Council.
3. To effectuate items in Tables 1 and 3 we recommend:
 - a. Reimbursable revenue from the Environmental Growth Funds and the Transient Occupancy Tax Fund be transferred from these funds to the General Fund for existing eligible Parks and Recreation Department expenditures.

Final Budget Recommendations

City Council is being asked to approve the following budget (#3) and non-budget (#4) actions:

3. *To effectuate items in Tables 1 and 3 we recommend: (con't)*
 - b. Funding for the Housing Stability Fund Pilot Program of \$3.6 million in General Funds be allocated to the Economic Development Department to be subsequently transferred to the San Diego Housing Commission.

Additionally, we recommend Council take the following non-budget action:

4. Request staff develop an implementation plan for the Free4Me pilot program and present it to the PS&LN committee for consideration and input sometime before the end of the first quarter of FY 2023.