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**COUNCILMEMBERS CATE AND SHERMAN PROPOSE
NEW SMART AND TRANSPARENT BUDGETING STRATEGY**

“Zero-Base” Budgeting Designed to Account for All Taxpayer Dollars Spent

San Diego, CA: Councilmembers Chris Cate and Scott Sherman today proposed the Mayor implement a “smart budgeting” pilot program for Fiscal Year 2017. The memo calls for Mayor Kevin Faulconer to identify one (1) City Department to implement a “Zero-Base” budgeting process for the 2017 fiscal year.

As opposed to traditional budgeting practices, “Zero-Base” budgeting requires City Departments to begin with a zero-dollar baseline, and justify all of the expected expenses for the upcoming fiscal year. Under a smart budgeting method, City Departments evaluate all programs planned for the upcoming year and determine the costs necessary to support them.

“‘Zero-Base’ budgeting is a data-driven solution which will galvanize the efficiency and effectiveness of City services. This common sense budgeting approach encourages a transparent process for how we spend taxpayer dollars,” stated Councilmember Chris Cate. “We hope that a “Zero-Base” budgeting pilot program will be implemented as early as fall of this calendar year.”

“This is a common sense solution that forces City Departments to account for every dollar which puts taxpayers first,” said Councilmember Sherman.

For additional information on the City of San Diego’s budget, visit their website at www.sandiego.gov/fm/index.shtml or contact (619) 236-6060.

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“Zero-Base” Budgeting FAQs

What is “Zero-Base” budgeting?

“Zero-Base” budgeting requires a City department to begin building their budget off of a zero-dollar baseline, and justify all of their expected expenses for the upcoming fiscal year. Under this smart budgeting method, a department has to evaluate all of its programs and expenditures planned for the upcoming year to determine the specified costs necessary to support them.

What is the current budget practice for the City?

During the annual budgeting process, each department uses its current year’s budget as the baseline for any requested variances in the upcoming year. For example, if the current budget of a department is \$1 million, during the budget review process that department may present variances from the original \$1 million. These variances are believed to satisfy the department’s needs for the upcoming year, but under the assumption that the initial baseline is reapproved.

Where is “Zero-Base” budgeting being used?

Cities and states across the country are using some form of “Zero-Base” budgeting to assist in budget development, identifying efficiencies, and providing for accountability. Numerous reports and case studies produced by the Government Finance Officers Association (GFOA) and the National Conference of State Legislatures (NCSL) have outlined the experiences of the various government agencies that have implemented some form of “Zero-Base” budgeting. These case studies have also looked at the implementation of “Zero-Base” budgeting in places, such as Toronto, Hillsborough County, and Idaho.

In 2014, California Assembly Speaker Toni Atkins proposed utilizing a “Zero-Base” budgeting approach for the University of California (UC) system. Speaker Atkins also recommended that additional state agencies undergo a “Zero-Base” budget review in future years.

What are the effects of using “Zero-Base” budgeting?

“Zero-Base” budgeting can have a variety of effects on a department. The overall goal of “Zero-Base” budgeting is to justify in a transparent and accountable manner how taxpayer dollars will be spent. The process may result in identifying positions or line-items that are no longer needed so that they can be better utilized elsewhere in the department or within the City. The process of zero-base budgeting may also result in a request for additional positions in order to fulfill concrete service level standards. Either result validates the department’s budget needs in a more transparent manner that will allow the City Council and Mayor’s office to prioritize those needs accordingly.

Why is “Zero-Base” budgeting needed?

During the year, mid-year budget adjustments are made to self-correct the adopted budget based upon trends and projections throughout the remaining budget year. Despite these adjustments, variances typically exist within departments. Budget variances can occur for a number of controllable and uncontrollable factors. Labor costs and office supplies, for example, are controllable factors. Uncontrollable factors are often external and arise from outside occurrences, such as a natural disaster. Smart budgeting will help city managers determine whether budget variances are one time occurrences and offer an additional level of transparency to our City’s budget.

What resources are needed to implement “Zero-Base” budgeting?

Smart budgeting may require more time and planning to implement, but it is anticipated that no additional staff positions will be needed.

What is the ultimate goal of “Zero-Base” budgeting?

The goal of “Zero-Base” budgeting goes beyond identifying efficiencies. The implementation of “Zero-Base” budgeting serves to provide transparency to the budgeting process. In addition, it will help identify the appropriate needs of departments. The process may find that a department is under-budgeting for one item and over-budgeting for another. “Zero-Base” budgeting is successful when it clearly identifies and justifies the needs of a department.