




**COUNCILMEMBER JOE LACAVA
FIRST COUNCIL DISTRICT**

M E M O R A N D U M

DATE: January 6, 2021

TO: Andrea Tevlin, City of San Diego Independent Budget Analyst

FROM: Councilmember Joe LaCava 

SUBJECT: Fiscal Year 2022 Budget Priorities

The global COVID-19 pandemic has disrupted every aspect of normal life causing tens of thousands of small businesses and working families to lose income and in worse cases, lose the life of loved ones. The City of San Diego (City) has not been spared and faces a historic financial loss. As the Mayor and Council move forward this fiscal year to close a historic funding gap, we must lead with our values, ensuring a budget that prioritizes equity, high value services, and human capital.

If we are to become a great City, we must change the institutional and systemic barriers that prevent all San Diegans from enjoying the opportunity our City offers. The year 2020 has placed a spotlight on issues that have been in place for years but were ignored by past administrations. With a new mayor and a fresh council, we must seize this moment to make changes in our City that may be difficult in the short-term but will pay dividends in the long-term. Some will require only re-prioritization and restructuring; others will force harder conversations as we work to balance the budget; and others are fully dependent on continued or new state and federal funding. I offer my budget priorities below for which I hope the Mayor will take serious consideration, and I look forward to an open and robust conversation in the budget process.

Increase Assistance to Small Businesses and Renters

The City was able to provide some assistance to businesses and renters since the pandemic outbreak. Yet, this assistance has been one-time and limited in its scope, addressing only a small percentage of overall need. As part of the FY 2022 budget, I urge the Mayor's Office to prioritize continued relief to assist our small businesses and renters.

- For businesses, I ask that additional funding be provided to the Small Business Relief Fund (SBRF), and specifically to: (a) carve out funding for BIPOC small businesses in Low and Moderate Income (LMI) communities, (b) seek outside funding to create a Promise Zone Equity Investment Fund, and (c) waive small business permit fees for all businesses making less than \$25,000 per year.
- For renters, it is critical that more funding be added to the Rental Assistance Fund, and that measures are taken for funds to be received by all families, regardless of immigration status.

Further, I request that seed money be provided in the FY 2022 budget to fund educational programs to tenants and landlords on housing education, counseling, and outreach to help deter evictions and that this seed money eventually be made permanent.

Protect Core Services

Residents rely on core City services for enjoyment, recreation, fitness, and public safety. These services are critical to maintain now more than ever. I request that public safety services such as sidewalk and road repair, tree trimming, pothole repair, and fire and rescue and lifeguard services be protected. Services to promote enjoyment and fitness – such as park and recreation activities, library hours and programming – and services that maintain a healthy job force – such as the living wage ordinance – must also be protected. Finally, the proper care of our urban tree canopy as a core City service to improve public health and reduce expenses from the Public Liability Fund is critical. As such, the FY 2022 budget should maintain existing urban forestry services consistent with contracting costs and demand.

To the degree that cuts in core services must be made, they should be evaluated carefully assessing how they impact our City's neighborhoods differently rather than making equal cuts across the board and strive to reduce services rather than cancelling entirely.

Fund Public Power Feasibility Study and Business Plan

As part of the Franchise Agreement process, the City must complete a thorough analysis of public power utility alternatives. This review will assist the Council in fully understanding the City's options to best serve ratepayers, determine costs and challenges for a potential public power utility for San Diego and meet our climate, clean energy, and equity goals. An analysis should be initiated in FY 2021 with funding made available in FY 2022 should additional time be needed to complete the process.

Protect Current Funding Levels

City Staff and Wages

Investing in our human capital is approximately 70 percent of the City's General Fund. A data-driven, strategic approach to human capital management is critical given the City's limited resources. The investment the City makes in its staff is important, and there is a high cost associated with losing staff and years of service and experience. Yet, salaries for City personnel remain low, in some cases significantly low, when compared to regional peer cities and government agencies. The City's 2018 Human Capital Fact Book estimated that voluntary employee turnover costs our City \$39 million annually. Some departments have lost more staff than others, including more senior level staff. The City's Fire Department for example, has lost senior staff, requiring unsustainable overtime. In another example, the City's Park and Recreation Department has five Deputy Director positions vacant. The complaints I have heard from residents, and now my constituents, stem in part from public-facing departments losing institutional knowledge to early retirements and lack of mid-career personnel to train and oversee new hires.

It is essential that City leaders make every effort to address salary inequities but certainly maintain staff salaries during this pandemic, and to work strategically to quickly hire and retain staff. I call on the Mayor's Office to not simply make cuts across the board to balance the budget, rather to be more surgical in any potential vacancy cuts, and to take the time to do the work per department. I also urge the completion of a workforce report to leaders identifying which City positions face challenges related to recruitment, retention, and employee satisfaction as recommended by the Office of the City Auditor in an April 2020 audit.

Climate Action Plan

The City must also protect current funding levels for Sustainability Department staff and key programs that will help us complete an equitable, zero carbon CAP and CAP goals. These include programs related to reducing energy costs, securing clean energy production, planting and caring for trees, building out a multi-modal transportation system, and ensuring adequate storm water resources – all while incorporating standards for equity and environmental justice and supporting good jobs through a green economy.

Continue Full Funding for City Auditor as an Essential Service

The City's Office of the City Auditor is integral to the City's operations, helping us save money, increase revenues, and ensure an efficient and effective use of limited tax dollars. Reducing their budget and forcing furloughs or layoffs will limit the City's ability to identify cost savings, revenues, and efficiencies at a time with they are most critically needed. Salaries and staff in this office must be maintained during this budget cycle.

Penny for the Arts Funding

The City's Penny for the Arts Program provides critical funding to our arts and culture programs that enhance San Diegans quality of life. Like other businesses, these mostly non-profit organizations in San Diego have suffered enormous economic loss during the pandemic. The City should deliver on the promise of a Penny for the Arts, working to restore funding and achieve the full 9.52 percent allocation in 5 years. This should be coupled with a commitment to work with the City's Commission for Arts and Culture to ensure that access, equity and diversity remain a priority for all neighborhoods.

Digital Equity Funding

Access to technology is an essential lifeline to education and services. Where the City provided related one-time funding to communities in FY 2021, I request that this be extended in FY 2022 to sustain digital access and literacy initiatives like SD Access 4 All that provide access to free, outdoor computer labs equipped with free internet.

Implement Measure B to Establish the City's Commission on Police Practices

A strong majority of San Diego voters in every district approved Measure B in November to establish an independent Commission on Police Practices (CPP) in the City. The Independent Budget Analyst (IBA) estimates costs to create this commission to be between \$1.2-\$2.6 million. It is one of my top priorities this next year to ensure that the City allocate sufficient budget resources to appoint an interim CPP Board and phase in necessary staff, starting with an interim Executive Assistant, Complaints Coordinator, and Community Engagement Coordinator as recommended by the City's existing Community Review Board (CRB) on Police Practices. These hires will help support the commission by ensuring continuity and oversight, as well as make possible the future hiring of permanent staff. Funding should include the transfer of FY 2021 CRB and Citizens Advisory Board of Police/Community Relations funds if available.

Re-Examine City Operations and Culture

Balancing the City budget must not rely solely on cuts, rather it must also take the opportunity to introduce innovation in lowering operating costs and adapting culture where possible. The City has discussed many ideas over the years, and we are now obligated to enact change.

Real Estate Consolidation

The pandemic has forced a reconsideration of the need for traditional office space across the country. Where City employees have largely worked from home during the last nine months and have recently been equipped with laptops, it is timely for City leaders to holistically review the use of City office space leases,

opportunities to consolidate space, and save money on rent. In addition, the City has renegotiated leases and contracts in the past during challenging times, it is incumbent on us to do it again.

Police Overtime and Public Safety Reform

The continuous increase in police overtime over the last several years, consistently exceeding budgeted levels is unsustainable. Overtime hours for police in FY 2021 totaled \$38.1 million, with \$33.7 million coming from the General Fund. As San Diegans call for police department spending to be dramatically reduced and, in an effort to support police work, I ask that the Mayor's Office work with the Chief of Police to fully staff budgeted vacant positions and reduce the need for overtime hours. For FY 2022, I request that a minimum of 50 percent in overtime costs be reduced. Filling existing vacancies will allow sworn police officers to perform work they were trained and hired to do and cease spreading staff thin in areas that could be better managed by civilian employees.

As part of the process to reform overtime hours, I also request that the City:

- Partner with the County of San Diego to develop a Redefining Public Safety Action Plan to identify and implement alternatives to public health and safety; and
- Develop non-police alternatives to respond to emergencies with trauma-informed approaches, de-escalation and harm reduction techniques. A good example of alternatives is the 2020 Council approval of contracts with People Assisting the Homeless (PATH) to administer the City's coordinated street outreach program, which further supports the Regional Task on the Homeless' Unsheltered Outreach Policy.

Youth and Family Investment

For San Diego to thrive as a City, it needs to be a place where every child, youth, and family is safe, healthy, and empowered. To achieve this, I request that the City:

- Create an Office of Child and Youth Success with appropriate staffing, or add a Mayoral level position dedicated to this issue;
- Establish a Youth Environmental/Recreation Corps program that funds youth employment, scholarship opportunities and youth ambassadors to disseminate information about programs and services; and
- Develop a youth violence prevention program that provides evidence- based programming, travel opportunities, mental health services, youth development activities, job training programs, 24-hour crisis line support to victims of violence, program case managers, and job opportunities.

Voluntary Work Share

Work Share is the reduction of hours an employee works in an attempt to stave off termination. It is usually mandatory and temporary. It allows employers to retain skilled workers and institutional knowledge. A fellow San Diegan and former colleague of mine successfully saved his small business during an economic downturn using this approach. With COVID-19 impacts, employees may voluntarily reduce hours to assist their school-aged children with online learning. I respectfully request that the Mayor look into the cost savings associated with Voluntary Work Sharing and even consider it as an alternative to potential layoffs and possible voluntary turnover.

Pay Equity Improvement

A 2019 Performance Audit of City Employee Pay Equity found statistically significant differences in pay by gender and racial group in some lines of City work and recommended that employers take a proactive approach to compensation, including among other strategies, reducing the use of overtime, especially within public safety departments. Adding to the requests above, I urge the Mayor's Office to surgically address pay equity among City departments and to reduce the use of overtime.

Economic Justice

It is no secret the coronavirus pandemic has laid bare inequities in our City. Even as significant amounts of funding have been distributed by the federal government, many local families have not benefitted. The City should strive to ensure all San Diego families have an opportunity to recover and thrive. To reach this goal, I request that the Mayor consider the following:

- Provide cash aid for immigrant workers excluded from state and federal benefits;
- Align existing City programs on wage theft, workers' rights, and safety by reorganizing existing staffing and creating an Office of Labor Standards Enforcement (OLSE); and
- Expand local-hire initiatives in underemployed populations.

State, Federal, and Private Grants

Expand the City's grant writing staff to ensure the City seeks and is competitive in grants to supplement its revenue, particularly to help the City prepare for a green and just recovery to achieve its CAP, Climate Adaptation and Resiliency Plan and affordable housing goals.

Priority Expenditures as Funding is Identified

Should the City find itself in a healthier budget position than anticipated, or be eligible for state and federal grants, I request that the following Citywide programs/initiatives be prioritized:

- Establish San Diego Lifeguards as a stand-alone City department, separate from Fire Rescue;
- Conduct a City-wide linguistic diversity study to guide City hiring practices and outreach efforts and to facilitate the ability to translate City agendas, public communications and press releases into multiple languages to encourage broader participation in public hearings by non-English speaking residents;
- Provide funding for meaningful community engagement in developing the City's General Plan Environmental Justice Element; and
- Prioritize the completion of a Public Banking Feasibility Study within grant funding considerations.

Initiate/Continue CIP Projects That Have Identified Funding

- Secure right-of-way and complete Village Loop Road in Pacific Highlands Ranch (Carmel Valley) (FBA)
- Complete a transportation evaluation of Carmel Valley and Pacific Highlands Ranch as identified in the Carmel Valley Livability Subcommittee Report (FBA)
- McGonigle Canyon GDP (FBA)
- Torrey Pines Fire Station (UCSD)
- Repair drainage at Northern Restroom, Kellogg Park (private funding)
- Fully fund first phase of construction for Marcy Neighborhood Park improvements

Initiate New Projects as Funding is Identified (prioritization to be dependent on funding source)

- Begin design of the South University City Library improvements and expansion
- Fully fund traffic light at Del Mar Heights Road and Mercado Drive
- Update and amend the Del Mar Mesa Specific Plan to reclassify the Camino Santa Fe (Little McGonigle Ranch Road) 2 Lane Collector to the proposed Emergency Access Road and Public Trails Project connecting Carmel Valley Road with Del Mar Mesa which can be used by Fire Station 47 to access the Del Mar Mesa community and meet recommended response times
- Connect the Del Mar Mesa community to the existing recycled water/purple pipe at Carmel Country Road and Del Mar Mesa Road, including water meters and a circulation loop connecting at Carmel Mountain Road for appropriate redundancy

- Complete a traffic evaluation of the La Jolla Parkway/Torrey Pines Road intersection (aka the “Throat”) and surrounding streets.
- Repair/ replace the railing at the beach overlook at Moss Lane
- Repair cliff subsidence along Coast Walk, focusing on the eroded section encroaching into the trail at the rear of 7981 Prospect Place and complete the vehicular turnaround at the southerly dead-end
- Secure parking lot at Kellogg Park to prevent overnight parking
- Reconstruct the drainage at the corner of the La Jolla Boulevard and Forward Street traffic circle
- Construct sidewalk from Azul Street to Poole Street
- Complete the next phase of the Torrey Pines Corridor Improvement Project

Explore Potential Revenue Opportunities

Changes to “Baseline” Budget

As the City works to maintain and hire staff amidst this year’s budget crisis, I urge the Mayor’s Office to do the hard work of examining City contracts across all departments to analyze cost efficiencies and the potential to convert contract labor into City labor as appropriate. Specifically, I request that automatic pay increases outlined in multi-year contracts through FY 2025 be identified and evaluated.

Trash Pickup at Short Term Vacation Rental (STVR) Homes

The Office of the City Auditor identified an annual expenditure of approximately \$2 million to collect trash from homes used as short term vacation rentals, even though these homes are ineligible for free trash pick-up per the People’s Ordinance. I request that this service at STVRs be eliminated.

Review of the Cost of Service for Key Homelessness Programs

The City has accumulated several years of experience in implementing programs for our unsheltered residents. It is time to assess the cost of services provided to prioritize the operation of successful programs and ensure the City is providing the most needed resources. Examples of programs to be reviewed include:

- *Convention Center Shelter* – As the Mayor and City continue to assess maximizing services to clients served in all homeless programs, the Convention Center Shelter should be a priority in this assessment.
- *Lea Street Storage Facility* – This has an annual cost of \$900,000, but utilization is low compared to other facilities. The cost of service and choices of providing storage elsewhere should be considered.
- *Homelessness Response Center* – The City Council approved a one-year operation agreement with service providers and the San Diego Housing Commission to support the newly named Homelessness Response Center. As the City assesses the cost of services of homeless programs, we must examine all available options with this property.

FEMA Reimbursements

Since its outbreak, the federal response to the coronavirus has included public assistance reimbursements to cities from FEMA for emergency protective measures taken during the pandemic. As the City continues to operate the convention center and other shelters for unsheltered individuals, leaders must ensure that full recovery of all allowable COVID-related expenditures for reimbursement are being requested to FEMA.

Public Liability Expenditures

A recent performance audit from the City Auditor made numerous recommendations to help the City take a more proactive approach to risk identification and mitigation. I urge the Mayor to implement these recommendations prioritizing a review of public liability-related expenditures and assessing whether and to

what degree multiple expenditures are being made on the same cases, in lieu of accommodating higher annual expenditures. Further, that this assessment be made accessible to City departments and personnel as recommended by the City Auditor.

Waiver of Infrastructure Fund Contribution

At least a partial waiver of the FY 2022 contribution to the Infrastructure Fund should be considered to generate more funding for the General Fund. This waiver should be carefully considered to balance the budget gap with the need for capital project investments which have historically been underfunded. The IBA projects a full waiver of the Infrastructure Fund Contribution to be approximately \$14 million.

Paid Refuse Collection for Consideration on the 2022 Ballot

Providing refuse collection services to single family homes costs the City approximately \$36.3 million per year, for which no revenue is collected. And yet, over 50 percent of our residents must fund refuse collection out of their own pocket. As we look for additional revenues that are equitable, and more importantly, for permanent revenue sources, it is time to evaluate potential fees for refuse collection service and to request that the Environmental Service Department develop more detailed fee estimates. We must also recognize that we have new state mandated obligations on the horizon, such as Organic Waste collection, for which we do not yet have identified funding.

Storm Drain Fee Increase for Consideration on the 2022 Ballot

The City's storm water needs are significantly underfunded reaching a gap of almost \$860 million, with the cost of these needs continuing to grow. This underfunding has led to a reactionary approach to fix problems and incur higher public liability expenses. The growing gap between increasing costs and the lack of significant revenues for storm water makes it critical to evaluate the potential for obtaining a new funding mechanism, such as raising the storm water fee. The IBA estimates the City could generate approximately \$6 million for each \$1.00 the fee is increased – where \$.95 per month is currently charged. It is incumbent that the Mayor work with the Transportation & Storm Water Department to perform a financial analysis of long-term storm water needs and to review the potential to increase fees accordingly to help cover the gap.

Reallocation of the San Diego Zoo Property Tax Levy Funds to a Lockbox for Balboa Park Infrastructure for Consideration on the 2022 Ballot

The City's budget utilizes funds for the maintenance of zoological exhibits in Balboa Park which are financed from a fixed property tax levy (\$.005 per \$100 of assessed valuation) as authorized by Section 77a of the City Charter, and FY 2021 revenue was budgeted at \$15,647,842. A ballot measure to modify this section of the charter would reallocate funding from the zoo to Balboa Park to complete critical, and long overdue, infrastructure projects.