




THE CITY OF SAN DIEGO
M E M O R A N D U M

DATE: June 9, 2017

TO: Elizabeth Maland, City Clerk

FROM: Mayor Kevin L. Faulconer 

SUBJECT: Fiscal Year 2018 Budget – Line Item Veto and Modifications Pursuant to Charter Section 69

On June 5, 2017, the City Council approved my proposed Fiscal Year 2018 Budget and the Independent Budget Analyst's (IBA) final budget recommendations included in IBA Report 17-23. In addition, the City Council de-appropriated \$5 million in one-time resources proposed for a Special Election and re-allocated the funding to various programs and projects. This unprecedented action effectively blocks a public election on two important issues by stripping the funding from the Fiscal Year 2018 Budget.

I am using my veto authority, as specified in the City Charter, to restore election funding while retaining and increasing funding for our Police Department and other critical expenditures.

A recent financial analysis includes estimates that show a combined revenue loss and cost increase of more than \$75 million if a public vote on the tourism ballot measure is delayed by one year. The proposed tourism measure would raise the Transient Occupancy Tax (TOT) by up to 3 percent; this in turn would expand the San Diego Convention Center while also creating dedicated new funding streams for homeless programs and street repair. I hereby modify this de-appropriation and increase the Citywide Elections funding by \$5 million with a one-time transfer of fund balance from the Qualcomm Stadium Operations Fund, as there is already adequate funding for the next two years of Qualcomm Stadium debt service payments in the fund.

Item Description	Amount
Resource (Modification)	
Transfer of Fund Balance from Qualcomm Stadium Operations Fund	\$ 5,000,000
Modification	
Modify Citywide Election Funding	\$ 5,000,000
	\$ -

Public safety remains a top priority in the Fiscal Year 2018 budget. Not only am I preserving the City Council addition of \$3.0 million for police officer recruitment and retention, as approved on June 5, 2017, I am hereby increasing this allocation by \$1.0 million. The combined allocation to the Police Department will now equal \$4.0 million in one-time resources to support police officer recruitment and retention efforts in Fiscal Year 2018. Given that Council

District 1 and Council District 3 have the largest unallocated discretionary funds in their office budgets, and consistent with the budget motion made by the Councilmembers representing those districts to increase funding for police officer retention, the additional \$1.0 million will come from adjustments to their Council Districts' CPPS allocation and Fiscal Year 2018 budgets, as well as the use of excess equity. The adjustments to Council District 1 and Council District 3 include reducing CPPS discretionary funds to \$25,000 each for Fiscal Year 2018 and implementing a budget reduction of 3.5%, consistent with other General Fund operating departments and a reduction in the Office of the Mayor of 4.2%. The following table displays these adjustments.

Item Description	Amount
Line Item Vetoes and Resources (Modification)	
Council District 1 CPPS	\$ 265,584
Council District 3 CPPS	\$ 315,196
Council District 1 - 3.5% Reduction	\$ 46,254
Council District 3 - 3.5% Reduction	\$ 47,761
Use of Excess Equity	\$ 325,205
	\$ 1,000,000
Modification	
Addition to Police Department Retention Program	\$ 1,000,000
	\$ -

Further, the City Attorney's Office has requested additional funding for services related to Mayor and City Council priorities such as homelessness issues, Climate Action Plan initiatives, and labor issues. I hereby line-item veto the funding for the expansion of the Get It Done Application, which can be expanded using existing staff and resources, and re-allocate these one-time resources to the City Attorney's Office for eligible one-time uses in support of these and other priorities.

Item Description	Amount
Line Item Veto	
Funding for expansion of the Get It Done Application	\$ 500,000
Modification	
City Attorney's Office Funding	\$ 500,000
	\$ -

Funding for the Climate Action Plan (CAP) also remains a priority in the Fiscal Year 2018 Budget. I proposed, and City Council approved, more than \$128 million across all City Departments in all five CAP strategic areas. The funding allocated by City Council on June 5, 2017, for the implementation of a Community Choice Energy Program is not appropriate to include in the budget at this time, as City staff is still evaluating next steps to achieve 100% renewable energy. Funding will be allocated once a final decision has been made on a 100% renewable energy strategy. I hereby line-item veto this \$200,000 allocation and re-allocate this funding for tree planting services, which are important to meeting CAP goals in Fiscal Year 2018 to increase the City's tree canopy.

Item Description	Amount
Line Item Veto	
Community Choice Energy Program	\$ 200,000
Modification	
Climate Action Plan – Tree Planting Services	\$ 200,000
	\$ -

The Bay Bridge Community Center is a City leased facility. While improvements to this facility are planned and will be completed, Public Works first needs to perform a preliminary study on the project scope in order to quantify improvement cost estimates. Developer Impact Fee funding of \$100,000 is allocated for this preliminary study through the CIP monitoring report approved by City Council on June 5, 2017. Further, unnecessarily diverting funds to a project before its scope is clearly defined would violate cash management reforms approved by the City Council. I hereby line-item veto the \$413,000 allocated for the Bay Bridge Community Center Roof and re-allocate this funding to Police Department Non-Personnel Expenditures, to be utilized for critical Police Department facility improvements that have an immediate funding need.

Item Description	Amount
Line Item Veto	
Bay Bridge Community Center Roof	\$ 413,000
Modification	
Police Department Non-Personnel Expenditures	\$ 413,000
	\$ -

The Fiscal Year 2018 Budget includes more than \$3.3 million in General Fund support for various homeless programs and initiatives. However, a dedicated funding source can help make measurable progress on reducing homelessness. This is one of the many reasons I have added the \$5.0 million to the election budget to allow a TOT measure that would provide \$10 million for homelessness services in the first year alone. Even though the funding alternative proposed by the City Council is far less than what the TOT measure would provide, I am still preserving the addition of \$1.0 million approved by City Council on June 5, 2017 for the Homeless Prevention and Diversion Program. In addition, I am line-item vetoing the proposed Homelessness Committee Consultant position and reallocating the funding to provide additional immediate resources for homeless prevention and diversion programs administered by the San Diego Housing Commission. Should the proposed TOT measure be delayed, it would reduce the workload for this temporary committee, scheduled to sunset in 2018, by eliminating the need to plan for significant new resources for homelessness.

Item Description	Amount
Line Item Veto	
Homelessness Committee Consultant	\$ 66,086
Modification	
Addition to Homeless Prevention and Diversion Program (SDHC)	\$ 66,086
	\$ -

Maintaining a structurally balanced budget is a critical goal of the City's Budget Policy 000-02, which requires using ongoing resources for all ongoing expenditures. Adhering to our Budget Policy is also a key factor for our positive credit ratings, and is a best management practice in governmental budgeting. The Fiscal Year 2018 Budget as approved by the City

Council on June 5 was out of balance due to the City Council's addition of two Code Compliance Officers. The Code Compliance Officer positions are an ongoing expenditure of approximately \$203,000, but they were funded with one-time resources. The changes outlined in this memorandum restore the Fiscal Year 2018 budget to be structurally balanced by reducing other ongoing obligations.

San Diegans have a right to be heard. These line-item veto and modification actions give the public an opportunity to vote in a public election on two important measures. My veto also increases funding allocations to prioritize the Police Department and officer recruitment and retention efforts, and funding to reduce homelessness. These allocations are consistent with the priorities I set forth in my initial budget proposal. The result of these actions is a responsible, structurally balanced Fiscal Year 2018 Budget.

cc: Honorable Council President Myrtle Cole and Honorable Members of the City Council
Honorable City Attorney Mara Elliott
Scott Chadwick, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Andrea Tevlin, Independent Budget Analyst

**Mayor Kevin L. Faulconer's Line-Item Veto
Attachment to Resolution #R-2017-606 REV.**

Item Description	Amount
Line Item Veto	
Funding for expansion of the Get It Done Application	\$ (500,000)
Modification	
City Attorney's Office Funding	\$ 500,000
	\$ -
Item Description	Amount
Line Item Veto	
Community Choice Energy Program	\$ (200,000)
Modification	
Climate Action Plan - Tree Planting Services	\$ 200,000
	\$ -
Item Description	Amount
Resource (Modification)	
Transfer out of Fund Balance from Qualcomm Stadium Operations Fund	\$ (5,000,000)
Modification	
Modify Citywide Election Funding	\$ 5,000,000
	\$ -
Item Description	Amount
Line Item Vetoes and Resources (Modification)	
Council District 1 CPPS	\$ (265,584)
Council District 3 CPPS	\$ (315,196)
Council District 1 - 3.5% Reduction	\$ (46,254)
Council District 3 - 3.5% Reduction	\$ (47,761)
Use of Excess Equity	\$ (325,205)
	\$ (1,000,000)
Modification	
Addition to Police Department Retention Program	\$ 1,000,000
	\$ -
Item Description	Amount
Line Item Veto	
Bay Bridge Community Center Roof	\$ (413,000)
Modification	
Addition Police Department Non-Personnel Funding	\$ 413,000
	\$ -
Item Description	Amount
Line Item Veto	
Homeless Committee Consultant	\$ (66,086)
Modification	
Addition to Homeless Prevention and Diversion Program (SDHC)	\$ 66,086
	\$ -

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF
SAN DIEGO ADOPTING THE FISCAL YEAR 2018 BUDGET,
INCLUDING APPROVING THE MAYOR'S FISCAL YEAR
2018 PROPOSED BUDGET, THE MAY REVISION TO THE
PROPOSED BUDGET, THE INDEPENDENT BUDGET
ANALYST'S RECOMMENDED REVISIONS TO THE
PROPOSED BUDGET AND OTHER CHANGES AS
APPROVED BY THE CITY COUNCIL.

WHEREAS, pursuant to San Diego Charter section 69, prior to June 15 of each year and
after holding a minimum of one public hearing, the City Council shall adopt a resolution
approving the City's budget as proposed by the Mayor or modified in whole or part; and

WHEREAS, on April 17, 2017, the Mayor's proposed budget (Proposed Budget) was
presented to the City Council; and

WHEREAS, on May 18, 2017, the Mayor's May revision (May Revision) to the
Proposed Budget, dated May 16, 2017, was presented to the City Council sitting as the Budget
Review Committee; and

WHEREAS, on May 31, 2017, the Independent Budget Analyst issued her Review of the
FY 2017 Year-End Budget Monitoring Report, FY 2018 May Revision, and Recommended
Revisions to the Mayor's FY 2018 Budget IBA Report No. 17-23 (IBA FY 2018 Budget
Report); and

WHEREAS, between May 3 and June 5, 2017, the City Council held more than one
public hearing to consider the City's Fiscal Year 2018 budget in accordance with San Diego
Charter section 69; and

WHEREAS, the City Council has determined to approve the City's Fiscal Year 2018 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, certain recommendations contained in the IBA FY 2018 Budget Report, and with other changes approved by the City Council during its meeting on June 5, 2017, as set forth below; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego that the Mayor's Proposed Budget, as modified by the May Revision, the recommendations contained in the IBA FY 2018 Budget Report, and the specific modifications approved by the City Council herein is hereby adopted. The budget modifications made by the City Council, all using one-time resources, are as follows:

1. ~~Reduce Citywide Program Expenditures by \$5,000,000 for the proposed special election.~~
2. Increase Police Department non-personnel expenditures by \$3,000,000 for implementation of the Police Department Retention Program, which funding may be allocated to overtime pay.
3. Increase Police Department non-personnel expenditures by \$500,000 to reduce backlog of untested rape kits.
4. Increase Economic Development Department non-personnel expenditures by \$1,000,000 for transfer to the San Diego Housing Commission for the Homeless Prevention and Diversion Program.
5. ~~Increase Economic Development Department by \$200,000 to implement the next phase of the Community Choice Energy Program.~~

See attached
K.F.

See Attached
K.F.

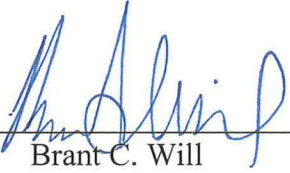
6. Increase Citywide Program Expenditures by \$842,000 for transfer to Transient Occupancy Tax Fund for the Commission for Arts and Culture allocation.
7. ~~Increase Citywide Program Expenditures by \$413,000 for transfer to the Capital Improvements Program for the Bay Bridge Community Center CIP roof coverings.~~ *See Attached K.F.*
8. Increase Environmental Services Department by \$70,000 to provide additional summer trash pick-up in Mission Beach.
9. Increase Citywide Program Expenditures by \$1,000,000 for transfer to the QualCOMM Stadium Operations Fund to pay future debt service.
10. Increase Capital Outlay Fund by \$2,100,000 for transfer to the QualCOMM Stadium Operations Fund to pay future debt service.

BE IT FURTHER RESOLVED, that in accordance with the presentation of the Fiscal Year Mid-Year Budget Monitoring Report, if funds are available, the Mayor is requested to propose amendments to the Fiscal Year 2018 Budget to: add additional fleet technicians to reduce the number of red-tag list vehicles; add additional park and recreation ground maintenance workers; restore five vacant positions to the City Attorney's office; add a lifeguard lieutenant; and add support for the Homeless Outreach and PERT Teams.

BE IT FURTHER RESOLVED, that the Mayor is directed to present to the City Council with the Fiscal Year 2018 First Quarter Budget Monitoring Report (First Quarter Budget Monitoring Report), along with the Five Year Financial Outlook, no later than November 30, 2017.

BE IT FURTHER RESOLVED, that the City Clerk is hereby authorized and directed to return, as soon as practicable, the Approved Budget to the Mayor in accordance with section 69 of the Charter.

APPROVED: MARA W. ELLIOTT, City Attorney

By 
Brant C. Will
Deputy City Attorney

BCW:jdf
05/22/2017
06/06/2017 REV.
Or.Dept:IBA
Doc. No.: 1509148_2

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of JUN 05 2017

ELIZABETH S. MALAND City Clerk

By 
Deputy City Clerk

Approved: _____
(date)

Vetoed: 6/9/17
(date)

*VETO AS
MODIFIED -
SEE ATTACHED*

KEVIN L. FAULCONER, Mayor

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on _____, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Barbara Bry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Ward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Georgette Gomez	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage _____.

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

(Seal)

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By _____, Deputy

Office of the City Clerk, San Diego, California

Resolution Number R-_____