

# Budget Town Hall

# IBA Review of the FY 2021 Proposed Budget



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April 29, 2020



# Office of the 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

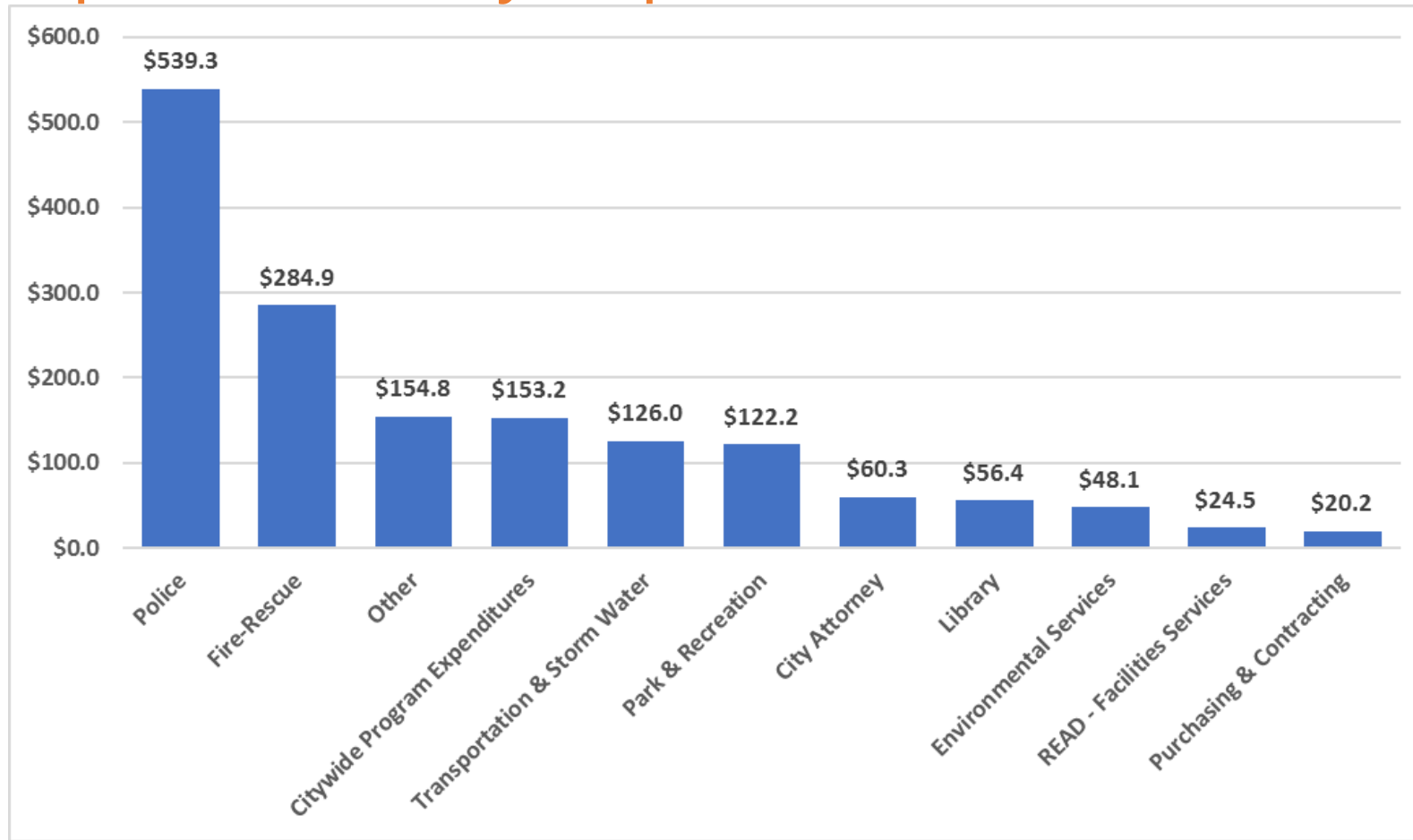
# Why is the City's Budget Important

*The Budget reflects City policies and community priorities, and allocates available funds for City programs and services*

- Public Safety
- Infrastructure
- Parks and recreation
- Libraries
- City Planning
- Climate Action Plan
- Code Enforcement
- Arts & Culture
- Homeless Services
- Economic Development
- Environmental Services
- Internal City Services

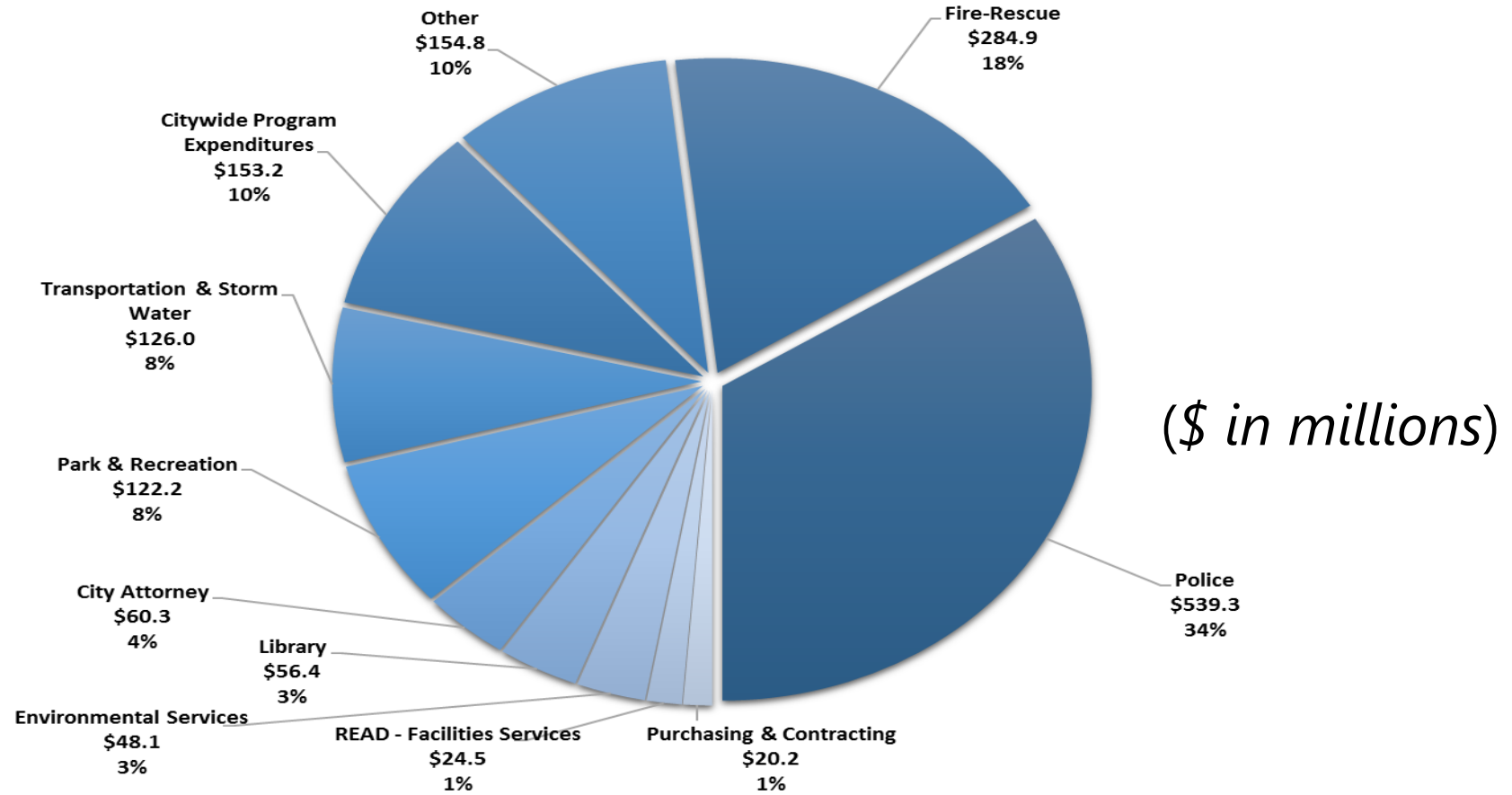
# Why is the City's Budget Important? Cont'd

## FY 2020 expenditures by department (in millions)



# General Fund Overview

FY 2020 Expenditures: \$1.59 Billion



# 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:

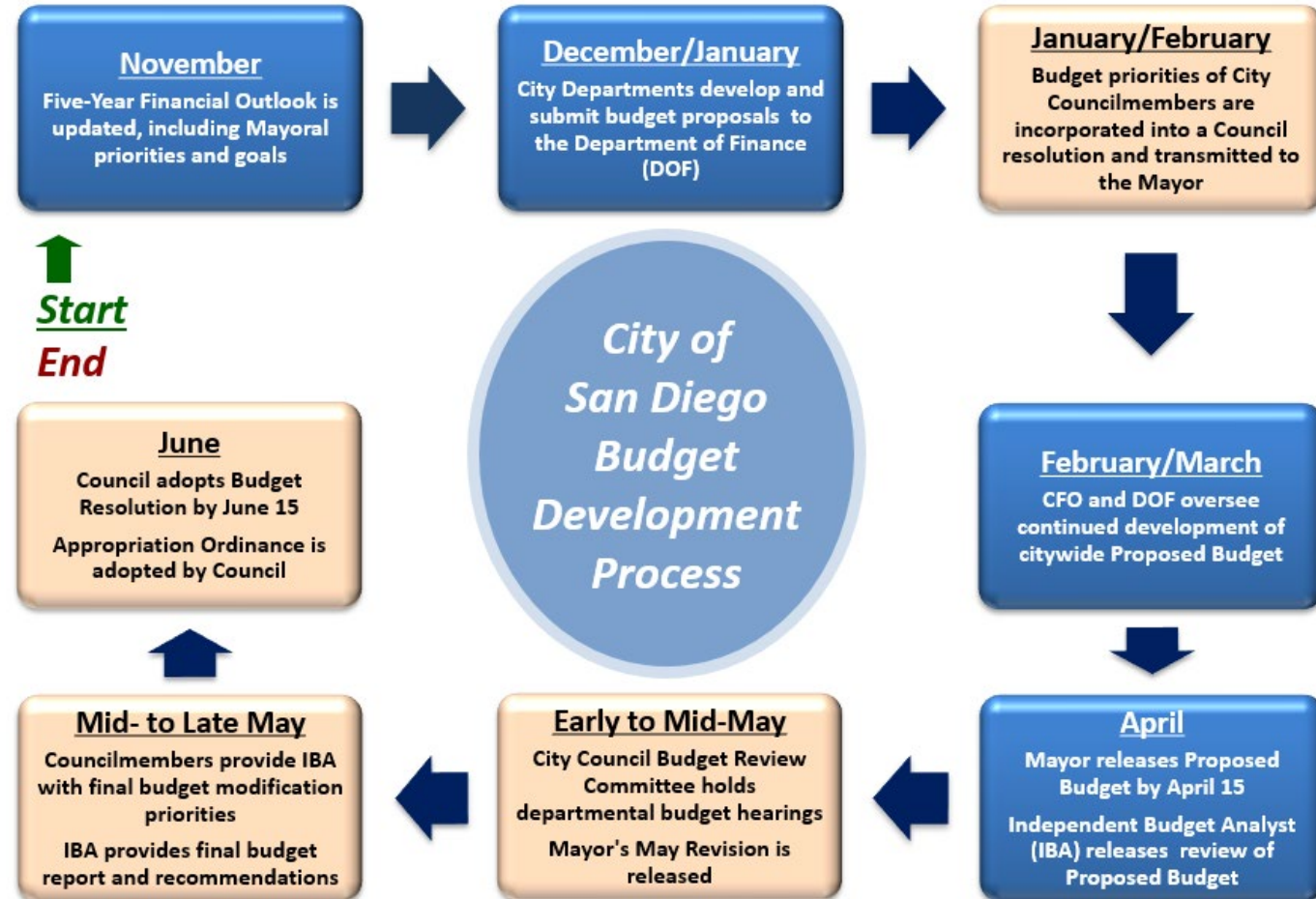
- Reviews and analyzes the Mayor's Proposed Budget for Council and the public
- Provides support to the City Council and its Committees throughout the process
- Develops final budget recommendations for City Council consideration



# 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

# Annual Budget Development Process



# Looking Back to November 2019: Mayor's Five-Year Outlook

## *FY 2021 Deficit Projected at \$83.7 million*

- \$21.2 million - baseline expenditures/existing services
- \$62.5 million - Mayor's Critical Strategic Expenditures to expand existing programs or initiate new programs
- Due to the lack of resources, most of the Outlook's Critical Strategic Expenditures not funded in the Proposed Budget
- With COVID-19 pandemic impacts, the Outlook is no longer relevant

# February 2020: Council Budget Priorities

## *Council Develops Priorities Resolution to Guide Mayor in the FY 2021 Budget Process*

- One unanimous priority: transportation safety and mobility improvements
- Other priorities include:
  - City facility improvements (Fire-Rescue, Library, Parks & Recreation)
  - Homelessness
  - Public Safety
  - Street and sidewalk improvements
  - Arts & Culture
  - Support for Libraries
  - Climate Action Plan

# March 2020: Mayor Develops FY 2021 Budget

## *Revenues Begin to Decline*

- Due to COVID-19 stay-at-home orders, revenue begins to plummet (initial projections: \$258M for FYs 2020 & 2021)
- For FY 2020: \$109M (TOT - \$83M; Sales Tax - \$26M)
- For FY 2021: \$149M (all major revenues impacted)
- City Revenue projections revised over a dozen times just in the month of March
- IBA review: revenues reasonable at the time; high degree of uncertainty regarding future impacts

# March 2020: Mayor Develops FY 2021 Budget *cont'd*

## *General Fund Expenditure Reductions Proposed to Address Deficit*

- FY 2021 Proposed Budget expenditures - \$1.54 billion
  - Expenditures decrease - \$50.2M (3.2%)
- Positions decrease by a net 277.87 positions
  - Library (96.51 positions) - hours reduced (closures Sun. and Mon.)
  - Parks & Rec (88.79 positions) - recreation center hours reduced from 60 to 45 hours per week; pool/swim programs

# March 2020: Mayor Develops Budget *cont'd*

## *General Fund Expenditure Reductions Proposed (cont'd)*

- Other major decreases
  - Arts & Culture Funding
  - Street and sidewalk improvements
  - Tree Maintenance
  - Community Projects, Programs, & Services (CPPS) funds
  - Tree trimming and landscaping

# March 2020: Mayor Develops Budget *cont'd*

## *General Fund Expenditure Reductions Proposed (cont'd)*

- Storm Water Contracts
- Climate Action Plan funds
- Weed and Graffiti Abatement
- Planning Work Programs
- Police Civilian Positions, Police STAR/PAL Unit
- No contributions to Infrastructure Fund
- No contributions to General Fund or Pension Reserves



# April 15, 2020: Mayor Releases Proposed Budget

## *FY 2020 General Fund (GF) Mitigation Actions-\$109M*

- \$4.5M - expenditure reductions
  - Hiring freeze (\$1.5 M); other spending freeze (\$3.0M)
- \$10M - use of GF CIP (to be backfilled with borrowing)
- \$12.8M - delayed FY 2020 GF Reserve contribution
- \$27.9M - use of FY 2020 projected excess equity
- \$54M - use of GF Emergency Reserve

# April 15, 2020: Mayor Releases Proposed Budget *cont'd*

## *FY 2021 Mitigation Actions - \$149M (citywide)*

- \$63.7M & 354.93 positions reduced
  - Library - \$7.0M & 96.51 positions (reduced hours)
  - Parks & Recreation – \$5.9M & 88.79 positions (reduced hrs.)
  - Police - \$6.3M and 23 positions (including reduced overtime and elimination of STAR/PAL)
  - Storm Water - \$4.9M (consulting, drainage projects)
  - Transportation - \$4.0M & 12 positions (tree trimming, road maintenance, graffiti, landscaping)

# April 15, 2020: Mayor Releases Proposed Budget *cont'd*

## *FY 2021 Mitigation Actions - \$149M (citywide) (cont'd)*

- \$29.5M - waiving Infrastructure Fund contribution
- \$20.9M - use of stadium sale proceeds
- \$13.6M - delay of General Fund Reserve contribution
- \$12.2M - use of Pension Reserve & FY 2021 contribution
- \$4.2M - use of fund balance in Fleet Replacement Fund
- \$3.2M - budgeted vacancy factor increase
- \$1.0M - retiree health/OPEB funding reduction

# April 2020: Revenues Continue to Decline

## *Add'l Tourism Cancellations-Significant Revenue Impact*

- Mayor announced additional \$50M in projected losses, bringing total COVID-19 shortfall to \$300M
  - Cancellation of Comic-Con and other July conventions, after Proposed Budget release are major drivers of declining revenue
- Mayor has issued a second call for additional departmental reductions
- Updated projections and proposed mitigations to be released with Mayor's May Revision on May 19
  - Potential for a vastly different budget

# CARES Act Funding

*City Has Received \$248M from Federal Government*

- City in receipt of the funding last week
- City management is determining the eligibility requirements
  - Must be spent by December 30, 2020
- Mayor, Management Staff, and Council will identify potential uses
  - Also reaching out to stakeholders
- Goal is to maximize use of all \$248M

# Key Financial Challenges Ahead

## Numerous Budget & Policy Issues Still to Address

- Continued COVID-19 uncertainty
- Impact on pension payment
- Ongoing labor negotiations
- Use of one-time revenues for ongoing expenditures
- 101 Ash Street building
- Capital infrastructure needs
- Vacancies

# Key Financial Challenges *cont'd*

- Focusing on Key Goals and Objectives Going Forward
  - Restoring the City's General Fund reserves to policy goals
  - Developing a long-term plan to better maintain and address our growing backlog of General Fund infrastructure needs
  - Providing ongoing shelter and services for our homeless citizens
  - Making significant and measurable progress on Climate Action Plan goals and objectives
  - Develop a long-term plan to better address the City's human capital needs

# Next Steps in the Process

## City Council's Role and Community Involvement

- The City Council has final budget authority
- Key dates include:
  - **April 30 and May 11:** Evening public hearings on the budget
  - **May 4-8:** Budget Review Committee hearings on all departments
  - **May 19:** Mayor releases the May Revision
  - **May 21:** Budget Review Committee hears the May Revision and Third Quarter Budget Monitoring Report
  - **May 22:** Councilmembers issue final budget modification memoranda
  - **June 3:** IBA issues final report on recommended revisions based on Council memoranda
  - **June 8:** Council makes final FY 2021 budget decisions and takes action on any FY 2020 budget revisions
  - **June 29:** City Council introduces and adopts FY 2021 Appropriation Ordinance