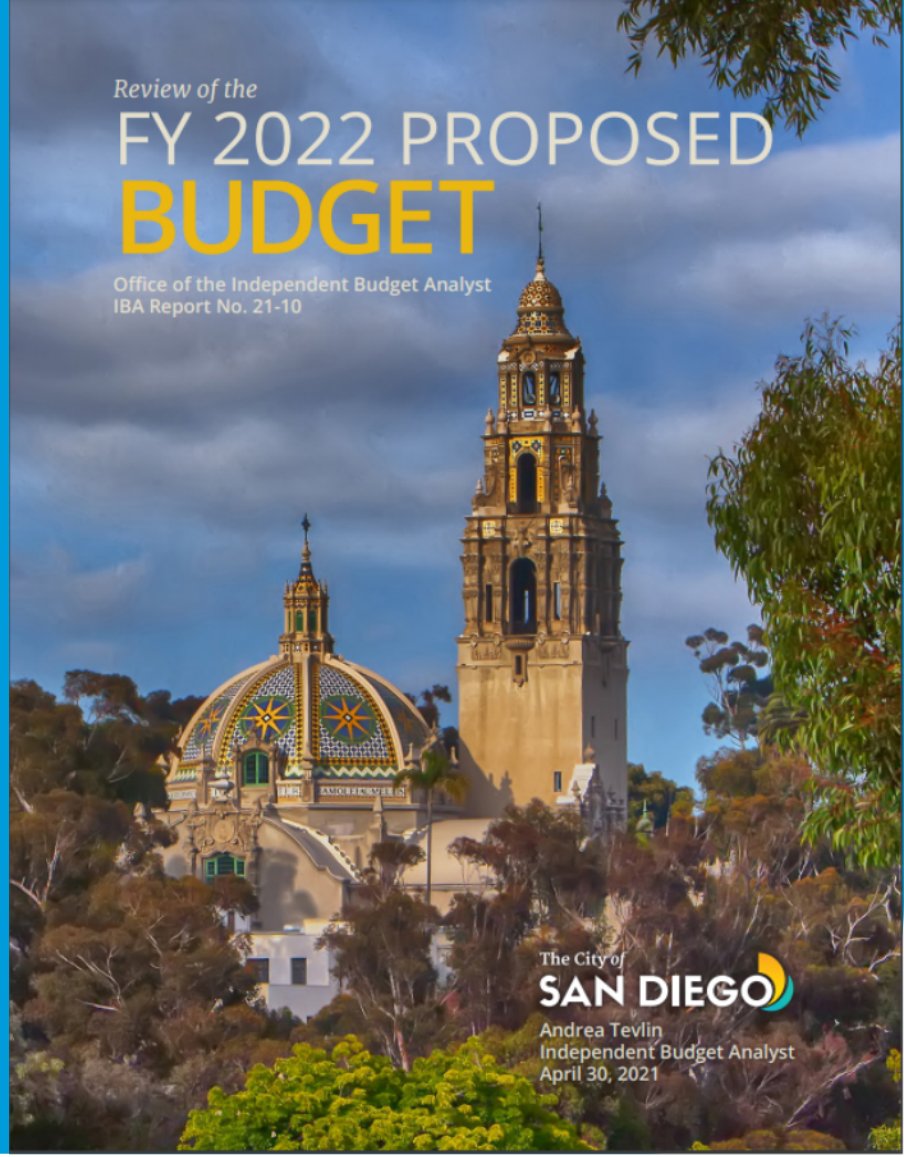
Budget Town Hall

IBA Review of the FY 2022 Proposed Budget



Office of the Independent Budget Analyst

The City of SAN DIEGO

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

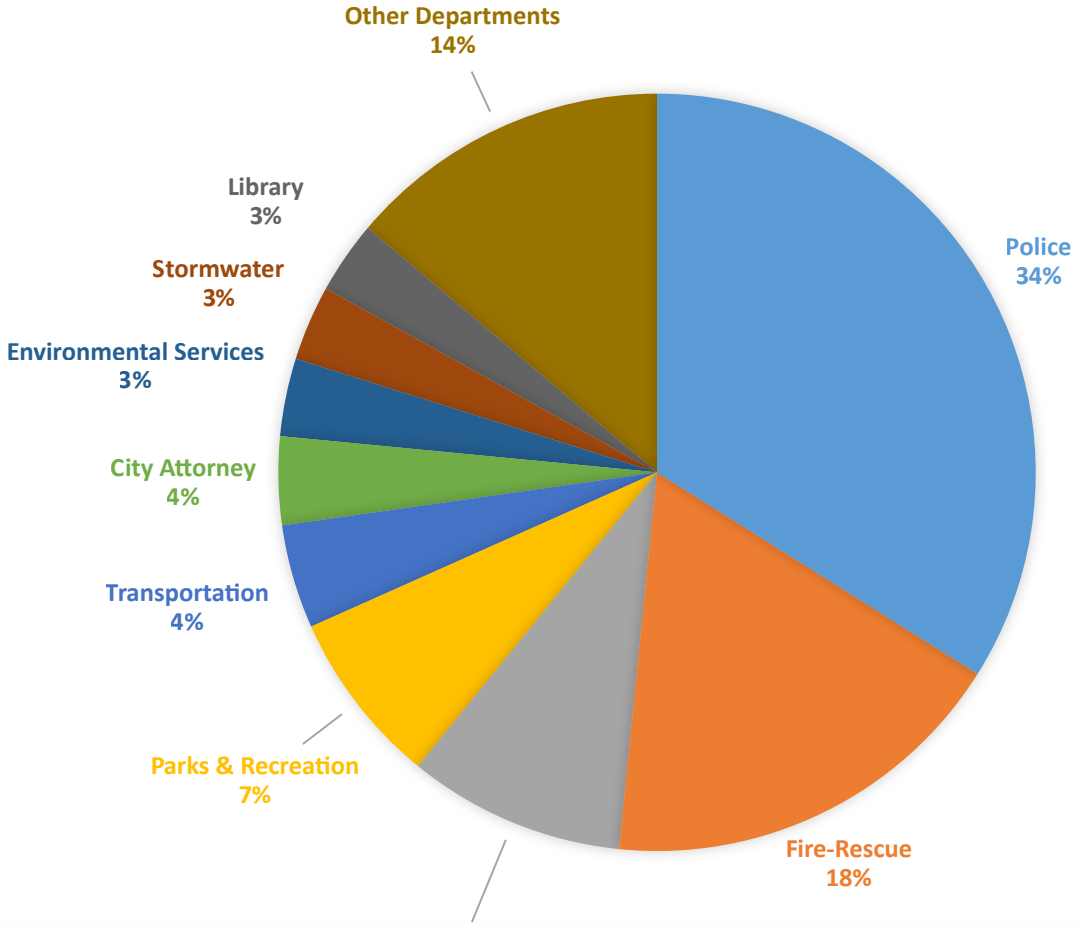
Why is the City's Budget Important

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

- Police
- Fire-Rescue
- Infrastructure
- Parks and Recreation
- Libraries
- City Planning
- Climate Action Plan
- Code Enforcement
- Arts & Culture
- Homeless Services
- Economic Development
- Environmental Services
- Storm Water

Proposed Budget Overview

FY 2022 General Fund Expenditures by Department



- Public safety expenses for the Police and Fire-Rescue departments make up over half of total General Fund Expenditures
  - Changes to these department's budgets have an outsized influence on available funding for other city services and programs

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 City Council is responsible for and has the authority to:

- Prepare Budget Priority Memoranda to guide development of the Mayor's Proposed Budget
- Change budgeted line items or services and programs proposed in the Mayor's budget, as long as the budget remains balanced
- Make final determinations in adopting a final balanced budget
- Review and approve the Proposed Budget on or before June 15

The City Council also provides numerous opportunities for public input:

- Two evening meetings specifically to hear public comment
- Five days of budget hearings with all City Departments
- Virtual Budget Town Halls for Council Districts

Mayor/Council Roles and Authorities in the Budget Process
cont'd

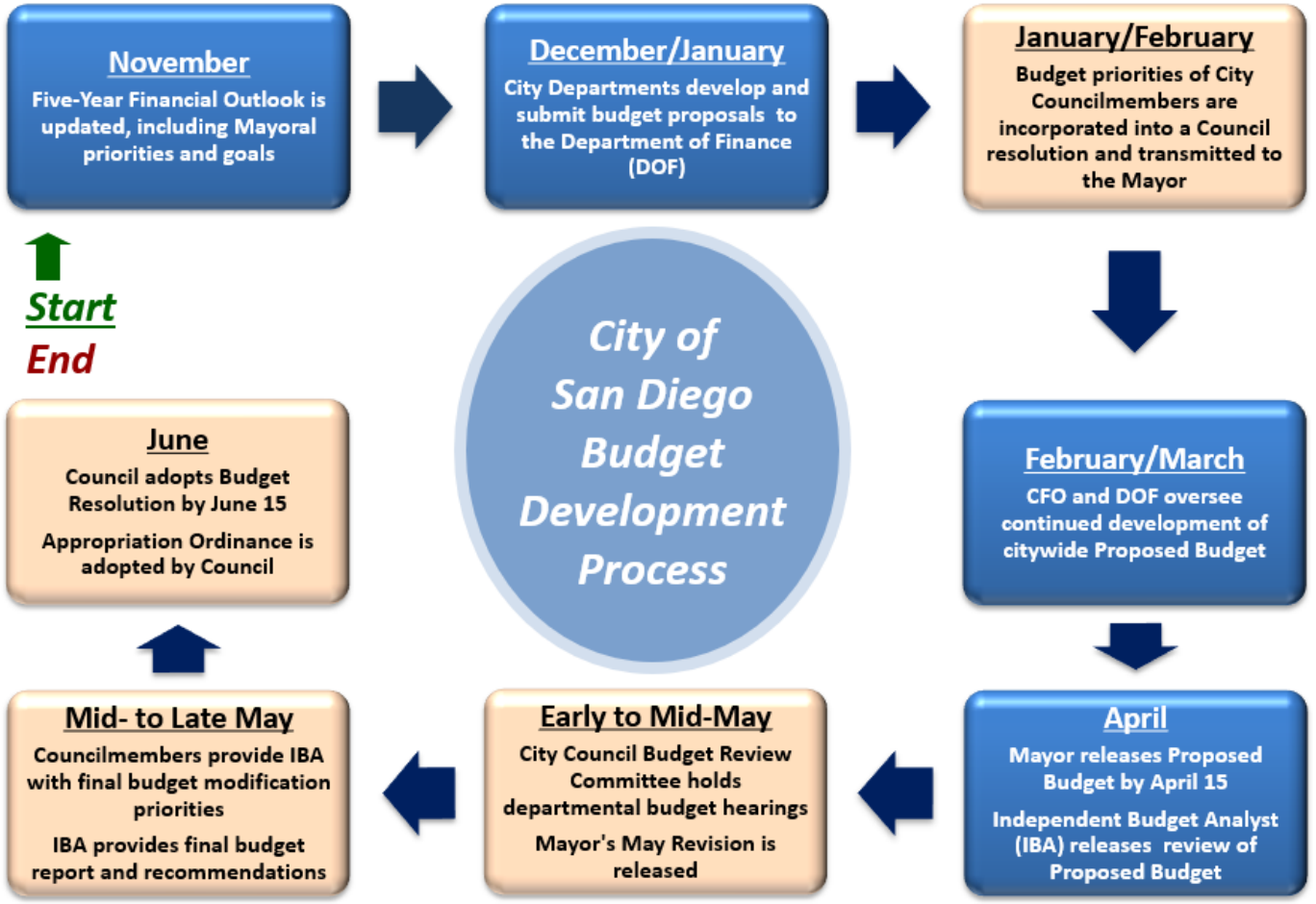
To assist the City Council and the Public, the Office of the IBA:

- Reviews and analyzes the Mayor's Proposed Budget, and prepares a detailed report analyzing the Proposed Budget, changes from prior years, and impacts to City services
- Provides support to the City Council and the Budget Review Committee throughout the process
- Receives and reviews proposed changes to the Budget proposed by Councilmembers
- 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



City Facing Shortfalls in FYs 2021 and 2022

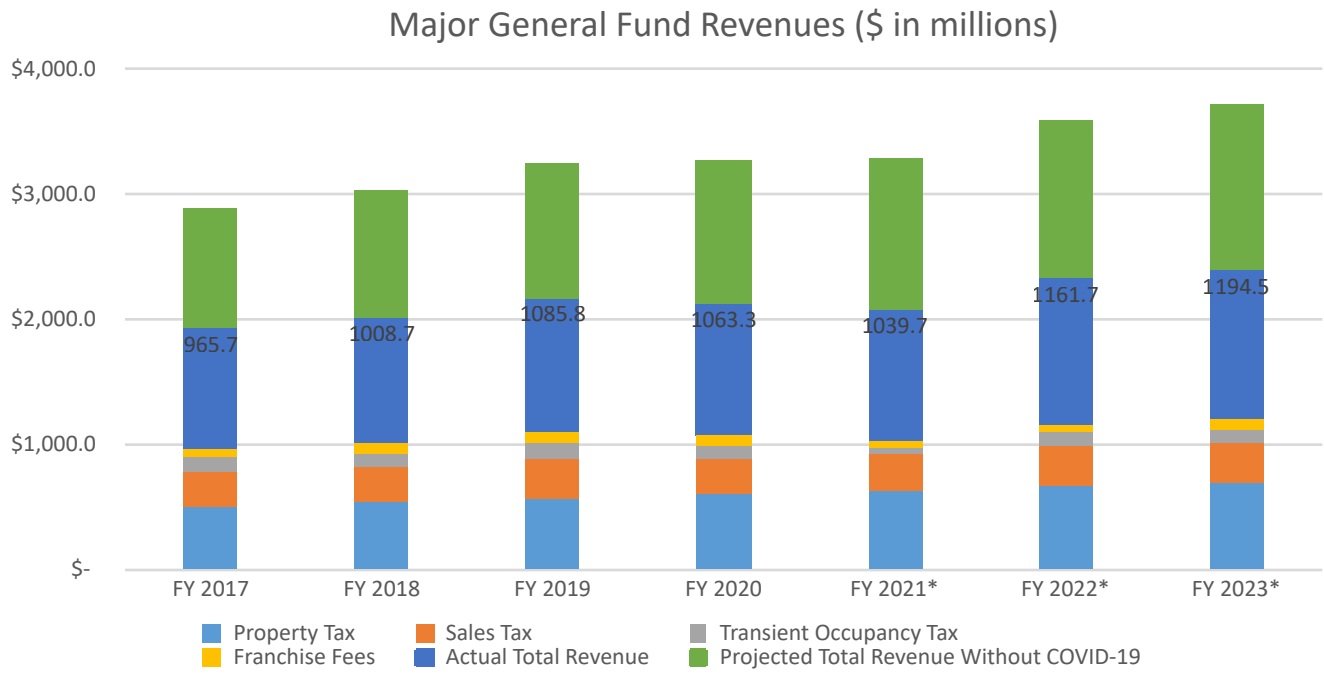
Deficits projected for several years

- The Mid-Year Budget Monitoring Report projected a FY 2021 deficit of $85.4 million (January 2021)
  - $1.54 billion in revenues, $1.62 billion in expenses
- The Mayor's Five-Year Financial Outlook projected a deficit for FY 2022 of $124.4 million (November 2020)
  - $1.55 billion in revenues, $1.67 billion in expenses
- Revenue and expense projections have both increased; but closing deficits will require using American Rescue Plan Act Funding ($306.1 million, to close deficits in FY 2021, 2022, and 2023)

Looking Back: COVID-19 Impacts on Revenues

Decreases in Revenue have lasting impacts

- COVID-19 led to large reductions in TOT revenue, and overall declines in total General Fund revenue in FY 2020 and 2021
- Recovery in revenue is projected to take several years



*FY 2021-2023 are projections; FY 2017-2020 are Year-End Actuals

February 2021: Council Budget Priorities

Council Develops Priorities Resolution to Guide Mayor in the FY 2022 Budget Process

- Council's Top Priorities:
  - Maintain Core Services (e.g. Library Hours)
  - Homelessness and Housing
  - Parks and Recreation
  - Community Equity and Relief (e.g. Rental Relief, Small Business Relief)
  - Climate Action/Climate Equity Fund

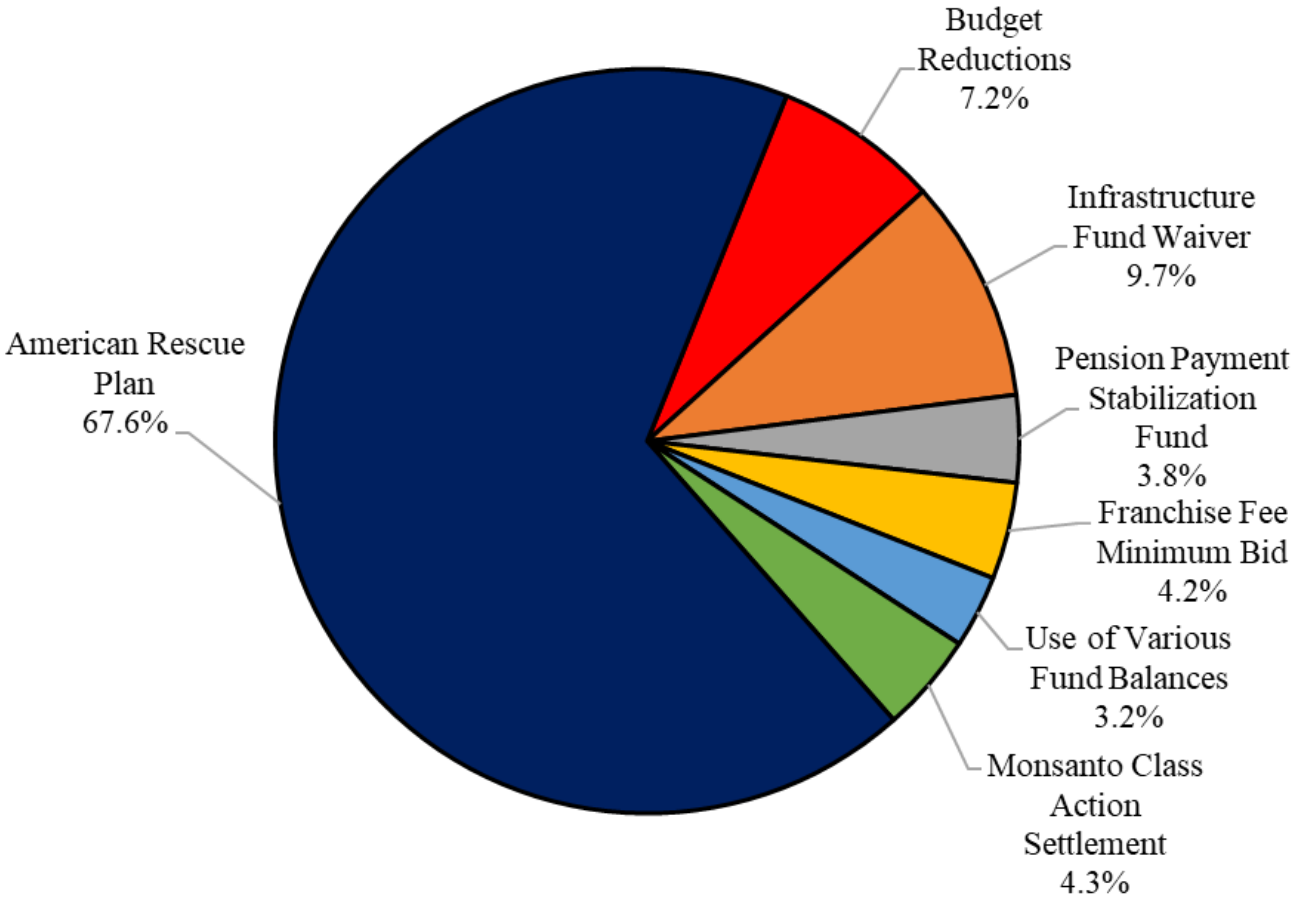
April 2021 – Proposed Budget Released

Proposed Budget

- On April 15th, the Mayor released his FY 2022 Proposed Budget.
- The Budget is balanced:
  - $1.73 Billion in Expenditures
  - $1.73 Billion in Revenues
- Mayor used a variety of mitigations to Balance the Proposed Budget
  - Largest mitigating factor is the City's receipt of American Rescue Plan Act (ARP) funding: $51.1 million anticipated use to close deficit FY 2021, $141.3 million proposed for FY 2022.
  - Additional use of one-time funds, expenditure reductions, and other revenues as shown on following slide

Balancing the Budget – Mayor's Mitigations

Proposed Budget - Mitigations



- Many mitigation measures used to balance the Proposed Budget.
  - Most significant is ARP revenue, as discussed

Proposed Budget Overview

Changes in the FY 2022 Proposed Budget

- The Proposed Budget mostly adds funds for City services:
  - $15.0 million for the Back to Work SD Program
  - $10.0 million for the “Sexy Streets” program
  - $10.0 million in one-time funding for various homelessness programs
  - $2.5 million for storm water strategies
  - $1.1 million for new Commission on Police Practices
- Other Significant changes include:
  - $36.8 million in increases for mandatory General Fund pension contributions
  - $6.9 million in ***reduced funding*** for City libraries, leading to a decrease in library hours

Proposed Budget Overview

Council Budget Priorities Review

- Most Council Budget Priorities were included in the Proposed Budget, but some were not:
  - Library hours were significantly reduced
  - The City's "Penny for the Arts" Program continues to be funded below targeted levels
  - Across-the-board efficiency reductions may lead to reduced weed abatement
  - Funding for new parks or improvements to recreation facilities was not added

Key Financial Challenges Ahead

Numerous Budget & Policy Issues Still to Address

- Continued COVID-19 uncertainty
- Growing backlog of deferred maintenance and capital projects ($3.02 billion funding gap over next five years)
- Establishing appropriate service levels in operating departments (Libraries, Police)
- City Employee Compensation (salaries, pension costs)
- Identifying new revenue sources

Next Steps in the Process

City Council's Role and Community Involvement

- The City Council has final budget authority
- Key dates include:
  - **May 5 and May 17:** Evening public hearings on the budget
  - **May 5-11:** Budget Review Committee hearings on all departments
  - **May 18:** Mayor releases the May Revision
  - **May 20:** Budget Review Committee hears the May Revision and Third Quarter Budget Monitoring Report
  - **May 26:** Councilmembers issue final budget modification memoranda
  - **June 9:** IBA issues final report on recommended revisions based on Council memoranda
  - **June 14:** 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

Additional Resources

More City of San Diego Budget Information

Information on the City's budget and other legislative items can be found on the IBA website

- IBA reports, including a full list of key budget dates are online: https://www.sandiego.gov/iba
  - IBA report: Review of the FY 2022 Proposed Budget https://www.sandiego.gov/sites/default/files/12-10_iba_review_of_fiscal_year_2022_proposed_budget.pdf
  - IBA report: A Citizen's Guide to the City's Budget Process https://www.sandiego.gov/sites/default/files/legacy/iba/pdf/bpguide.pdf
  - IBA report: A Citizen's Guide to Infrastructure https://www.sandiego.gov/sites/default/files/citizens-guide-to-infrastructure.pdf

More City of San Diego Budget Information cont

Information on the City's budget on the City's website

- City of San Diego budget visualization tool (charts and graphs displaying budget data by year): https://sandiegoca.opengov.com/
- City of San Diego budget document (Proposed and Adopted): https://www.sandiego.gov/fm
- Call our Office for additional information: 619-236-6555