Budget Town Hall

IBA Review of the FY 2021 Proposed Budget
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

- Fire-Rescue: $284.9 million (18%)
- Police: $539.3 million (34%)
- Environmental Services: $48.1 million (3%)
- City Attorney: $60.3 million (4%)
- Library: $56.4 million (3%)
- READ - Facilities Services: $24.5 million (1%)
- Purchasing & Contracting: $20.2 million (1%)
- Park & Recreation: $122.2 million (8%)
- Transportation & Storm Water: $126.0 million (8%)
- Citywide Program Expenditures: $153.2 million (10%)
- Other: $154.8 million (10%)

($ in millions)
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

Start

City of San Diego Budget Development Process

End

November
Five-Year Financial Outlook is updated, including Mayoral priorities and goals

December/January
City Departments develop and submit budget proposals to the Department of Finance (DOF)

January/February
Budget priorities of City Councilmembers are incorporated into a Council resolution and transmitted to the Mayor

February/March
CFO and DOF oversee continued development of citywide Proposed Budget

April
Mayor releases Proposed Budget by April 15

Independent Budget Analyst (IBA) releases review of Proposed Budget

Mid- to Late May
Councilmembers provide IBA with final budget modification priorities
IBA provides final budget report and recommendations

Early to Mid-May
City Council Budget Review Committee holds departmental budget hearings
Mayor’s May Revision is released

June
Council adopts Budget Resolution by June 15
 Appropriation Ordinance is adopted by Council
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  

**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

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

**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