IBA Crash Course: Understanding the FY 2023 Budget Process

April 2022
Understanding the FY 2023 Budget Process

Presentation Overview

• Roles and Authorities in the Budget Process
• Operating Budget Process and Information
• Capital Improvement Program Budget Process and Information
• Public Involvement and Resources
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
• Climate Action Plan
• Code Enforcement
• Arts & Culture
• Homeless Services
• Economic Development
• Environmental Services

The Budget is a statement of - and plan to address - City Priorities.
Roles and Authorities in the Budget Process
Office of the Independent Budget Analyst

Mayor/Council/IBA Roles and Authorities in the Budget Process

• **Mayor**
  - Proposes a balanced budget to Council by April 15
  - Carries out the City’s goals and services reflected in the Council-approved budget
  - Has sole authority to propose budget changes during the fiscal year after Proposed Budget is approved

• **Council**
  - May change the Mayor’s Proposed Budget as long as the budget remains balanced
  - Reviews, approves, and amends the Proposed Budget on or before June 15
  - Has final budget authority (i.e., approves recommended changes from the Mayor)

• **IBA**
  - Analyzes the Mayor’s financial reports, including the Proposed Budget
  - Supports Council and Committee budget hearings, participates in Budget Town Halls
  - Develops final budget recommendations for Council consideration
Overview of the Operating Budget Process
FY 2023 Budget Development Timeline

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

Start
End

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

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

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
FY 2022 Budget Overview

Total City Budget

- While the City's total FY 2022 Budget is $4.6 billion, the area where the City has most discretion to fund operations is in the General Fund.
FY 2022 Budget Overview cont.

**General Fund**

**Revenues**
- Property Tax: $672.2M (39%)
- Sales Tax: $320.8M (18%)
- American Rescue Plan: $149.3M (9%)
- Transient Occupancy Tax: $95.5M (5%)
- Franchise Fees: $80.0M (5%)
- Other: $425.9M (24%)

**Total: $1.7 Billion**

**Expenditures**
- Police: $593.3M (34%)
- Fire-Rescue: $308.7M (18%)
- Other: $345.4M (20%)
- Citywide Program: $150.3M (8%)
- Parks & Recreation: $133.9M (8%)
- Transportation: $82.5M (5%)
- City Attorney: $68.8M (4%)
- Library: $60.7M (3%)

**Total: $1.7 Billion**
### FY 2022 Adopted General Fund Budget and Mid-Year Projections

<table>
<thead>
<tr>
<th>Revenue/Expenditures ($ in millions)</th>
<th>Adopted Budget</th>
<th>Year-End Projection</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$ 672.2</td>
<td>$ 658.5</td>
<td>$(13.7)</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>320.8</td>
<td>341.1</td>
<td>20.3</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>95.5</td>
<td>119.9</td>
<td>24.4</td>
</tr>
<tr>
<td>Franchise Fees</td>
<td>78.3</td>
<td>86.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>427.4</td>
<td>438.0</td>
<td>10.6</td>
</tr>
<tr>
<td><strong>American Rescue Plan Act</strong></td>
<td>149.3</td>
<td>120.4</td>
<td>$(28.9)</td>
</tr>
<tr>
<td><strong>General Fund Revenues Subtotal</strong></td>
<td>1,743.5</td>
<td>1,764.2</td>
<td>20.7</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Expenditures</td>
<td>$ 1,214.3</td>
<td>$ 1,220.5</td>
<td>$(6.2)</td>
</tr>
<tr>
<td>Non-Personnel Expenditures</td>
<td>529.3</td>
<td>543.7</td>
<td>(14.4)</td>
</tr>
<tr>
<td><strong>General Fund Expenditures Subtotal</strong></td>
<td>1,743.5</td>
<td>1,764.2</td>
<td>(20.5)</td>
</tr>
<tr>
<td><strong>Net Projected Activity</strong></td>
<td>$</td>
<td>$</td>
<td>$ 0.1</td>
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</tbody>
</table>

*Figures may not total due to rounding.*
### Mayor’s Five-Year Outlook FY 2023-2027

<table>
<thead>
<tr>
<th></th>
<th>FY 2022 Adopted Budget</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baseline General Fund Revenues</strong></td>
<td>$1,594.2</td>
<td>$1,713.2</td>
<td>$1,784.0</td>
<td>$1,862.3</td>
<td>$1,936.5</td>
<td>$2,005.5</td>
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<tr>
<td><strong>Baseline General Fund Expenditures</strong></td>
<td>1,743.5</td>
<td>1,780.0</td>
<td>1,822.8</td>
<td>1,870.5</td>
<td>1,908.4</td>
<td>1,940.4</td>
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<tr>
<td><strong>Baseline Surplus / (Shortfall)</strong></td>
<td>($149.3)</td>
<td>($66.8)</td>
<td>($38.8)</td>
<td>($8.2)</td>
<td>$28.1</td>
<td>$65.1</td>
</tr>
<tr>
<td><strong>Recommended Use of Available ARPA Resource</strong></td>
<td>149.3</td>
<td>103.3</td>
<td>38.8</td>
<td>8.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Recommended Use of Available FY 2021 Excess Equity</strong></td>
<td>-</td>
<td>26.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Revised Baseline Surplus / (Shortfall)</strong></td>
<td>$ -</td>
<td>$63.2</td>
<td>$ -</td>
<td>$ -</td>
<td>$28.1</td>
<td>$65.2</td>
</tr>
<tr>
<td><strong>New Facilities and Planned Commitments</strong></td>
<td>4.2</td>
<td>11.2</td>
<td>14.8</td>
<td>15.0</td>
<td>14.9</td>
<td></td>
</tr>
<tr>
<td><strong>Compliance Requirements</strong></td>
<td>94.2</td>
<td>74.5</td>
<td>72.8</td>
<td>86.0</td>
<td>90.7</td>
<td></td>
</tr>
<tr>
<td><strong>Department Service Level Requests</strong></td>
<td>62.7</td>
<td>57.0</td>
<td>49.8</td>
<td>48.4</td>
<td>46.1</td>
<td></td>
</tr>
<tr>
<td><strong>(Amount to be Mitigated) / Available Resources</strong></td>
<td>($97.9)</td>
<td>($142.6)</td>
<td>($137.4)</td>
<td>($121.3)</td>
<td>($86.6)</td>
<td></td>
</tr>
</tbody>
</table>
### FY 2023 Priorities Receiving Majority Support

#### Operating Budget Priorities

<table>
<thead>
<tr>
<th>Priority Area</th>
<th>Supporting Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment and Climate Action</td>
<td>Office of Labor Standards Enforcement</td>
</tr>
<tr>
<td>Public Safety</td>
<td>Public Banking Feasibility Study</td>
</tr>
<tr>
<td>Neighborhood Services</td>
<td>Technical Support for IBA</td>
</tr>
<tr>
<td>Human Capital and Employee Compensation</td>
<td>Office of Race and Equity</td>
</tr>
<tr>
<td>Homelessness and Housing</td>
<td>Commission on Police Practices</td>
</tr>
<tr>
<td>Youth Services</td>
<td>Digital equity</td>
</tr>
<tr>
<td>Accessibility</td>
<td>Small Business and Non-Profit Relief</td>
</tr>
<tr>
<td>Arts and Culture Programs</td>
<td></td>
</tr>
</tbody>
</table>

#### Infrastructure Budget Priorities

<table>
<thead>
<tr>
<th>Priority Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation and Mobility Safety</td>
</tr>
<tr>
<td>Streets</td>
</tr>
<tr>
<td>Sidewalks</td>
</tr>
<tr>
<td>Stormwater</td>
</tr>
<tr>
<td>Facilities</td>
</tr>
<tr>
<td>Americans with Disabilities Act (ADA)</td>
</tr>
</tbody>
</table>

#### Resource and Mitigation Priority

<table>
<thead>
<tr>
<th>Priority Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of Excess Equity</td>
</tr>
</tbody>
</table>
Overview of the Capital Improvements Program (CIP) Budget Process
City Infrastructure

The City Owns and Maintains a Variety of Infrastructure Assets

• Streets and sidewalks
• Libraries
• Park and recreation facilities
• Police, fire, and lifeguard facilities
• Storm drainage and flood control facilities
• Water and sewer facilities and pipelines
• Street lights and traffic signals
• Three golf courses and two airports

City is NOT Responsible for:

♦ Trolley
♦ Rail
♦ Bus system
♦ County, state, and federal facilities, roads, freeways
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Spring – July
Every other year, ECP gets input from Community Planner’s Committee

Sept
ECP sends call memo to Council for capital priorities before the 5 Year Outlook

Oct – Jan
Departments review needs and request funding from DOF

During FY
CIP budget amended in Mid-Year and Year-End Report, and standalone items

January
5 Year CIP Outlook is released. IBA does report. CIPRAC submits budget recommendation

City of San Diego CIP Budget Development Process

June
Council adopts Budget

May
CIP budget hearing and May Revision is released

April 15
Mayor releases proposed budget

The City of SAN DIEGO
FISCAL YEAR 2023-2027
FIVE-YEAR CAPITAL INFRASTRUCTURE PLANNING OUTLOOK

sandiego.gov
Highlights of the CIP Outlook

- Infrastructure is a major challenge for the City.
- Needs far exceed funding.
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- New Lifeguard Stations: $0.3
- New Transportation Facilities: $30.0
- New Libraries: $47.4
- Streets/Modifications: $52.7
- Bike Facilities: $54.6
- Sidewalks: $120.1
- Emergency Shelters: $122.5
- Fleet: $128.4
- Traffic Signals and ITS: $128.9
- Bridges: $181.1
- Streetlights: $219.7
- New Fire Stations: $222.5
- Streets/Pavement: $321.7
- Existing Facilities: $593.9
- Parks: $700.0
- Stormwater: $1,392.7

### Available Funding vs. Funding Gap

- **Stormwater**: The largest gap by far of almost $1.4 billion.

- These departments generally do not have dedicated funding.
• Funding sources drive the types of projects that get funded in the CIP budget (water and sewer funds must support those project types)
• 2% of the budget can be used for any asset (e.g., sidewalks, parks)
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- The Pure Water Program, and Water and Wastewater projects make up the vast majority of projects.
- Parks, stormwater, and other building projects, such as police, fire, and library buildings, compete for these scarce resources.
The CIP Process

- Direction from the Mayor and City Council
- Preservation of Public Safety
- Legal Requirements or Mandates
- Data Driven Asset Management Practices
- City Plans
- Community Input
Prioritizing Projects per Council Policy 800-14

Council Policy 800-14 Provides weighted Project Scores, (such as):

- Risk to health and safety
- Asset condition and impact of deferring project
- Community investment
- Sustainability and Conservation
- Funding availability
- Project readiness
Implementing Projects
Get Involved
Opportunities for Public Input

- **Contact the Mayor** and/or his staff during the development of Mayor’s Proposed Budget (November-April)
- **Contact Councilmembers** at any point in the year, but especially:
  - September: when they identify capital project priorities prior to the Mayor’s request for Councilmember CIP input
  - November: during Council’s review of the Mayor’s Five-Year Outlook
  - January: as Councilmembers develop their budget priority memos for the Mayor
- **Participate in public outreach process for CIP Projects** done every other year through your Community Planning Group (August/September)
- **Report needs** - Get It Done App, Department staff
- **Get involved** year-round in community planning, recreation committees, and other groups
Opportunities for Public Input cont.

• May:
  • Participate in Budget Review Committee hearings May 4\textsuperscript{th}-10\textsuperscript{th}; and evening City Council meetings May 4\textsuperscript{th} and 16\textsuperscript{th}
  • Attend Council District Town Halls or budget discussions
  • Contact Councilmembers prior to them sending their final budget priority memoranda to the IBA on April 29\textsuperscript{th}

• June 13th: When City Council makes final budget decisions

• Throughout the year:
  • Review Mayoral or IBA budget reports released
  • Contact the IBA with any questions
More City of San Diego Budget Information

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

- [https://www.sandiego.gov/iba](https://www.sandiego.gov/iba)
  - IBA reports
  - Full list of key budget dates
  - A Citizen’s Guide to the City’s Budget Process
  - A Citizen’s Guide to Infrastructure
- Call our Office for additional information: 619-236-6555
- Follow us on Twitter: [@SanDiegoIBA](https://twitter.com/SanDiegoIBA)
- Link to the Adopted Budget: [https://www.sandiego.gov/finance/annual](https://www.sandiego.gov/finance/annual)
- Link to the Department of Finance various reports: [https://www.sandiego.gov/finance/financialrpts](https://www.sandiego.gov/finance/financialrpts)