IBA Crash Course:
Understanding the FY 2023 Budget
Process

March 2022

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
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
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FY 2022 Budget Development Timeline

November
Five-Year Financial Outlook is updated, including Mayor’s 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 presented to the Mayor

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 present continued development of citywide Proposed Budget

April
Mayor releases Proposed Budget by April 15
Independent Budget Analyst (IBA) releases review of Proposed Budget

City of San Diego
Budget Development Process

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.
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FY 2022 Budget Overview cont.

General Fund

Revenues

- Total: $1.7 Billion

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

Expenditures

- Total: $1.7 Billion

- Police: $593.3M (34%)
- Fire-Rescue: $308.7M (18%)
- Other: $345.4M (20%)
- Parks & Recreation: $133.9M (8%)
- Citywide Program: $158.3M (9%

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Mayor’s Five-Year Outlook FY 2023-2027

<table>
<thead>
<tr>
<th>($ in millions)</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>Baseline General Fund Revenues</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>
</tr>
<tr>
<td>Baseline General Fund Expenditures</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>
</tr>
<tr>
<td>Baseline Surplus / (Shortfall)</td>
<td>($149.3)</td>
<td>($66.8)</td>
<td>($38.8)</td>
<td>($8.2)</td>
<td>$28.1</td>
<td>$65.1</td>
</tr>
<tr>
<td>Recommended Use of Available ARPA Resource</td>
<td>149.3</td>
<td>103.3</td>
<td>38.8</td>
<td>8.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recommended Use of Available FY 2021 Excess Equity</td>
<td>-</td>
<td>26.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revised Baseline Surplus / (Shortfall)</td>
<td>$ -</td>
<td>$63.2</td>
<td>$ -</td>
<td>$ -</td>
<td>$28.1</td>
<td>$65.2</td>
</tr>
<tr>
<td>New Facilities and Planned Commitments</td>
<td>4.2</td>
<td>11.2</td>
<td>14.8</td>
<td>15.0</td>
<td>14.9</td>
<td></td>
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<tr>
<td>Compliance Requirements</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>Department Service Level Requests</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>(Amount to be Mitigated) / Available Resources</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 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>$(13.7)</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>320.8</td>
<td>341.1</td>
<td>20.3</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>95.5</td>
<td>119.9</td>
<td>24.4</td>
</tr>
<tr>
<td>Franchise Fees</td>
<td>78.3</td>
<td>86.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>427.4</td>
<td>438.0</td>
<td>10.6</td>
</tr>
<tr>
<td>American Rescue Plan Act</td>
<td>149.3</td>
<td>120.4</td>
<td>(28.9)</td>
</tr>
<tr>
<td><strong>General Fund Revenues Subtotal</strong></td>
<td>1,743.5</td>
<td>1,764.2</td>
<td>20.7</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Expenditures</td>
<td>$ 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>
</tr>
</tbody>
</table>

* Figures may not total due to rounding.

### FY 2023 Priorities Receiving Majority Support

#### Operating Budget Priorities

- Environment and Climate Action
- Public Safety
- Neighborhood Services
- Human Capital and Employee Compensation
- Homelessness and Housing
- Youth Services
- Accessibility
- Arts and Culture Programs

#### Infrastructure Budget Priorities

- Transportation and Mobility Safety
- Streets
- Sidewalks
- Stormwater
- Facilities
- Americans with Disabilities Act (ADA)

#### Resource and Mitigation Priority

- Use of Excess Equity
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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Departments Prioritize Projects per Council Policy 800-14

Project Scores are weighted for (examples):

- Risk to health and safety
- Asset condition and impact of deferring project
- Community investment
- Sustainability and Conservation
- Funding availability
- Project readiness
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Funding added to the CIP Program takes multiple years to spend.

Key Takeaways:
- Storm Water and Facilities make up less than 1% of the budget but have the highest unfunded needs.
- Public Utilities Department’s projects (water and sewer system) make up the largest portion of the budget.
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FY 2022 CIP Adopted Budget by Funding Source

Key Takeaways:
- 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)

Other Restricted $35.4M

General Fund & Infrastructure Fund $17.7M

Climate Equity Fund $7.0M

Transportation $28.4M

Water & Sewer Funds $709.1M

Total: $789.5 Million

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Infrastructure is a Major Challenge for City

City’s Needs Far Exceed Funding Available

<table>
<thead>
<tr>
<th>City's Five-Year Capital Infrastructure Needs, Available Funding, and Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ in Billions</td>
</tr>
<tr>
<td>Total Needs</td>
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<td>$8.4</td>
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City's Needs Far Exceed Funding Available

City's Five-Year Capital Infrastructure Needs, Available Funding, and Gap

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</table>

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## What are the top Assets not Funded?

<table>
<thead>
<tr>
<th>Asset Type ($ in millions)</th>
<th>Amount Unfunded</th>
<th>Percentage of Total Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stormwater</td>
<td>($1,392.7)</td>
<td>32.26%</td>
</tr>
<tr>
<td>Parks</td>
<td>($700.0)</td>
<td>16.22%</td>
</tr>
<tr>
<td>Existing Facilities</td>
<td>($593.9)</td>
<td>13.76%</td>
</tr>
<tr>
<td>Streets and Roads - Pavement</td>
<td>($321.7)</td>
<td>7.45%</td>
</tr>
<tr>
<td>New Fire Stations</td>
<td>($222.5)</td>
<td>5.15%</td>
</tr>
<tr>
<td>Streetlights</td>
<td>($219.7)</td>
<td>5.09%</td>
</tr>
<tr>
<td>Bridges</td>
<td>($181.1)</td>
<td>4.20%</td>
</tr>
<tr>
<td><strong>Total (Assets with largest gap)</strong></td>
<td><strong>($3,631.6)</strong></td>
<td><strong>84.13%</strong></td>
</tr>
</tbody>
</table>
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\(^{th}\)-10\(^{th}\); and evening City Council meetings May 4\(^{th}\) and 16\(^{th}\)
  - 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\(^{th}\)
- June 13\(^{th}\): 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)