

Review of the Fiscal Year 2017 Proposed Budget

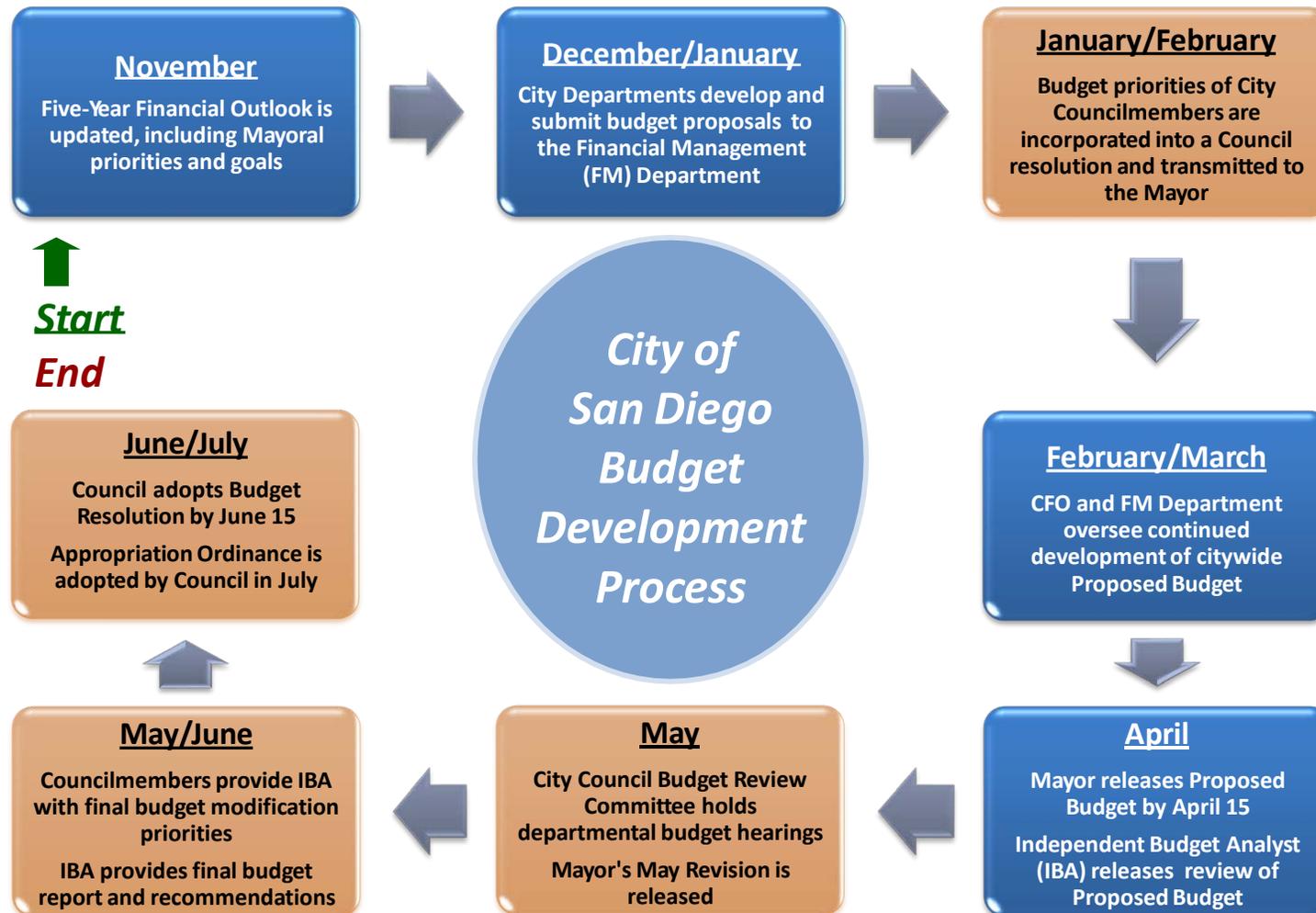
Analysis by the Office of the Independent Budget Analyst | Report 16-05

Budget Briefing with Councilmember Chris Cate and Residents of District 6

May 18, 2016



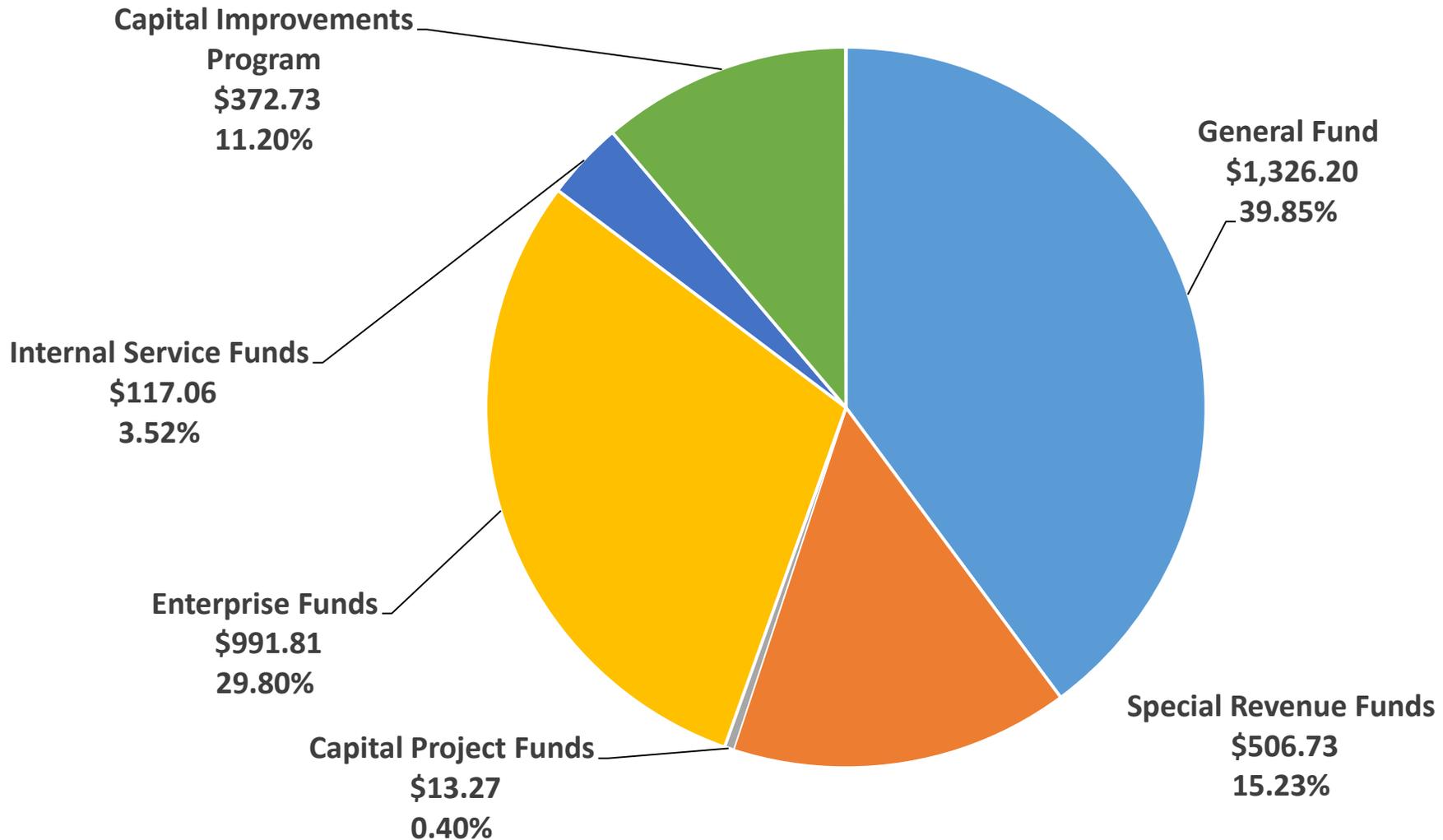
City of San Diego Budget Process



Overview of the Mayor's Fiscal Year 2017 Proposed Budget

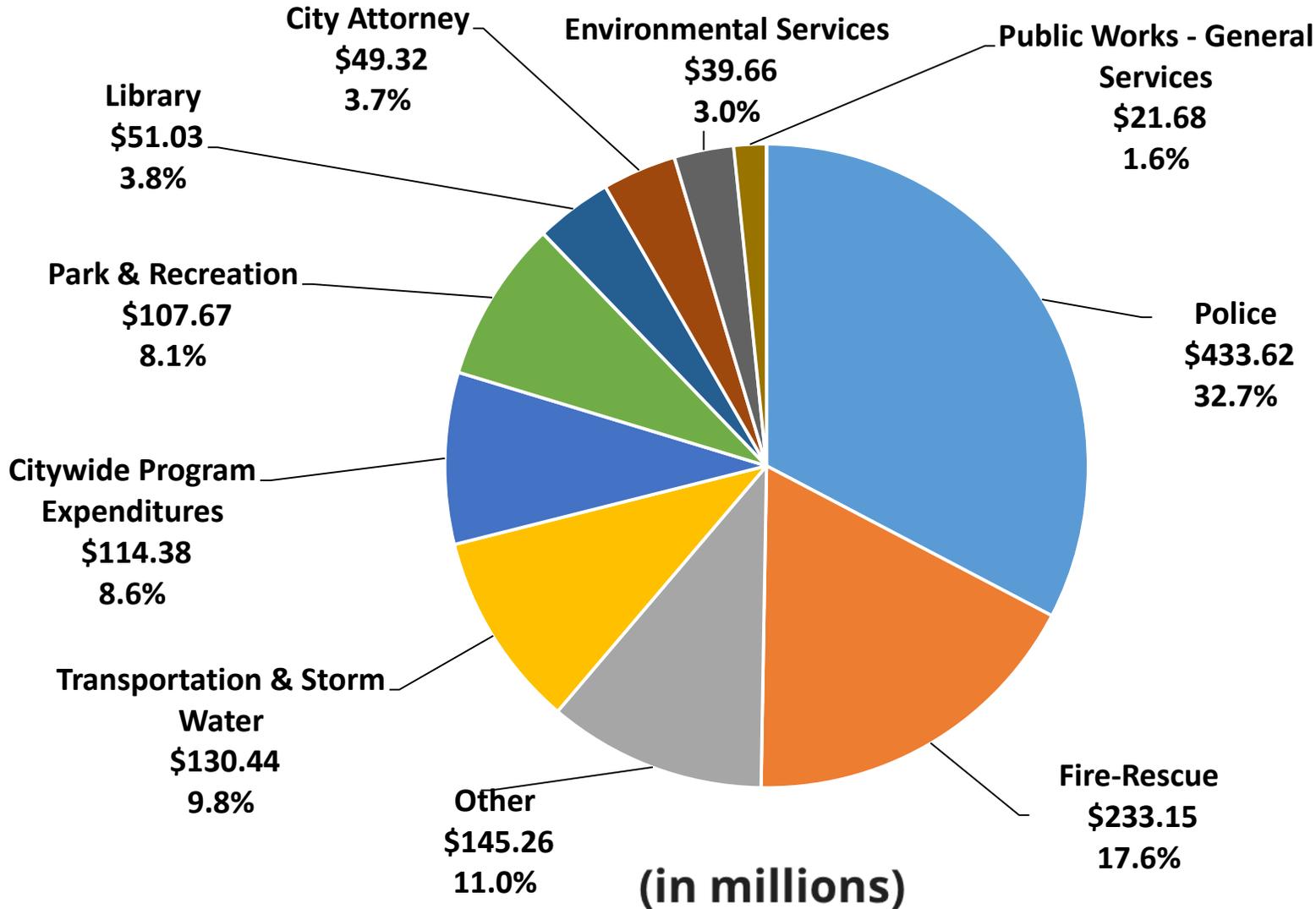


Citywide Proposed Budget \$3.3 Billion





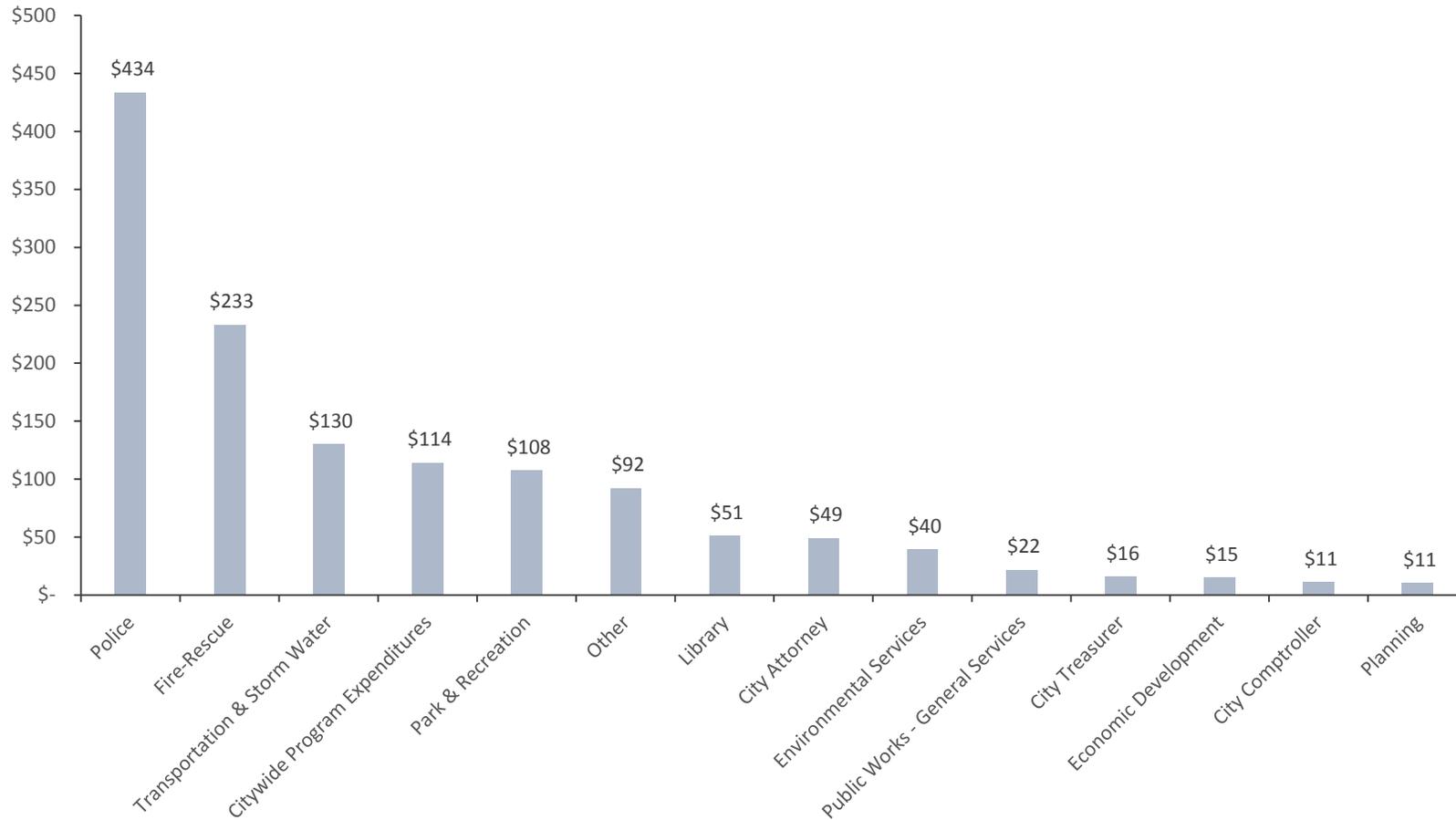
General Fund Expenditures \$1.3 Billion





Mayor's Fiscal Year 2017 Proposed Budget

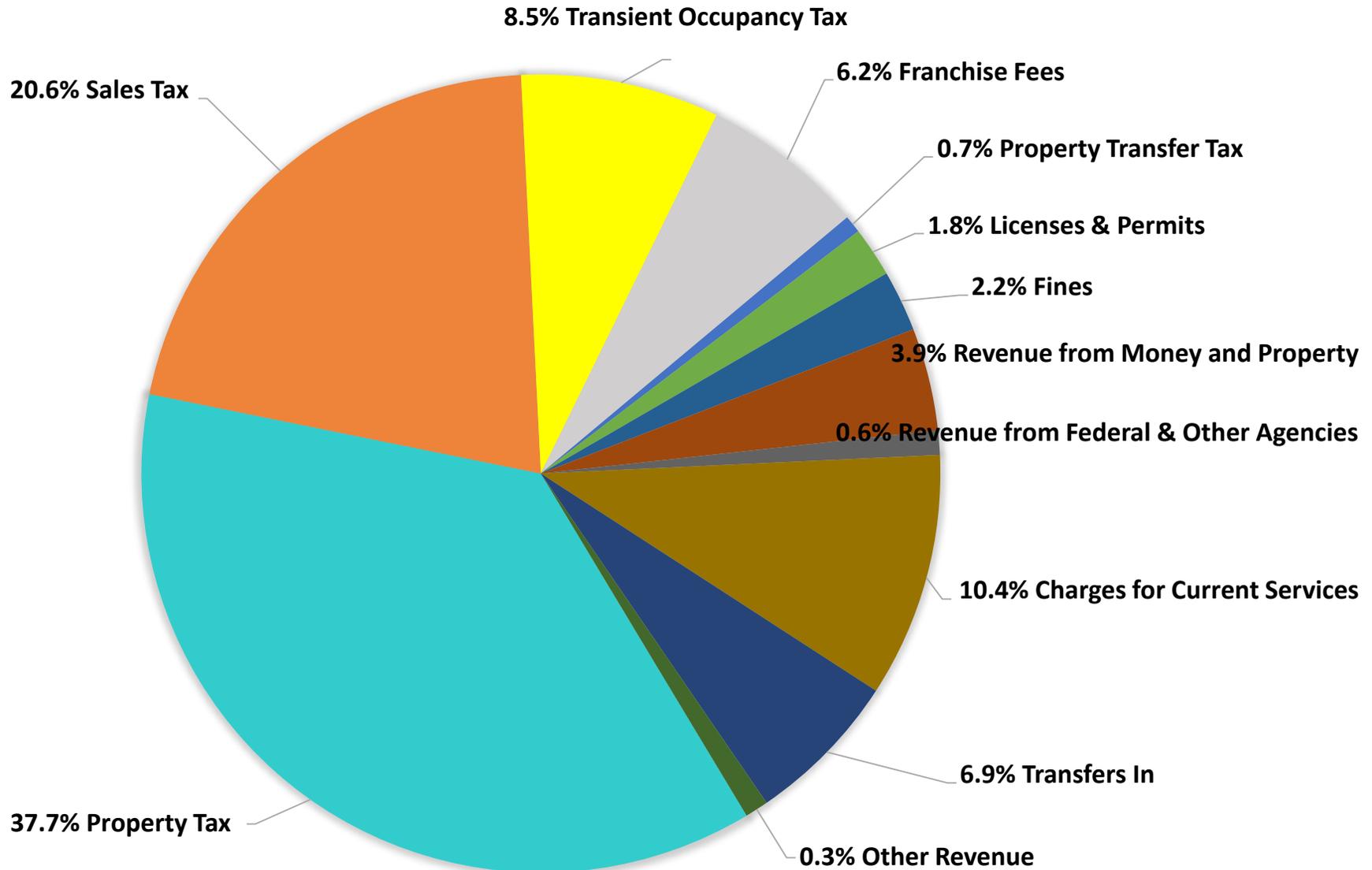
Fiscal Year 2017 Proposed General Fund Expenditures by Department (in millions)



Note: The Other category includes: City Auditor, City Clerk, City Council, Communications, Debt Management, Department of Information Technology, Development Services, Ethics Commission, Financial Management, Human Resources, Infrastructure/Public Works, Internal Operations, Neighborhood Services, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Performance & Analytics, Personnel, Public Utilities, Public Works-Contracting, Purchasing & Contracting, and Real Estate Assets.



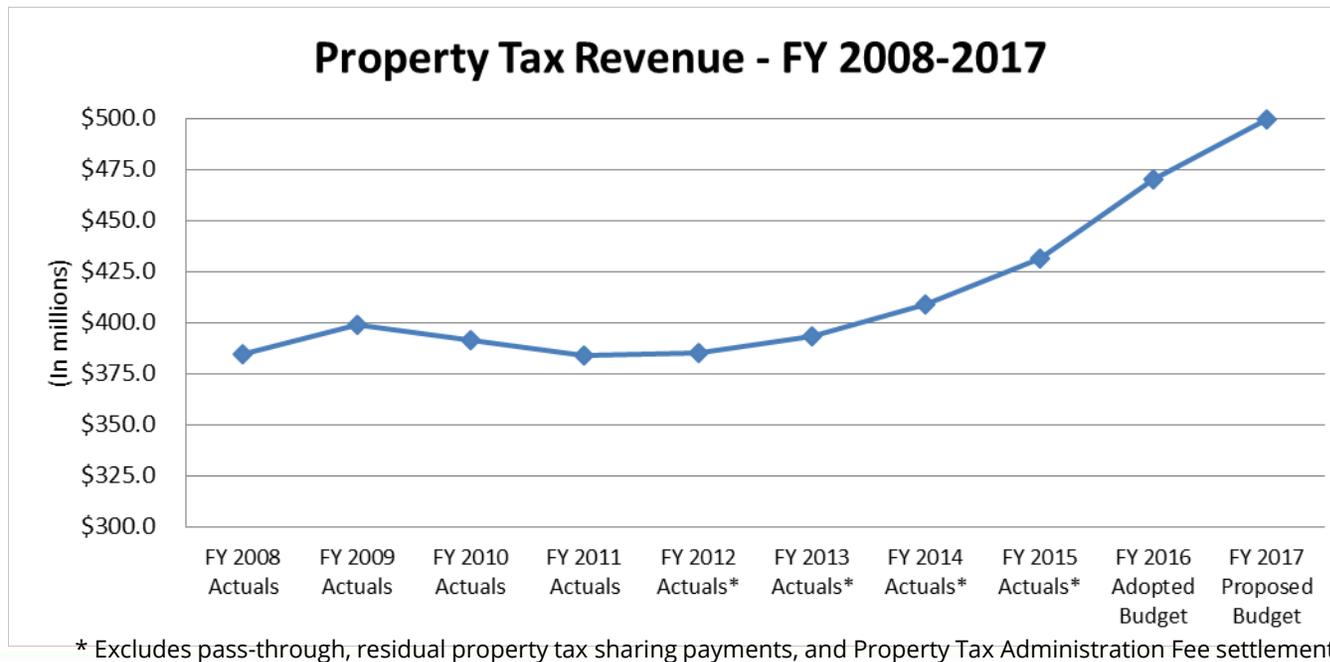
Fiscal Year 2017 General Fund Revenues - \$1.3 Billion





Property Tax Revenue

- ❖ FY 2017 Proposed Budget: \$499.7 million
- ❖ Budgeted Growth Rate: 5.25 percent
- ❖ Increase from FY 2016 Adopted Budget: \$29.6 million
- ❖ Economic Assumptions:
 - ❖ Increase in median home price and California Consumer Price Index (CPI)

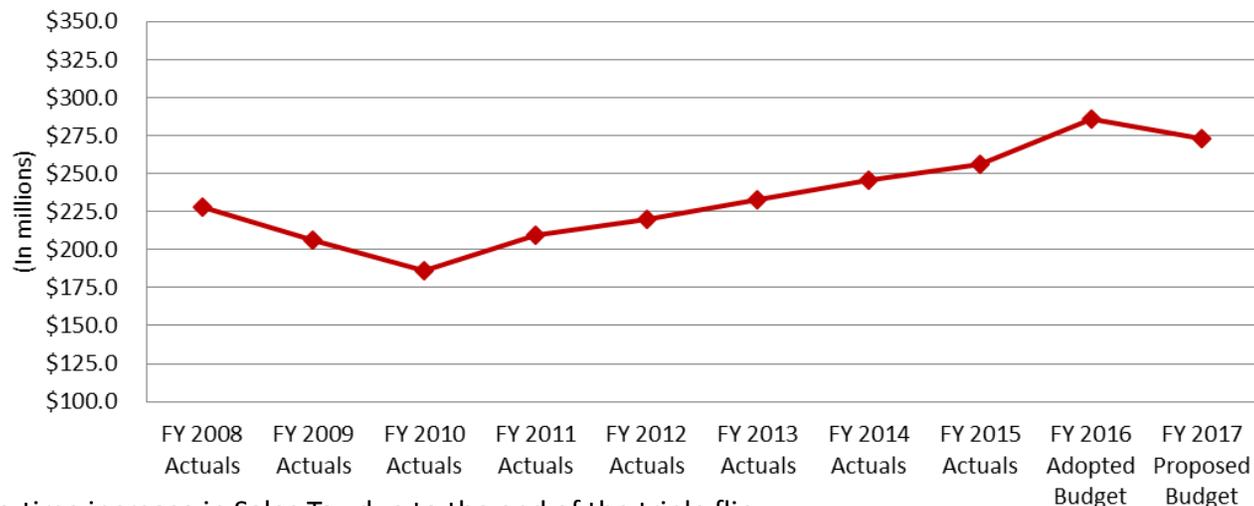




Sales Tax Revenue

- ❖ FY 2017 Proposed Budget: \$272.8 million
- ❖ Budgeted Growth Rate: 3.5 percent
- ❖ Decrease from FY 2016 Adopted Budget¹: \$13.0 million
- ❖ Economic Assumptions:
 - ❖ Projected increases in consumer confidence and spending
 - ❖ Projected increases in taxable sales in most categories

Sales Tax Revenue - FY 2008-2017

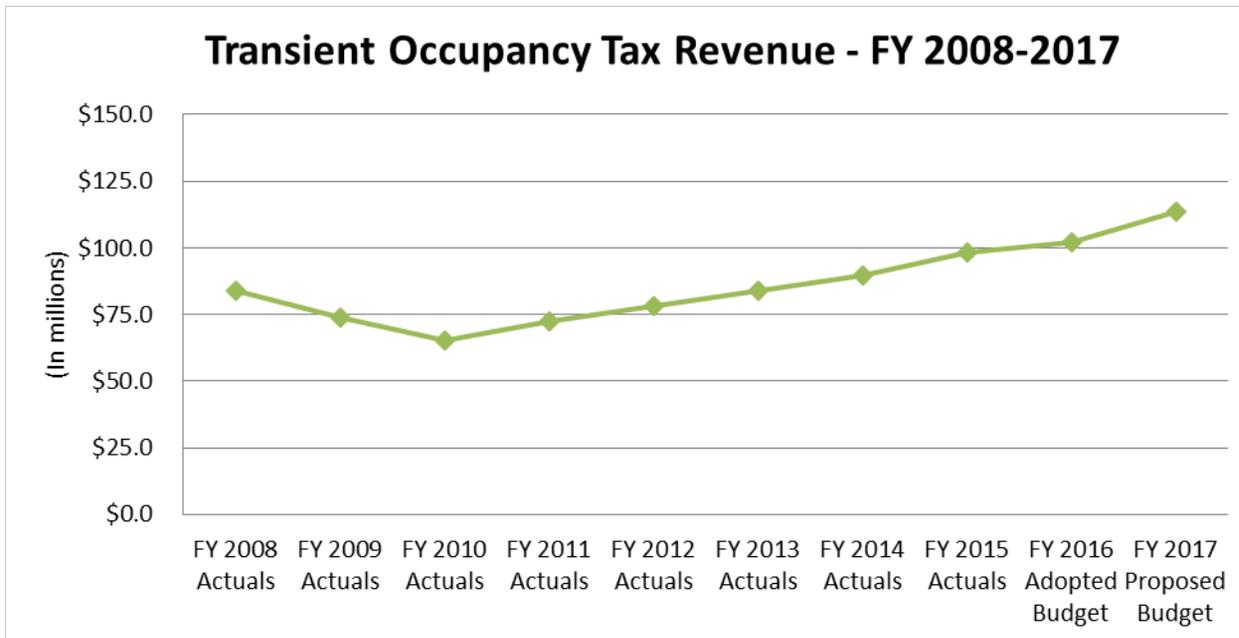


¹ Includes \$12.3 million one-time increase in Sales Tax due to the end of the triple flip.



Transient Occupancy Tax Revenue

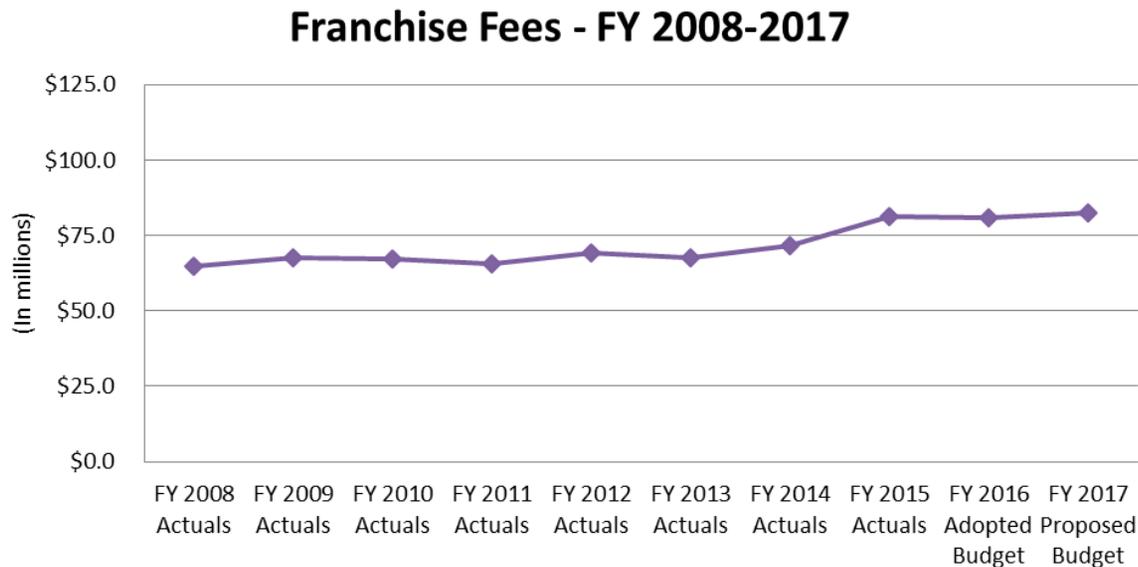
- ❖ FY 2017 Proposed Budget: \$113.4 million
- ❖ Budgeted Growth Rate: 6.0 percent
- ❖ Increase from FY 2016 Adopted Budget: \$11.2 million
- ❖ Economic Assumptions:
 - ❖ Projected increases in overnight visitors, hotel occupancy, average daily rate





Franchise Fees Revenue

- ❖ FY 2017 Proposed Budget: \$82.6 million
- ❖ Budgeted Growth Rate: 2.0 percent – SDG&E
0.0 percent – Cable
- ❖ Increase from FY 2016 Adopted Budget: \$1.8 million
- ❖ Economic Assumptions:
 - ❖ Increases in energy consumption and demand for internet and telephone services
 - ❖ Projected decline in demand for cable services



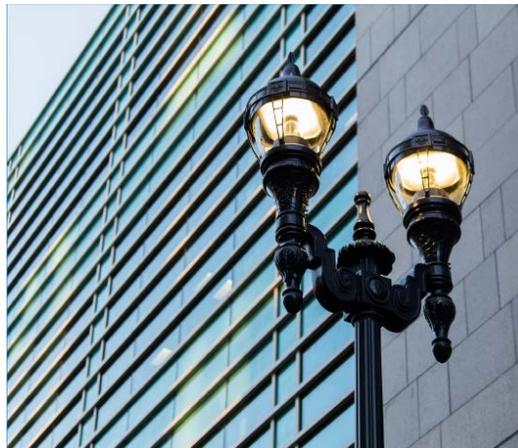
Repairing Streets and Investing in Infrastructure



	FTE	General Fund Expenditures (in millions)
Flood Risk Management - Channel Cleaning	16.00	\$5.84
Facilities Maintenance and Repairs	21.00	\$2.46
Water Quality - Catch Basin Cleaning	5.00	\$1.85
Storm Drain Pipe Repair Crew	6.00	\$1.60
Sidewalk Repair and Replacement	-	\$1.60
Street Light Circuit Upgrades	-	\$1.35
Streets and Storm Water Trucking Crew	6.00	\$1.34
Compressed Natural Gas Fueling Station	-	\$0.90

Repairing Streets and Investing in Infrastructure (cont.)

(cont.)	FTE	General Fund Expenditures (in millions)
Replacement of Synthetic Turf at Pershing Middle School Joint Use Field	-	\$0.50
Playground Improvement and Repairs	3.00	\$0.41
City Parking Lot Repairs	-	\$0.26
Facilities Condition Assessments	-	\$0.25
Street Preservation Ordinance Support	2.00	\$0.15
Facilities Maintenance Apprenticeship Program	2.00	\$0.14



Safe and Livable Neighborhoods



	FTE	General Fund Expenditures (in millions)
Police Department Recruitment and Retention (Year two of MOU)	-	\$5.88
Public Safety Overtime (Police and Fire-Rescue)	-	\$5.56
Emergency Strike Team Deployment	-	\$1.65
Zero Waste Plan - Solid Waste Code Enforcement	18.00	\$1.52
Police Facilities Maintenance and Improvements	-	\$1.00
Fire Academy (Total of two)	-	\$0.97
Graffiti Abatement	6.00	\$0.56
Crime Lab Unit Support	5.00	\$0.50
Lifeguard Additions - Mission Bay, Ocean Beach, and Training Sergeant	4.00	\$0.38
Fire Communications Center Dispatchers	4.81	\$0.35
Addition of Police Civilian Positions	5.00	\$0.34
Addition of Police Sworn Positions	3.00	\$0.31

Safe and Livable Neighborhoods (cont.)



(cont.)	FTE	General Fund Expenditures (in millions)
Police Body Worn Cameras	-	\$0.30
Advanced Lifeguard Academy	2.88	\$0.23
Parks Master Plan	-	\$0.20
Police Uniform and Equipment Increase	-	\$0.16
Peace Officer Standards and Training (POST)	-	\$0.15
Canine Unit Vehicles	-	\$0.10
Training for Seasonal Lifeguards	2.02	\$0.08
Seasonal Lifeguard Services at Sunset Cliffs	1.49	\$0.06
Firefighter Position Additions (Conversion of OT to FTE)	32.00	(\$0.43)



An Economically Prosperous City with Opportunity in Every Community



	FTE	General Fund Expenditures (in millions)
Park and Recreation New and Enhanced Facilities (15 Facilities)	21.73	\$2.92
Citywide Elections	-	\$1.77
Expanded Hours at 8 Recreation Centers (45 to 60 hours)	10.00	\$0.47
Connect2Careers Workforce Program	-	\$0.25
Youth Education Centers at Valencia Park/Malcolm X Library	4.29	\$0.21
Expansion of Do Your Homework @ the Library After-School Program	3.36	\$0.20
Small Business Enhancement Program (SBEP)	-	\$0.20
Library Education/Community Engagement and Development Programs	2.00	\$0.18
Expansion of the Serial Inebriate Program (SIP)	-	\$0.17
Support San Diego Economic Development Corporation	-	\$0.15
Climate Action Plan (CAP) - Project Management	1.00	\$0.11
Support 24/7 Restroom Access for the Homeless	-	\$0.11
Increase Odor Mitigation at La Jolla Cove Bluffs	-	\$0.07



Excellent Customer Service & Open Government

	FTE	General Fund Expenditures (in millions)
311 Customer Experience and Service Delivery Program	3.00	\$1.11
Employee Rewards & Recognition	-	\$0.26
Public Records Act (PRA) Support	2.00	\$0.22
Accela Project Tracking System for Neighborhood Code Enforcement	-	\$0.20
Successor Agency Project Management	2.00	\$0.20
Revenue Auditor Positions	2.00	\$0.17
Customer Advocate for Transportation & Storm Water Projects	1.00	\$0.15
Open Data	1.00	\$0.11
City Clerk Program Coordinator	1.00	\$0.11
City Clerk Additional Records Storage Space	-	\$0.03
NEOGOV Interface	-	\$0.03

“The Mayor’s FY 2017 Proposed Budget is a solid proposal adhering to City financial policies and best practices, incorporating reasonable revenue assumptions, and focusing on a wide range of priority core services supported by the City Council.”

Source: IBA Report 16-05, April 29, 2016

“Now the City Council will meet as the Budget Review Committee to discuss the proposal in full as they review each department’s budget and hear from the public.”

Source: IBA Report 16-05, April 29, 2016

Proposed Budget - General Fund Overview

- FY 2017 Proposed Budget: \$1.33 billion, increase of \$38.2 million or 3%
- FY 2017 Proposed Budget: 7517.44 FTEs, increase of 217.96 FTEs or 3%
- Revenue projections are appropriately conservative and support expenditure increases
- Reflects past and continuing efforts to restore services and increase infrastructure funding

Proposed Budget - General Fund Overview

12¢ Community Programs

Including Parks, Recreation Centers, and Libraries

15¢ Public Works

Including Environmental Services which provides trash collection, and the Transportation & Storm Water Department which maintains City streets and storm drains

50¢ Public Safety & Homeland Security

Including Police, Fire-Rescue, and Homeland Security

3¢ Land Use & Economic Development

Including Development Services, Planning and Real Estate Assets



6¢ Non-Mayoral

Including City Council, City Attorney, and the Office of the IBA

13¢ Administration & Other Support Services

Including City Treasurer, Information Technology, the Office of the Chief Financial Officer, and the Mayor

FY 2017 Proposed Budget: Strengths

- Highest General Fund Reserves in history
 - FY 2006 – General Fund Reserves funded at 3% of General Fund revenues
 - FY 2017 – General Fund Reserves target of 14.75%
 - FY 2021 – General Fund Reserves target of 16.7% per GFOA best practice and as recently adopted by the City Council
- Mayor's funding proposals closely mirror Council Budget Priorities Resolution by focusing on core services and infrastructure
- Additional street repair funding provided to help achieve Mayor's goal of paving 1000 miles of streets by 2020

FY 2017 Proposed Budget: Strengths (cont'd)

- Public safety overtime funding increased for Police and Fire to address needs
- Funding included for Citywide parks system master plan to begin in FY 2017
- Funding provided to continue critical condition assessments of buildings, streets, and sidewalks, to better identify deferred capital backlog

FY 2017 Proposed Budget: Weaknesses

- How will unfunded needs that have been identified be paid for in the future?
 - Multi-year department plans for Police, Fire, and Lifeguards
 - Citygate report on Fire Standards of Coverage
 - Penny for the Arts Blueprint
 - Five-Year Capital Infrastructure Planning Outlook
 - Community Plan updates
 - Bicycle Master Plan
 - Storm Water Watershed Asset Management Plan
 - Vision Zero
 - Climate Action Plan
 - Library Ordinance

“These plans and assessments are identifying significant needs and funding requirements above and beyond what our existing resources will likely be able to support in the future.”

Source: IBA Report 16-05, April 29, 2016

FY 2017 Proposed Budget: Weaknesses (cont'd)

- What are the next steps for addressing persistent Police recruitment and retention challenges, and how much will they cost?
 - Officers continue to leave at a rate of 13 departures per month in FY 2016, the same as in FY 2015
 - The Proposed Budget does not include any new initiatives or resources beyond what was negotiated in 2015

FY 2017 Proposed Budget: Weaknesses (cont'd)

- Performance results less transparent than previous years:
 - Many performance measures that have been tracked for decades are no longer included in the budget, for example:
 - Library circulation per capita
 - Annual or weekly library and recreation center operating hours
 - Value of commercial and residential building permits
 - Number of aquatics users
 - These “core” measures allow residents to understand what they are getting for their tax dollars, and assist Councilmembers in making important budget decisions



Proposed Budget includes funding for 17 of the 21 highest City Council budget priorities approved and forwarded to the Mayor in February 2016:

BUDGET PRIORITY	IN FY 2017 BUDGET*
Public Safety	
Civilian Positions - Communications/PISOs	Y
Police Officer Retention & Recruitment	Y
Firefighter Staffing - Convert South University City Fast Response Squad (FRS) to a 24-hour Temporary Fire Station	N
Lifeguard Division Five-Year Needs Assessment	Y
Infrastructure	
Park Capital Improvements	Y
Pedestrian & Cycling Safety	Y
ADA Improvements	P
Streetlight Installation, Maintenance, & Repair	Y
Storm Drain Maintenance	Y
Sidewalk Maintenance, Repair, and Installation	Y
Street Maintenance and Repair	Y
Public Safety Facilities	P

* Y=Yes; N= No; P= Partially



Inclusion of City Council budget priorities in the FY 2017 Proposed Budget (cont'd)

BUDGET PRIORITY	IN FY 2017 BUDGET*
Youth Programs and Services	
Connect2Careers Program	Y
Restoration of Swimming Pool Hours	N
Community and Youth Library Programs	Y
Other	
Penny for the Arts Blueprint (Blueprint) Funding Increased Above Current 6.44%	N
Support for Small Businesses	P
Support for CAP Implementation Plan	Y
Additional Personnel to Improve Code Enforcement Operational Efficiencies Including Administrative Support, Inspectors, and Zoning Investigators	N
Funding and Resources to Assist San Diego's Homeless Population	Y
Increased Funding Support for Parks and Libraries	Y

* Y=Yes; N= No; P= Partially

Looking Ahead to FY 2018

- Impact on General Fund revenues due to a potentially softening economy
 - Economy shift from recovery to stabilization
 - Impacts from future adjustments to federal interest rates, increases in home prices, and changes to employment rates and consumer confidence levels

“Economic recovery and associated revenue growth, however, has begun to slow, as the economy shifts out of a phase of rapid recovery.”

Source: IBA Report 16-05, April 29, 2016

Looking Ahead to FY 2018 (cont'd)

- Potential cost increases to the FY 2018 Pension ADC
 - If investment returns are less than the assumed 7.125%
 - With potential demographic assumption changes related to mortality – there could be a “meaningful cost increase (2% to 6%)” in liabilities
- Future investments in Police recruitment and retention may be necessary

Looking Ahead to FY 2018 (cont'd)

- Future costs of Customer Service System (311)
 - Multi-phase program over five years, \$1.1 million added for FY 2017
 - Projected total cost of \$3-4 million, depending on scope
- Future General Fund costs of I AM, the City's infrastructure asset management system
 - Debt service payment estimated to be \$2.1 million in FY 2018

Next Steps in the Process

- **May 19:** Budget Review Committee reviews the Mayor's May Revise for consideration in final budget decisions
- **May 27:** City Councilmembers issue final budget priority memoranda to the Office of the IBA
- **June 8:** Office of the IBA final report issued on recommended changes to the Proposed Budget based on input from Council memoranda and further review of outstanding issues

Next Steps in the Process (cont'd)

- **June 13:** City Council makes final FY 2017 budget decisions and takes action on any FY 2017 budget revisions
- **July 11:** City Council introduces and adopts the FY 2017 Appropriation Ordinance

Contacts and Resources

- **Office of the Independent Budget Analyst:**
(619) 236-6555
<https://www.sandiego.gov/iba>
- **FY 2017 Proposed Budget (budget document):**
<https://www.sandiego.gov/fm/proposed>
- **FY 2017 Proposed Budget (budget tool):**
<https://sandiegoca.opengov.com/transparency>