

Recommended Revisions to the Mayor's FY 2017 Budget

City Council, Item 202

June 13, 2016



Independent Budget Analyst





Review of the FY 2017 Budget

- April 14 – FY 2017 Proposed Budget released
- May 4, 5, 9, 10 – Budget Review Committee hearings held on the Proposed Budget
- May 16 – City Council evening hearing to solicit community input
- May 17 – Mayor issues FY 2017 May Revise and FY 2016 Year-End Report



Review of the FY 2017 Budget (cont'd)

- June 8 – IBA report issued: Review of the FY 2017 May Revision and Recommended Revisions to the Mayor's FY 2017 Budget
- June 13 – Final City Council decisions for FY 2017



Overview of FY 2017 May Revise – General Fund

- May Revise increases the FY 2017 Proposed Budget by \$10.5 million (0.8%), from \$1.33 billion to \$1.34 billion
- Addition of 11.25 FTE positions
 - Increases the number of FY 2017 FTE positions to 229.21
 - Total FTE positions proposed for the General Fund is 7,528.69
- Expenditures increased approximately \$5.5 million above new resources
- Budget remains in balance due to the use of Excess Equity
- Our Office considers the expenditures added in the May Revise and the resources used, to be appropriate



Significant May Revise Additions

- Fire-Rescue Department - \$487,000 for expanded fire academies, from 36 to 48 participants per academy
- Old Navy Hospital Library - \$1.5 million for facility improvements to accommodate up to 50 Park & Recreation Department staff
- Police Department recruitment and retention
 - \$4.0 million for sworn recruitment and retention efforts
 - \$652,000 for Dispatcher recruitment and retention efforts

IBA Recommendations

FY 2017 recommendations for final Council budget modifications are based on the following:

- Our analyses of the FY 2017 Proposed Budget, FY 2017 May Revise, the FY 2016 Year-End Report
- Review of Councilmember budget priority memoranda submitted to our Office on May 27
- Consideration of feedback from the public, City staff, and City Council during the Budget Review Committee hearings



Proposed Budget Revisions for Council Consideration

Description	Recommended Amount	One-Time/Ongoing
Proposed FY 2017 Budget Revisions for Council Consideration		IBA Recommendation
Funding to restore the Balboa Park Botanical Building; recommendation is 50% of project cost of \$2.7 million	\$ 1,350,000	One-time
Increased support for the Penny for the Arts Blueprint goal from 6.44% to 6.72% of TOT	\$ 600,000	Ongoing
Library programming support which increases support for the Library Ordinance goal from 3.85% to 3.86% of General Fund expenditures	\$ 500,000	Ongoing
Addition of 1.00 Associate Personnel Analyst and 1.00 Word Processing Operator in the Personnel Department to support City hiring	\$ 155,000	Ongoing
Second trash collection in Mission Beach for summer months	\$ 80,000	One-time ¹
Transfer of \$25,000 from Citywide Program Expenditures Department to the Office of the DCOO for the Neighborhood Services Branch for outside counsel for the Citizens' Review Board ²	\$ 25,000	Ongoing
Corrective option to help restore equity in City Council operating budgets	\$ 275,000	Ongoing
Total Suggested Budget Revisions	\$ 2,985,000	
Proposed New Resources		Availability
Excess Equity	\$ 2,000,000	One-time
Excess funds in the Long-Term Disability Reserve	\$ 610,000	One-time
Proposed Reallocations		Availability
Allocating \$350,000 of the proposed \$758,000 in facilities maintenance funding in the May Revise, to partially support the one-time allocation recommended for the Balboa Park Botanical Building project	\$ 350,000	One-time
Transfer of \$25,000 from Citywide consulting funds for outside counsel for the Citizens' Review Board	\$ 25,000	Ongoing
Total Available Resources	\$ 2,985,000	
Net Balance	\$ -	

¹ Our Office recommends that the need for this expenditure be evaluated annually as part of the budget process.

² Funds are available for this purpose in the Citywide Program Expenditures Department's special consulting services budget. Our Office is recommending a transfer of \$25,000 to the Office of the DCOO for the Neighborhood Services Branch for outside counsel for the Citizens' Review Board.

Proposed Budget Revisions for Council Consideration – Expenditures

- Balboa Park Botanical Building Restoration - \$1,350,000 (50% of the project cost) *one-time*
 - CIP cash management – will funds be spent timely?
 - Fundraising – proposal necessitates additional fundraising by the Conservancy of \$850,000
 - Status of City condition assessments of Botanical Building and other Balboa Park facilities
 - Conservancy’s projected project timeline
 - Conformance with the City’s CIP process and carried out as a City CIP project – our recommendation based upon the assumption that this project will be a City project



Proposed Budget Revisions for Council Consideration – Expenditures (cont'd)

- Increased support for Penny for the Arts - \$600,000 *ongoing*
- Library Programming - \$500,000 *ongoing*
- Addition of Personnel Staff to support City hiring - \$155,000 *ongoing*
 - 1.00 Word Processing Operator
 - 1.00 Test Administration Specialist
- Second weekly Mission Beach trash collection in the summer - \$80,000 *one-time*, re-evaluated annually



Proposed Budget Revisions for Council Consideration – Expenditures (cont'd)

- Support for outside legal counsel for the Citizens' Review Board on Police Practices (CRB) - \$25,000
ongoing allocation from Citywide Program Expenditures
- Corrective option to help restore equity in City Council operating budgets - \$275,000 *ongoing*
- In addition to suggesting budget revisions, our Office is asking that Councilmembers designate each modification as *one-time* or *ongoing* for clarity in future budgets



Proposed Budget Revisions for Council Consideration – Resources

- Excess Equity - \$2.0 million

<i>Remaining Excess Equity After Recommended Uses (\$ in millions)</i>	
FY 2016 Year-End Excess Equity Estimate	\$ 30.3
<i>FY 2016 Year-End Budget Adjustment Requests</i>	
Pension Payment Stabilization Reserve	(16.0)
Public Liability Reserve	(3.0)
Workers' Compensation Reserve	(2.5)
Replacement of Synthetic Turf - Pershing Middle School	(0.7)
Bay Terrace Community Park - Tooma Park Senior Center	(0.5)
Fire-Rescue Fire Station 6 Asbestos Abatement	(0.1)
<i>FY 2017 May Revise Proposed Use of Excess Equity</i>	
Police Officer Retention and Recruitment	(4.0)
Rehabilitation of Historical Library at Balboa Park	(1.5)
Estimated Excess Equity After Proposed Uses	\$ 2.0



Proposed Budget Revisions for Council Consideration – Resources (cont'd)

- Reallocation of excess funds in Long-Term Disability Reserve based on most recent estimate - \$610,000
- Reallocation of funding added to support Citywide public facility major maintenance and repair projects - \$350,000
- Proposed revisions include ongoing expenditures funded with one-time resources. However, the FY 2017 budget includes \$10.7 million in one-time expenditures supported by ongoing resources, allowing Council to designate the proposed modifications as ongoing, if Council's intent

Budget Priorities mentioned by four Councilmembers

- Implementation/enforcement of the Earned Sick Leave and Minimum Wage Ordinance – updated estimate \$400,000-\$450,000
- Funding for a disparity study – staff estimates \$50,000 for a consultant to help develop project scope and an RFP
- 54th Street sidewalks – staff has indicated that \$200,000 for staff installation has been identified
- Expansion of the temporary/portable pools program

Budget Priorities mentioned by four Councilmembers (cont'd)

- Replacement of old and broken furniture on floors three and 12 in the City Administration Building - \$20,000
- Additional Police Department support: including sworn and civilian staffing and additional Community Relations Officers
- Expanding the Homeless Outreach Team
- Reduction of customer experience & service delivery program funding added to the Performance & Analytics Department for FY 2017

Other Resources Considered

- Reallocation of a portion of ongoing new revenue growth for ongoing expenditures - *implemented*
- Increase in the FY 2017 Vacancy Savings allocation – *not recommended*
- Increase in the FY 2017 Vacancy Savings allocation, Police Department only – *not recommended*
- Dedicate residual Redevelopment Property Tax Trust Fund (RPTTF) revenue to the former Redevelopment Agency project areas – *Council policy discussion needed*

Other Items to Consider

- Deferred Capital 4 Bond Priorities
 - Revised list of priorities distributed; project details included in the Budget Priority memoranda attached to IBA Report 16-12
 - Recommend that the Council request the Mayor consider Council priorities for the upcoming DC4 bonds
- State Department of Finance (DOF) denial of \$3.6 million in Recognized Obligation Payment Schedule (ROPS) project management costs
 - Agency and City staff are working on identifying additional funding sources for projects
 - This item will be discussed at Council on June 14, 2016

Final Budget Recommendations

- Approve the Mayor's FY 2017 Proposed Budget, as modified by the May Revise
- Approve the recommendations in the IBA FY 2017 Budget Report, as modified by the City Council
- Clarify whether each budget modification is intended to be ongoing or one-time funding. IBA recommendations:
 - *One-time* – Balboa Park Botanical Building, second trash collection in Mission Beach for summer months
 - *Ongoing* – Penny-for-the-Arts, Library programming, addition of Personnel staff, CRB counsel support, corrective action to City Council operating budgets

Final Budget Recommendations (cont'd)

- Request that the Mayor consider the DC4 projects identified as a top priority for the Council
- Authority to transfer revenues available in the Low-Income Housing Revenue Fund to the General Fund or to the Housing Authority for use by the Housing Commission
 - To help expand the Serial Inebriate Program for the purpose of addressing homelessness
 - For increasing the supply of low and moderate income housing
 - Request from the Financial Management Department

Final Steps

- **Tuesday, June 14 – Wednesday, June 15:** City Clerk to transmit resolution to Mayor
- **Wednesday, June 15:** Mayor's veto period begins (5 business days)
- **Tuesday, June 21:** Mayor's veto period ends; Council has five days to override Mayor's veto if necessary
- **Wednesday, June 22:** Budget and Government Efficiency Committee review of Appropriation Ordinance



Final Steps (cont'd)

- **Tuesday, June 28:** City Council adoption of Tax Rate Ordinance per City Charter August 31 deadline
- **Monday, July 11:** City Council introduces and adopts Appropriation Ordinance