

Recommended Revisions to the Mayor's FY 2018 Budget

City Council, Item 201 – Approval of the FY 2018 Budget

June 5, 2017



Independent Budget Analyst





Overview of the FY 2018 May Revise – General Fund

The May Revise increased General Fund expenditures to \$1.42 billion, a \$14.6 million or 1% increase over the Proposed Budget

Resources for May Revise Expenditures	FY 2018
Use of Excess Equity	\$ 14,083,757
Increase in property tax revenue, primarily due to growth in Redevelopment	
Property Tax Trust Fund distributions	2,432,548
Increases in other/miscellaneous revenues, including fund closures	341,207
Increase in transient occupancy tax	51,600
Reduction in franchise fees	(726,335)
Reduction in sales tax due to the removal of one-time FY 2017 corrections	(1,616,928)
Total Resources	\$ 14,565,849

Overall our Office considers the use of these resources to be appropriate

Overview of the FY 2018 May Revise – General Fund *cont'd*

- Items included in the May Revise that may be of interest to the City Council include:
 - FY 2019 Contribution to the General Fund Reserve - \$10.3 million
 - Littering and Graffiti Abatement Pilot Program, initiated in FY 2017 - \$800,000
 - Earned Sick Leave and Minimum Wage Ordinance enforcement - \$134,000
 - New projects added to the CIP: Hendrix Pond/Aviary Park, Ocean Beach Pier Condition Assessment, Alvarado Road Realignment - \$2.0 million
 - New State gas tax funding for road repair - \$9.6 million



IBA Proposed Modifications to the Mayor's FY 2018 Budget for Council Consideration

IBA recommendations are based on our analysis of a number of sources

- Our analyses of the FY 2018 Proposed Budget, FY 2018 May Revise, the FY 2017 Third Quarter Report
- Review of Councilmember budget priority memoranda submitted to our Office on May 22
- Consideration of feedback from the public, City staff, and City Council during the Budget Review Committee hearings



IBA Proposed Modifications to the Mayor's FY 2018 Budget for Council Consideration *cont'd*

Recommended Modifications to the Mayor's FY 2018 Budget		
Description	Recommended Amount	One-Time/Ongoing
<i>Proposed FY 2018 Budget Revisions for Council Consideration</i>		<i>IBA Recommendation</i>
Police Department overtime for staffing ¹	\$ 3,000,000	One-time
Increase to Commission for Arts & Culture funding	1,000,000	One-time
Restoration of tree trimming	881,746	One-time
Funding for expansion of the Get it Done application	500,000	One-time ²
Police recruitment and retention marketing	350,000	One-time
Restoration of 2.00 Code Compliance Officers ³	203,000	Ongoing
Police Department AB 953 implementation	200,000	One-time
Downtown Mobility Plan ⁴	-	One-time
Total Suggested Budget Revisions	\$ 6,134,746	
<i>Proposed New Resources</i>		<i>Availability</i>
Excess Equity	\$ 4,000,000	One-time
San Diego Police Department vacancy savings ¹	3,000,000	One-time
Redevelopment Agency land sales	1,700,000	One-time
Total Available Resources	\$ 8,700,000	
Balance of Available Resources	\$ 2,565,254	

¹Cost of Police Department overtime for staffing will be offset by an increase in SDPD vacancy savings.

²Ongoing costs may be associated with this item, starting in FY 2019.

³The 2.00 Code Compliance Officers will be funded with one-time resources in FY 2018, but will be supported with ongoing Cannabis Business Tax revenues in FY 2019.

⁴The FY 2018 Proposed Budget includes \$2.5 million for the Downtown Mobility Plan, and therefore no additional resources are proposed at this time.



Proposed Budget Revisions for Council Consideration – Expenditures \$6.1 Million

Our Office recommends that these modifications be considered one-time expenditures, with one exception: restoration of Code Compliance Officers

- Police Department: additional overtime to maintain current staffing levels - \$3.0 million *one-time*,
 - Increased arts and culture funding - \$1.0 million *one-time*
- *Clarification: additional funds would be proportionally distributed across the Creative Communities San Diego, Organizational Support Program, and Public Art Fund budget line items



Proposed Budget Revisions for Council Consideration – Expenditures \$6.1 Million *cont'd*

- Restoration of full funding for the City's tree-trimming contract in TSW - \$882,000 *one-time*
- Expansion of the Get it Done application to include ESD - \$500,000 *one-time*
- Police Department: recruitment and retention marketing plan - \$350,000 *one-time*
- Restoration of 2.00 Code Compliance Officers - \$203,000 *ongoing* (costs to be offset by a full year of ongoing cannabis business tax revenue beginning in FY 2019)



Proposed Budget Revisions for Council Consideration – Expenditures \$6.1 Million *cont'd*

- Police Department: AB 953 implementation - \$200,000 *one-time*
- Downtown Mobility/Bike Lanes - *one-time funding of \$2.5 million already included in the Proposed Budget, no recommendation for additional funding at this time*



Proposed Budget Revisions for Council Consideration – Resources \$8.7 Million

One-time resources are available to support proposed budget revisions

- Updated Excess Equity estimate - \$4.0 million *one-time*
- Police Department vacancy savings can be used to offset additional overtime - \$3.0 million *one-time*
- Redevelopment Agency land sales realized by the City as property tax revenue - \$1.7 million *one-time*
- **If all proposed budget revisions are approved, \$2.6 million in one-time resources will remain**



Proposed Uses of Remaining \$2.6 million in One-Time Resources

Our Office offers three suggestions for Council to consider for this one-time funding

- Contribute all or a portion to the Pension Payment Stabilization Reserve
- Designate all or a portion to the Police Department for implementation of recruitment and retention plans

Proposed Uses of Remaining \$2.6 million in One-Time Resources *cont'd*

- Leave as unallocated fund balance (Excess Equity) for potential use during Council's review of the Mid-Year Report

Note: At the Mid-Year, the Mayor has the authority to initiate funding proposals, Council can modify or approve the Mayor's funding recommendation

Other IBA Resource Recommendations

Our Office notes additional funding sources for Council consideration

- Use of Capital Outlay Fund balance - \$2.1 *one-time*
 - May be used for a small capital funding need
 - May be used for a future debt service
 - Remain in Fund balance

Other Issues for Discussion

Council may wish to provide direction on a number of policy issues

- Review of the Pension Payment Stabilization Reserve (PPSR) Policy
 - Are the policy's funding level requirements still relevant?
 - Should uses of the PPSR be expanded to include **anticipated** increases to the ADC instead of just **unanticipated**?
 - Suggest that the Budget and Government Efficiency Committee review these issues, working with the CFO and IBA

Other Issues for Discussion *cont'd*

- Request Performance & Analytics to review and report to Committee on performance measure changes requested by Council during the BRC hearings (Attachment 2 of IBA Report 17-23)
- Request a five-year street repair implementation plan that incorporates new or anticipated revenue sources
- General Fund infrastructure funding: our Office notes that due to the continued availability of DC 3 Bond funding plus the availability of Infrastructure Fund and Gas Tax proceeds, commercial paper borrowing for the General Fund may not occur in FY 2018



Final Budget Recommendations and Requests for Authority

Five requests for Council authority:

1. Approve the Mayor's FY 2018 Proposed Budget, as modified by the May Revise
2. Approve the IBA's final budget recommendations included in IBA Report 17-23, and as modified by the City Council

Final Budget Recommendations and Requests for Authority *cont'd*

3. Clarify whether each budget modification is intended to be ongoing or one-time funding. IBA recommendations:

- One-time funding: Police Department recruitment and retention marketing, AB 953 implementation, overtime staffing; Commission for Arts & Culture; tree trimming; Get it Done application expansion
- Ongoing funding: restoration of 2.00 Code Compliance Officers

4. Determine if remaining \$2.6 million will be allocated to the PPSR, Police Department recruitment and retention implementation, remain Excess Equity, or as directed by the City Council

Final Budget Recommendations and Requests for Authority *cont'd*

5. Determine if \$2.1 million in the Capital Outlay Fund will be allocated to qualifying expenditures or remain in Fund Balance

Six recommendations for Council follow-up:

1. Request ESD report to Committee in January on the effectiveness of the Litter and Graffiti Abatement pilot program
2. Request Performance & Analytics return to Committee in the fall with a Get it Done roadmap including options for scope and costs

Final Budget Recommendations and Requests for Authority *cont'd*

3. Request that TSW report to Council on the implementation of the Downtown Mobility Plan when funding needs are finalized
4. Refer a review of PPSR funding level requirements and use limitations, to the B&GE Committee working with the CFO and IBA
5. Request Performance & Analytics to review and report to Committee on performance measure changes requested by Council (Attachment 2 of IBA Report 17-23)

Final Budget Recommendations and Requests for Authority *cont'd*

6. Request that the Mayor develop a five-year street implementation plan including:

- The level of funding required to maintain an average OCI of 70
- Funding sources planned to address the need
- Account for new revenue streams available for streets

Final Steps in the Budget Process

Charter changes approved by voters in June 2016 require the Budget be adopted by June 15, and the Appropriation Ordinance adopted by June 30

- **Monday, June 5 (Tuesday, June 6 available):** City Council FY 2018 budget decisions and final budget adoption
- **Tuesday, June 6:** City Clerk to transmit resolution to Mayor within 48 hours of passage
- **Wednesday, June 7:** Mayor's veto period begins (5 business days)



Final Steps in the Budget Process *cont'd*

- **Tuesday, June 13:** Mayor's veto period ends; Council has five days to override Mayor's veto if necessary
- **Wednesday, June 21:** Budget and Government Efficiency Committee review of Appropriation Ordinance
- **Monday, June 26:** City Council adoption of FY 2018 Appropriation Ordinance, Tax Rate Ordinance (August 31 deadline), and Gann Limit (June 30 deadline)