

# IBA Review of the FY 2019 Mid-Year Budget Monitoring Report

City Council, Item 202

February 11, 2019



Independent Budget Analyst



## Overview

*Mid-Year Report projects a year-end budgetary surplus of approximately \$18.1M*

- Of this amount, the Mayor is recommending appropriation adjustments of \$11.9M
- Per the Mid-Year Ordinance, the “Council may approve the Mayor’s recommendation or modify such recommendation in whole or in part, up to the total amount recommended by the Mayor”
- Resulting excess equity is projected to be \$30.7M, which is proposed as a partial budget balancing tool in the FY 2020 Proposed Budget



# Overview of General Fund Revenues

*Projected \$30.4M increase in General Fund revenues over FY 2019 Adopted Budget*

**Major General Fund Revenues (in Millions)**

	FY 2019 Budget	FY 2019 1st Quarter Projection	FY 2019 1st Quarter Variance	FY 2019 1st Quarter Variance %	FY 2019 Mid-Year Projection	FY 2019 Mid-Year Variance	FY 2019 Mid-Year Variance %	Change 1st Quarter to Mid-Year
Property Tax	\$ 560.0	\$ 568.7	\$ 8.7	1.5%	\$ 566.7	\$ 6.7	1.2%	\$ (2.0)
Sales Tax	282.1	297.7	15.7	5.6%	301.9	\$ 19.8	7.0%	\$ 4.1
Transient Occupancy Tax <sup>1</sup>	128.4	128.6	0.2	0.2%	130.3	\$ 1.9	1.5%	\$ 1.7
Franchise Fees	77.1	77.4	0.4	0.5%	79.1	\$ 2.0	2.6%	\$ 1.6
<b>Total Revenue</b>	<b>\$ 1,047.6</b>	<b>\$ 1,072.4</b>	<b>\$ 24.9</b>	<b>2.3%</b>	<b>\$ 1,078.0</b>	<b>\$ 30.4</b>	<b>2.9%</b>	<b>\$ 5.5</b>

<sup>1</sup>The FY 2019 First Quarter Budget Monitoring Report Transient Occupancy Tax (TOT) budget and projections included the 1 cent portion of TOT which is transferred from Special Promotional Programs into the General Fund. The FY 2019 First Quarter Projection reflected above has been revised to remove this amount for comparison.



# Overview of General Fund Expenditures

*Projected \$23.1M increase in General Fund expenditures over FY 2019 Adopted Budget*

- Notable overages in:
  - Public Safety overtime
  - Supplies
  - Contracts



# Overview of General Fund Expenditures *(cont'd)*

## FY 2019 Salaries and Wages Expenditures - General Fund

	Adopted Budget	Mid-Year Projections	Variance: Mid-Year to Adopted <sup>1</sup>	Variance %: Mid-Year to Adopted
Salaries	\$ 467,333,000	\$ 456,775,000	\$ (10,558,000)	-2.3%
Special Pay	32,346,000	33,355,000	1,009,000	3.1%
Overtime	66,634,000	84,043,000	17,409,000	26.1%
Hourly	13,535,000	13,160,000	(375,000)	-2.8%
Vacation Pay-in-Lieu of Annual Leave	6,882,000	9,278,000	2,396,000	34.8%
Termination Pay	2,369,000	3,894,000	1,525,000	64.4%
<b>Total</b>	<b>\$ 589,099,000</b>	<b>\$ 600,505,000</b>	<b>\$ 11,406,000</b>	<b>1.9%</b>

Note: Table may not total due to rounding.

<sup>1</sup>Positive variances are overages, or spending above budget levels. Negative variances are spending below budget levels.



# Overview of General Fund Expenditures *(cont'd)*

<b>Vacancy Savings Comparison - General Fund</b>			
<i>(\$ in millions)</i>	<b>Budgeted Vacancy Savings</b>	<b>Additional Vacancy Savings</b>	<b>Actual/ Projected Vacancy Savings <sup>1</sup></b>
FY 2019	\$33.2	\$10.6	\$43.8
FY 2018	\$29.7	\$19.9	\$49.6
FY 2017	\$30.4	\$15.7	\$46.1
FY 2016	\$21.5	\$21.9	\$43.4

Note: Table may not total due to rounding.

<sup>1</sup> FY 2016 through FY 2018 are actual amounts, and FY 2019 is the Mid-Year projected amount.

# Departmental Expenditures of Note

## *Projected Overbudget Homelessness Costs*

### FY 2019 Mid-Year Requested Appropriations

Program	Requested Appropriation	Receiving Department	Activity
Storage Connect Center	\$2,100,000 Seized Asset Funds	Police Department	Security around facility and community
	\$200,000 General Funds <sup>1</sup>	Citywide Program Expenditures Department	Lease payment for facility to be reimbursed by San Diego Housing Commission <sup>2</sup>
Housing Navigation Center <sup>3</sup>	\$250,000 Seized Asset Funds	Police Department	Security around facility and community
Temporary Bridge Shelters	\$300,000 General Funds <sup>1</sup>	Citywide Program Expenditures Department	Laundry pump services and other utility needs

<sup>1</sup> The Citywide General Fund appropriation is funded by savings attributed to the deferred move-in date for 101 Ash.

<sup>2</sup> The Memorandum of Understanding between the San Diego Housing Commission and the City provides that the Commission will send lease payments to the City to then be paid to the owner.

<sup>3</sup> There are projected savings associated with funding provided in the FY 2019 Adopted Budget for the operation of the Housing Navigation Center since the site is not anticipated to open until the spring.

# Departmental Expenditures of Note *(cont'd)*

## *Projected Overbudget Homelessness Costs*

- Both the Storage Connect Center and Housing Navigation Center are incurring unbudgeted Police Department costs related to additional security that were not considered when the programs were initially approved
- Additional unbudgeted sanitation activities were also placed upon the Environmental Services Department (ESD), but no appropriation is deemed necessary by staff

# Departmental Expenditures of Note *(cont'd)*

## *Public Safety Overtime*

**Fire-Rescue Overtime – Historical Budget vs. Actuals (in millions)**

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Budget</b>	\$23.7	\$26.7	\$29.9	\$30.1	\$32.8	\$38.1
<b>Actual</b>	\$29.7	\$31.5	\$31.8	\$32.5	\$45.4	\$45.9 (projected)

**Police Overtime – Historical Budget vs. Actuals (in millions)**

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Budget</b>	\$11.8	\$11.1	\$18.0	\$21.0	\$26.3	\$24.6
<b>Actual</b>	\$17.8	\$23.1	\$25.0	\$26.1	\$29.7	\$33.2 (projected)

# Departmental Expenditures of Note *(cont'd)*

## *Disparity Study Appropriation Adjustment*

- Mid-Year Report proposes \$200,000 to “begin the process of conducting a disparity study”
- Our Office’s past research estimates a disparity study would cost approximately \$1.0M
- We recommend Council ask the Mayor’s Office to specify how he intends to use the \$200,000 to advance this priority in FY 2019
- Four councilmembers identified a disparity study as a high priority for FY 2020 in their budget priority memos and two others have informally indicated support for a study to our Office.

# Departmental Expenditures of Note *(cont'd)*

## *Fleet Operating Fund Projection*

- Fleet Operating Fund projected to spend \$1.4M more than revenue
- There is approximately \$1.8M in fund balance available to absorb this overage if Fleet and DOF are unable to reduce expenditures by year-end
- However, using fund balance would leave the fund with less than \$400,000
- It is likely that some expenditure overages are ongoing expenses that will increase costs in FY 2020

# Mid-Year Budget Adjustment

*The projections in the report are reasonable, as are the requested appropriation adjustments*

- Mayor is recommending appropriation adjustments of \$11.9M
- This is the amount Council may approve or modify
- DOF has described its plans to use \$30.7M in projected excess equity to help balance the FY 2020 Proposed Budget and close the deficit projected in the Five-Year Outlook
- Since excess equity can be used only for one-time costs, proposals should be one-time in nature so as not to create a structurally unbalanced budget
- DOF proposes to use \$4.3M of excess equity in FY 2020 for a Pension Payment Stabilization Reserve contribution; our Office will evaluate, based on the Mayor's budget proposal, whether this is the best use of excess equity versus other funding needs identified by the Council and the community