

IBA Review of the FY 2022 Third Quarter Budget Monitoring Report

City Council

Item 603

June 13, 2022



Office of the Independent Budget Analyst



Overview

- IBA Report covers:
 - General Fund Revenues
 - General Fund Expenditures
 - Focus on Salaries and Wages: Police and Fire-Rescue Overtime
 - Status of City's Reserves
 - Homelessness

General Fund Revenues

Continued Robust Revenue Growth

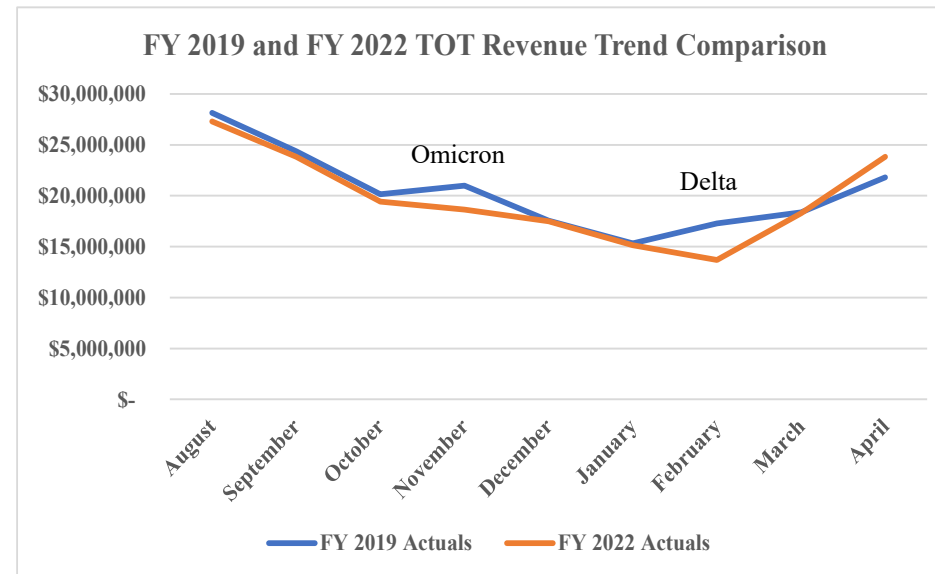
- Major GF Revenues projected to increase by \$31.3m
- As a result, use of ARPA funds projected to decrease
- Since release of report, sales tax has come in \$6.8m higher

FY 2022 Projected General Fund Revenue (\$ in millions)					
	Adopted Budget	Mid-Year Projection	Third-Quarter Projection	Variance: Adopted to Third-Quarter	Variance: Mid-Year to Third Quarter
Property Tax	\$ 672.2	\$ 658.5	\$ 660.1	\$ (12.1)	\$ 1.6
Sales Tax	320.8	341.1	362.4	41.6	21.2
Transient Occupancy Tax	95.5	119.9	128.1	32.6	8.2
Franchise Fees	78.3	86.2	90.0	11.7	3.8
Other Major Revenues	111.0	103.2	99.7	(11.3)	(3.5)
Subtotal Major Revenues	\$ 1,277.8	\$ 1,308.9	\$ 1,340.3	\$ 62.5	\$ 31.3
Departmental Revenues	\$ 316.4	\$ 334.8	\$ 337.3	\$ 20.9	\$ 2.5
American Rescue Plan Act	\$ 149.3	\$ 120.4	\$ 100.0	\$ (49.3)	\$ (20.4)
Total General Fund Revenue	\$ 1,743.5	\$ 1,764.1	\$ 1,777.6	\$ 34.1	\$ 13.4

General Fund Transient Occupancy Tax

\$8.2m TOT increase from the Mid-Year Report

- DOF bases growth off of FY 2019 for remainder of fiscal year since more recent years reflect impacts from pandemic
- So far, TOT revenue has tracked closely with FY 2019



General Fund Expenditures

Salaries and Wages Projected to be \$10.5 million Over Adopted Budget

- Salary savings partially offsets overages, primarily Police and Fire-Rescue Overtime

FY 2022 Salaries and Wages Expenditures - General Fund <i>(\$ in millions)</i>						
	Adopted Budget	Mid-Year Projections	3d Quarter Projections	Variance: Mid-Year to 3d Quarter	Variance: Adopted to 3d Quarter	Variance %: Adopted to 3d Quarter
Salaries	\$ 546.7	\$ 530.9	\$ 520.5	\$ 10.3	\$ 26.1	4.8%
Special Pay	43.9	46.9	47.5	(0.6)	(3.5)	(8.1%)
Overtime	67.8	90.2	97.8	(7.6)	(29.9)	(44.1%)
Hourly	13.3	12.4	12.0	0.5	1.3	9.8%
Pay-in-Lieu of Annual Leave	9.1	11.5	13.6	(2.1)	(4.4)	(48.4%)
Total	\$ 680.9	\$ 691.8	\$ 691.3	\$ 0.5	\$ (10.5)	(1.5%)

NOTES: Table may not total due to rounding.

Negative variances are overages, or spending above budget (or mid-year) levels. Positive variances are spending below budget (or mid-year) levels.

General Fund Expenditures

Police Overtime, increased attrition since Mid Year

- Extension of Shift and Patrol Staffing backfill continue to be main drivers of overages totaling \$10.4m
 - Rise in violent crime
 - Increased 911 call volumes leading to increased patrol staffing requirements
- Attrition has continued to increase since Mid-Year Report

SDPD – Sworn Staffing and Attrition Comparison			
<i>2,036 Budgeted Officers</i>	As of Feb. 1, 2021	As of Jan. 31, 2022	As of May 23, 2022
Staffing Level	1,938 filled	1,888 filled	1,866 filled
Total Attrition	101 (13 per month)	140 (20 per month)	217 (20 per month)
Lost to other Agencies	6 (1 per month)	26 (4 per month)	60 (5 per month)
Retirement	53	53	67

General Fund Expenditures

Fire-Rescue Overtime Projected to be \$16.8m Over Adopted Budget; net \$9.2m impact after offsets

- Major Components:
 - \$13.7 million – Constant staffing for essential fire suppression posts
 - \$1.1 million – Strike team deployments (\$711,000 is reimbursable)

Fire-Rescue Overtime – Historical Budget vs. Actuals (<i>\$ in millions</i>)									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Actual	\$ 29.7	\$ 31.5	\$ 31.8	\$ 32.5	\$ 45.4	\$ 45.2	\$ 41.1	\$ 51.3	\$ 49.5
Budget	23.7	26.7	29.9	30.2	32.8	38.1	36.6	33.3	32.8
Overage	\$ 6.0	\$ 4.8	\$ 1.9	\$ 2.3	\$ 12.5	\$ 7.0	\$ 4.5	\$ 18.0	\$ 16.8

NOTES: Table may not total due to rounding.

FY 2014 through FY 2021 Actual amounts are based on unaudited actuals. FY 2022 Actual amount is based on third-quarter projections.

Reserves

- **General Fund Reserve**

- Level remains at FY 20 balance of \$205.6m
- Estimated Excess Equity: \$40.0m, an increase of \$13.4m from Mid Year
 - Since release of the Mid Year Report, sales tax receipts have come in \$6.8m higher than projected

- **Pension Payment Stabilization Reserve**

- \$7.9m included in the Adopted Budget not used as a mitigating resource and is instead planned to mitigate impacts due to the unwinding of Proposition B in FY 2023

Homelessness

- Rapid Rehousing
 - Continued projected savings of \$500,000; per staff, due to tight housing market
- Day Center
 - \$200,000 in homelessness program savings is supplementing Day Center budget in FY 2022
 - FY 2023 funding to reduce to historic funding level of \$541,000
 - Community Action Plan on Homelessness called for strategic decision to be made on future of program

Conclusion

Our Office Supports Recommended Adjustments

- Year-end expenditures and revenue projections are reasonable
- Recommend approval of FY 2022 appropriation adjustments and authorities as proposed