



COUNCILMEMBER DAVID ALVAREZ

City of San Diego
Eighth District

MEMORANDUM

DATE: March 14, 2011

TO: Honorable Council President, Tony Young
Honorable City Attorney, Jan Goldsmith
Andrea Tevlin, Independent Budget Analyst

FROM: Councilmember David Alvarez

SUBJECT: Fiscal Year 2012 Budget Deficit Reduction Proposals

The Menu of Budget Options compiled by the IBA as well as the recent report from the Citizens' Fiscal Sustainability Task Force (CFSTF) have presented the City Council and Mayor with various recommendations on closing San Diego's FY201 budget deficit.

The CFSTF report stridently declares that action on the budget deficit is required now. However, many of the proposals presented in the Task Force report and the Menu of Options have already been or are being implemented and the ones that haven't generally fall into two categories. First, there are a collection of smaller proposals that could together produce significant savings, but alone do not eliminate the structural deficit. Some are administrative in nature and my hope is that the Mayor will include them in his FY2012 budget proposal to the extent that they are feasible. The second category includes proposed changes to city employee salaries and benefits, most of which are the subject of active negotiations.

The most significant action the City can take to reduce the FY2012 budget deficit is to transfer the debt service of the Convention Center Phase II Expansion Bonds to the Center City Development Corporation. This action would save \$9.2 million for the general fund in FY2012 and a total of over \$200 million through the remaining life of the bonds. In November 2010, four City Councilmembers requested that the Mayor bring this proposal forward, but no action has been taken to date.

Now, in light of the reality that the California State Legislature could soon vote to eliminate redevelopment agencies altogether, time is of the essence and we cannot afford further delays. During the recent discussion at City Council regarding the Cooperative Agreement between the City and Redevelopment Agency, the Mayor's representatives indicated that this item would come forward for Council consideration in the near future. Accordingly, I urge the Mayor, City Attorney, and Council President to properly notice and docket for Council consideration the transfer the debt service on the Convention Center Phase II Expansion Bonds to CCDC as soon as possible.

Additionally, as we continue looking for ways to make the City's budget more transparent, I believe the City Council should consider changing how the Transient Occupancy Tax (TOT) is officially allocated. Currently four cents of the ten and one half cents of TOT must be used solely for the purpose of promoting the City. Given that the City has a Tourist Marketing District that does a great deal of marketing and promotion to attract visitors to San Diego, these funds now are used for various General Fund related activities such as debt service and the operation and maintenance of City owned facilities. Therefore I propose that the City Attorney prepare the necessary ordinances and resolutions to change the applicable municipal code section and City Council Policy to eliminate the dedicated four cents that the City is obligated to use from the TOT for purposes of promoting the City, and instead direct that those funds be allocated to the general fund. In the spirit of transparency I believe the changes to the municipal code and City Council Policy will allow the city some additional flexibility within the budget and make our intentions clear to the public. I concurrently request that the Council President consider these changes at a future Rules Committee meeting prior to Council consideration of the FY2012 budget and that the Independent Budget Analyst prepare an analysis of the potential budget impact of taking such action.

CC: Honorable City Councilmembers
Honorable Mayor Sanders

DA/ks