

Priorities and the Budget Process

The priorities of San Diego as a region are numerous and the City of San Diego's responsibility is to address many of these priorities through services provided. The struggle to meet these priorities is balanced with economic realities; there are not sufficient financial resources to fully fund every need. Policy makers and administrators have the daunting task of determining which services to fund. This is one of the most important activities undertaken by governments.

A well prepared municipal budget must provide a plan for providing these services to the citizens. This is reflected by a budget document that presents the convergence of public policy, financial oversight and operational accountability. The budget should be more than a line item allocation; it should provide practical approaches to both short and long term priorities and be presented in an open and clear format. This section provides an overview of the City's priorities, their interrelation, and the framework of the budget.

The Annual Fiscal Year 2005 Budget was developed using the fundamental principles advocated by the National Advisory Council on State and Local Budgeting (NACSLB), an organization whose mission is to improve State and local government budgeting through identification and dissemination of good budget principles and practices. The budget practices identified by the NACSLB take into account, and respect the differences in State and local laws, the impact of the political aspects of government, and the management needs of government.

Budgeting Framework

The fundamental principles of the NACSLB budgeting framework are:

1. Establish broad goals to guide government decision making
2. Develop approaches to achieve goals
3. Develop a budget consistent with approaches to achieve goals
4. Evaluate performance and make adjustments

The first principle provides the general direction for the City of San Diego and establishes the level and type of service that will be provided. The broad goals for the City are discussed in the Management Priorities Section. These priorities are established with input from the policy makers as well as the stakeholders. Input is gathered through City Council hearings throughout the year on City issues, feedback from Community Budget Forums and open discussion of budget issues in budget hearings throughout May and June of each year. A separate aspect of this principle is an assessment of current and expected future conditions, and opportunities and challenges facing the community. This is where the economy, regulatory issues, population and environmental aspects are identified and analyzed. The assumptions of the economy and other factors are discussed in more detail in the Financial Summary section in this volume.

The second principle narrows down policies and programs necessary for the City to achieve the broad goals or priorities established in the first principle. In this respect, each decision that the policy makers agree to in cooperation with the stakeholders define how the broad priorities will be achieved. A major component of this principle is the adoption of financial policies. Over the last six years, the City has operated under eight Principles of Budgeting and Finance as endorsed by the Mayor and City Council. These principles are considered when discussing strategies for implementing new policies and programs. In some cases it is not practical to adhere to the letter of the principles, but use them as a guide to understand the impact of a policy decision. The City's Principles of Budget and Finance are as follows:

Goals and Priorities

1. Ongoing expenditures should be supported by ongoing revenues. Accordingly, onetime revenues should not be used for ongoing expenditure on a continuous basis.
2. The General Fund Reserve should be maintained at a minimum of three percent.
3. When capital projects are considered, all associated costs should be identified in order to properly assess future financial impacts.
4. Each enterprise fund should reflect the true cost of operation, including direct and indirect costs of services provided by the General Fund.
5. Activities that are supported by user fees should be fully cost recoverable.
6. Discretionary General Fund revenues should not be earmarked, thereby allowing maximum flexibility in funding decisions on an annual basis.
7. Budget development should be guided by a long term, or strategic budget plan proposed by the City Manager and adopted by the Mayor and City Council.
8. Once adopted, annual budgets should be amended only when urgency requires, and then by identifying specific funding sources for these new priorities.

The third fundamental principle of the NACSLB budgeting framework is important in funding the broad priorities established in the first principle. This is accomplished by developing a financial plan, a capital plan and funding options. It is critical to approach this principle with a long-term approach although that is not always possible. An example is the devastating effect of the “Dot-com” collapse felt in the Northern California Bay area. Regardless of what long term finance strategy those municipalities adopted, no one could have predicted the impact to the economy of the collapse. The primary aspect is to be able to adjust to changing conditions by either reestablishing priorities or developing alternative strategies. Regardless of the change required, the principle is to fund the current broad priorities that have been adopted by the policy makers.

The final principle is the assessment of the progress of meeting financial and programmatic priorities identified by the policy makers and the stakeholders. This will identify adjustments required, in funding levels or priority setting, and the time frame for accomplishing priorities. The City participates in this endeavor through the Performance Based Budgeting (PBB) practices, and the proposed Five-Year Financial Plan. Refinement of this practice is ongoing in order to tie budgetary decisions more closely with outcomes of performance measures. Still, the PBB practice provides valuable costing and performance information for the majority of services provided by the City, and enhances the information provided for making budget and policy decisions.

Priorities

In Fiscal Year 2005, San Diego’s economy appears to be improving, and continues to outperform both the State and national economies. However, because General Fund revenues are not increasing at the same pace as ongoing expenditure requirements, corresponding reductions to City operations are required. This made the process of balancing the Annual Fiscal Year 2005 Budget a difficult exercise. The management of the City of San Diego has focused on three priorities designed to improve and guide the City in future years.

Goals and Priorities

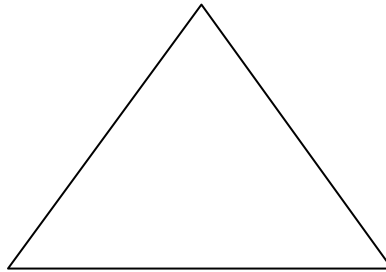
Specific priorities that the City of San Diego will focus on throughout Fiscal Year 2005 and beyond include:

1. Creating a Five-Year Financial Plan
2. Focusing on Customer Service
3. Committing to a Unified Communications Strategy

These priorities are designed to create a well balanced City. The Five-Year Financial Plan will guide budget and policy development for the next five years and ensure that the City's resources are dedicated to the highest priorities. Improved customer service will enhance City interaction with the residents of the City of San Diego. A unified communications strategy will ensure that the public and major stakeholders are updated with accurate information on a regular basis. Each of these priorities compliments each other and reflects equity when priorities are discussed; this is represented by reflecting them as components of an equal sided triangle.

CITY OF SAN DIEGO PRIORITIES

**FIVE-YEAR
FINANCIAL PLAN**



CUSTOMER SERVICE

**UNIFIED COMMUNICATIONS
STRATEGY**

Five-Year Financial Plan

The goal of the Five-Year Financial Plan is to introduce greater stability in the financial planning and budgeting process and prioritize spending, as not all needs can be met with current revenue sources. The plan will provide long term budget and policy guidance, articulate priorities, and quantify the City's limitations. Currently, Financial Management, the City Treasurer and the Office of the Auditor and Comptroller are working with General Fund departments to develop a comprehensive plan that will include revenue and expenditure projections, General Fund reserves, and economic drivers. The Five-Year Financial Plan will quantify the policies set by the Mayor and City Council.

Goals and Priorities

Customer Service

The second goal for Fiscal Year 2005 will involve City staff focusing on excellence in customer service. Instilling accountability in every City employee develops teamwork that results in a high level of service and satisfaction throughout the City. Focusing not only on how City services are delivered, but going beyond the delivery of services will result in improved use of City resources. An example would be the replacement of a water main. Instead of simply focusing on the construction of the water main, City employees ensure proper notification of those affected, identify and clearly mark alternative traffic routes, and communicate project schedules.

The City Manager's Office is in the process of developing a new customer service training and guidelines that detail what will be expected from employees. Through these trainings the expectations of City employees will be clearly defined thus improving the delivery of services to the citizens of San Diego.

Unified Communications Strategy

The goal of conveying important information accurately and in a timely manner will aid in meeting the priority of implementing a Unified Communications Strategy. It is the City's responsibility to communicate information regularly with the Mayor and City Council, the residents of the City, the public and media, and City employees. Clear communication with the Mayor and City Council will ensure they have information needed to make decisions. City employees should be informed through regular communications with the City Manager, department directors, and human resources. Good communication with employees will diffuse rumors and open the communication channels, thereby allowing employees to perform their jobs well. The need to remain transparent and accessible and make certain that all parties are well informed is an essential component of providing excellent public service and achieving the goals set by the proposed Five-Year Financial Plan.

The City has developed three priorities in which to focus in Fiscal Year 2005 and beyond: create a Five-Year Financial Plan, focus on Customer Service, and implement a Unified Communications Strategy. By continuing to follow the principles established by the NACSLB as well as the City's own Principles of Budget and Finance in conjunction with the above mentioned priorities, policy makers, employees and residents alike will be able to focus on meeting the needs of this City.