
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: January 17, 2008**IBA Report Number:** 08-7**City Council Meeting Date:** January 28, 2008**Item Number:** TBD

City Council Budget Priorities for Fiscal Year 2009

OVERVIEW

City Charter Section 265(b)(15) requires the Mayor to propose a budget to the City Council and the public by April 15 of each year. The City Council then holds a series of budget hearings to obtain public input on spending priorities, and to request additional information and discuss the City Council's budget priorities with the Mayor and City management. At the conclusion of the budget hearing process, the City Council may make modifications to the Mayor's proposed budget.

On December 3, 2007, the City Council adopted the schedule of meetings for the City Council and its committees for 2008, including the key budget process dates for the development and approval of the City's budget for Fiscal Year 2009 (which covers the period starting July 1, 2008 and ends June 30, 2009).

Based on the recently adopted schedule, budget hearings will be held Wednesday, April 30 through Friday, May 9, 2008.

The Mayor – City Council Transition Committee recommended that the City Council adopt by resolution its budgetary priorities for submission to the Mayor by February 1 of each year, and the City Council added this step in the process beginning in 2006.

Prior to the presentation of the Mayor's Proposed Budget, the City Council annually adopts by resolution its budgetary priorities for submission to the Mayor by February 1. This year, Councilmembers were requested to submit their priorities for the Fiscal Year 2009 Budget by January 9, 2008 to Budget

and Finance Committee Chair Toni Atkins. These budget priorities are scheduled to be discussed by the full City Council at its meeting the week of January 28, 2008, and will then be submitted to the Mayor.

On January 9, 2008, the Budget and Finance Committee discussed criteria for the format of the upcoming budget hearings, and committee members made suggestions for additional information to be included.

The purpose of this report is to convey to the Mayor the Fiscal Year 2009 budget priorities established by each City Councilmember via their memoranda; and to convey the expectations of the City Council for the upcoming budget hearing presentations.

It is recommended that the City Council accept this report, and direct the IBA to submit this report, the individual memoranda from each Councilmember, and the accompanying resolution to the Mayor, in order to convey the City Council's budget priorities and expectations related to the upcoming budget hearings.

FISCAL/POLICY DISCUSSION

Submission to Mayor of Individual City Council Budget Priorities Memoranda

Public safety needs, brush management, park and library services, streets and sidewalk maintenance, and neighborhood code enforcement emerged as the highest priority services noted in the Councilmembers' memoranda. A number of Councilmembers also discussed the need to maintain or enhance current service levels, either Citywide, or for specific targeted programs. In addition to specific services, the Council's memoranda called for a continued focus on best practices, fiscal responsibility, and reforms, where necessary. Attachment 1 to this report contains the City Councilmembers' Budget Priorities Memoranda for Fiscal Year 2009.

Based on a review of the memoranda, major themes became apparent which are outlined below, including examples of specific budget priorities.

1) Priority City Services

Police – including competitive salaries and benefits, increase staffing, sufficient equipment, restoration of Community Service Officers and Community Relations Officers, increase efforts to address gang violence

Fire - including competitive salaries and benefits, increase staffing, sufficient equipment, identification of funding for additional stations, purchase of second fire helicopter, additional funding for citywide CERT programs, prepare to fund priorities to be identified in upcoming After Action report

Brush Management – increase funding, specifically to improve fire preventative measures

Homeland Security – enhance and improve strategies to prepare residents for disaster, and complete a Citywide Emergency Evacuation plan

Parks, Recreation Centers, Libraries, Swimming Pools – maintain existing service levels and identify funds to ensure pool hours are maintained as grant funds will be discontinued, ensure no waiver of the Mission Bay Ordinance to guarantee a source of funding for needed improvements, continue funding for Balboa Park Centennial, support after school, evening and weekend programs for youth at our recreation centers, provide wireless internet access at library sites

General Plan and Community Plans – identify funds to develop the Parks Master Plan and to continue to update Community Plans, identify funding mechanism to allow for ongoing updates and completion of Progress Guide and General Plan

Sidewalks, Streets, Street Lights, Deferred Maintenance, Stormwater Permit Compliance, Americans with Disabilities Act (ADA) Projects – backlogs should be addressed, projects should be prioritized and funding enhanced for projects and ongoing maintenance

Neighborhood Protection Issues – more community cleanups, funding for graffiti eradication, trash removal, code enforcement, historic preservation, and identification of an ongoing and dedicated funding source for the Winter Homeless Shelter

2) Best Practices and Financial Responsibility

Effective audit organization – increase staffing for audit function, and ensure personnel are qualified and have appropriate tools and training

Performance measures – implementation of performance measures in the budget process

Business Process Reengineering – identify savings and outcomes as the result of past BPR implementations

Reforms of Community Development Block Grant and Equal Opportunity Contracting Programs – to ensure full compliance with Department of Housing and Urban Development regulations for use of CDBG funds, and to ensure equal opportunity in our contracting program

Managed Competition Practices – take steps to lay transparent foundation for important process, and ensure Business Process Reengineering processes are first complete

Reserves – boost contributions to reserves to a healthy ratio based on best municipal practices

Pension – fully fund the Actuarially Required Contribution (ARC), and resolve issues related to IRS compliance

Restore credit rating – to allow for issuance of debt in the public market

Council financial training – continue ongoing financial training for City Council

Control costs of outside legal counsel – establish fiscal control mechanism to reduce use of outside lawyers, and provide monthly reports to Council of cases and related costs

3) Labor Relations

Role of City Council – define City Council’s role in labor negotiations consistent with practices in other Strong Mayor/Council cities

Fair negotiations and consider 3 year contracts – negotiate fairly with all employees and consider three-year agreements to provide a level of certainty to the City and its employees

Continue health care savings – discuss consolidation of health care plans with labor organizations to reduce costs

4) New Resources

Car Rental Tax – could be used to enhance current street resurfacing program

Real Estate Transfer Tax – could be used to leverage and fund the Fire-Rescue Departments Station Master Plan

Maximize real estate assets – review leases and real estate holdings to determine how to use to City’s best advantage

Fair share of Local, Regional, State and Federal funding – work with San Diego area Congressional and State delegations, and SANDAG and League of California Cities to secure additional revenues for local infrastructure projects, establish transportation priorities for each Council District and take necessary steps to leverage TransNet revenues to accelerate priorities

Budget Information and Hearing Expectations

The Mayor's Five Year Financial Outlook included many initiatives to improve City operations and the City's financial stability. It identified eight significant areas to which significant resources have been or will be committed. Progress in these areas should be reviewed to determine the effectiveness of these initiatives, and if significant funding should continue to be allocated to these areas, possibly at the expense of other programs and/or services.

In addition, the Mayor's Business Office has implemented several programs to increase efficiency, strategically plan, and monitor performance. Incorporating elements of these new programs in the budget presentation will be useful to the City Council and the public.

It is requested that all Department Directors and assigned Deputy Chief Operating Officers attend their respective budget hearing(s) and be prepared to discuss the following:

- 1) Significant Department Budget Changes from Fiscal Year 2008 to Mayor's Proposed Fiscal Year 2009
 - a. Significant programs, services, and dollar and FTE changes from 2008
 - b. Are there reductions proposed? If so, what operational or service impacts are expected?
 - c. Are positions targeted for elimination currently vacant or filled?
 - d. Are there additions, enhancements, new facilities, increased staffing?
- 2) Tactical Plan/Performance Measures
 - a. Highlights of Plan, including Goals and Key Performance Measures, including 2007, 2008 and 2009 data
- 3) Upcoming Significant Initiatives/Challenges
 - a. Will department be undertaking new initiatives or facing new challenges?
 - b. Does department expect to encounter any obstacles that may impede its ability to carry out expected services/operations?
 - c. Does department intend to raise policy issues or bring new matters to the City Council or its committees for review and approval?
 - d. For departments responsible for Mayor's "corrective actions" or "significant areas" (i.e. land sales, deferred maintenance, etc.), what is status compared to Fiscal Year 2008 budget assumptions?

- 4) Business Process Reengineering (BPR)
 - a. Has department (or any of its divisions/functions) undergone BPR? If so, what is status of process?
 - b. Has BPR been implemented, or will it occur in the upcoming fiscal year?
 - c. What are expected outcomes, or changes to services/operations?
 - d. What are the documented savings?

- 5) Other Key Budget Issues
 - a. Managed Competition - does department expect to undergo Managed Competition?
 - b. Status of Vacant Positions/Discussion of Fiscal Year 2008 and Fiscal Year 2009 vacancy factors
 - c. Other Restructuring/Reorganization Plans for 2009
 - d. Departmental Revenue Issues
 - e. Overtime/Constant Staffing Issues
 - f. Significant Informational Technology Issues

It is again anticipated that the Mayor's Fiscal Year 2009 Proposed Budget will include proposed reductions to current City services and programs in order to balance the budget. The expected impacts to those services and programs should be described in sufficient detail to allow the City Council and members of the public to understand how services and programs may change in the year ahead.

At the Budget and Finance Committee Meeting on January 9, suggested additions were made to the list by committee members, including:

- 6) Identification of Potential Fee Increases which may be included in the proposed budget - it is preferred that a discussion of potential fee increases be scheduled in advance of budget discussions

- 7) Description of Proposed Debt Issuances, along with additional annual debt service requirements, and projects to be funded

As discussed at a recent Council meeting, it is important that efforts be made to more fully integrate the financial monitoring and reporting process with the development of the next year's budget. Actual revenue and expenditure experience that occurs during the latter part of the fiscal year, such as greater than anticipated revenue receipts, may impact assumptions that were utilized as the basis of the proposed budget. The Mayor's May Revision to the Proposed Budget should contain updates to assumptions which may be affected by actual experience, as more information becomes available.

CONCLUSION

It is recommended that the City Council accept this report, and direct the IBA to submit this report, the individual memoranda from each Councilmember, and the accompanying resolution to the Mayor, in order to convey the City Council’s budget priorities and expectations related to the upcoming budget hearings.

[SIGNED]

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[SIGNED]

APPROVED: Andrea Tevlin
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Attachments:

- 1. City Council Fiscal Year 2009 Budget Priorities Memoranda