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**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

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**Date Issued:** June 11, 2009

**IBA Report Number:** 09-52

**Budget & Finance Committee Date:** June 17, 2009

**Item Number:** 5

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## **FY 2009 IBA Policy Matrix Update**

For the past two years, the IBA has compiled a list of issues that surfaced during the budget process but required additional time for research, Council review and resolution beyond the time available during budget development and adoption. This list, referred to as the IBA Policy Matrix, was a similar concept to the list of City Council Fiscal Reforms adopted by the City Council during the FY 2010 budget process. Following budget adoption, our office tracked the status of each issue and provided periodic updates to the Budget and Finance Committee. The Policy Matrix updated in this report, addresses issues raised during the FY 2008 and FY 2009 budget processes; and a status report was last presented at Budget and Finance Committee on September 10, 2008.

Significant accomplishments from the matrix this year include:

- Increasing Police and Fire fees to achieve greater cost recovery
- Presentation of a Fire Station Master Plan to Public Safety and Neighborhood Services Committee
- Consolidation of the Family Justice Center with the Police Department
- Identification of funding requirements and temporary water rate increase for the Advanced Water Treatment Demonstration Project
- Approval of \$103 million in Lease Revenue Bonds for deferred maintenance needs
- Quarterly reports to the Budget and Finance Committee on FY 2008 wildfire reimbursements
- Voter approval of a permanent alcohol beach ban in November 2008
- Approval of a Comprehensive User Fee Policy which was then implemented through cost recovery increases in nine General Fund departments
- Approval of a comprehensive City Debt Policy
- Creation of a Fleet Services Fuel Reserve

With this update of the FY 2009 Policy Matrix, we would recommend replacing it with the new FY 2010 List of City Council Fiscal Reforms. As in the past, our office will track all items and provide periodic updates throughout the year. If there are outstanding FY 2009 items you would like to see carried over to the new list, please let us know during next week's Committee discussion. Alternatively, where appropriate, in-progress items could also be absorbed within other Council Committee work plans.

**[SIGNED]**

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Research Analyst

**[SIGNED]**

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Approved: Andrea Tevlin  
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Attachment: IBA Policy Matrix - Fiscal Year 2009

**IBA/Council Outstanding Requests from FY 2009 Budget Process**

**Recommendation**

**Suggested Committee**

**Status**

**Comments on Status as of March 2009**

**COUNCILMEMBER REQUESTS**

<p><b>1 Fire-Rescue Department Station Master Plan:</b> Master plan study is to be completed in July or August, work must start now to identify funding sources to implement the recommendation of the Fire- Rescue Department. IBA has been requested to report back to the committee with a comprehensive study on City's current tax rates and recommended action.</p>	<p>Ad-Hoc Committee on Fire Prevention and Recovery</p>	<p><b>Partially Completed</b></p>	<p>Fire Department presented report on Fire Station Master Plan at March 4, 2009 PS&amp;NS Committee. Committee members voted to forward Report to full Council, at a future date yet to be determined. IBA re-issued its prior report on SD Fire-Rescue needs and funding options.</p>
<p><b>2 Public Safety Bond Financing:</b> A list of all projects to be included in next Public Safety Bond financing was requested by Ad Hoc Committee on Fire Prevention and Recovery. As part of this financing, three lifeguard stations are requested for funding: La Jolla Cove, La Jolla Shores, and Children's Pool.</p>	<p>Public Safety and Neighborhood Services Committee</p>	<p><b>Ongoing</b></p>	<p>At the March 4, 2009 PS&amp;NS Committee discussion on the Fire Master Plan, Councilmember Gloria asked if a second series of Fire and Life Safety bonds was planned, now that the City's credit rating has been restored. Mayor's staff responded that a second series was not currently a priority, but would review current financing plans and respond.</p>
<p><b>3 Fee Structure and Cost Recovery Review for Police, Fire and Emergency Services:</b> The COO, Police Department and Fire-Rescue Department were requested to review the current fee structure for fire and emergency services. In addition, a review should take place of current fines in the municipal code, fees for permits and licensing, and any cost recovery measures for Police services, including services provided to universities.</p>	<p>Ad-Hoc Committee on Fire Prevention and Recovery, and Public Safety and Neighborhood Services Committee</p>	<p><b>Largely Completed</b></p>	<p>Adjusted Fire-Rescue fees and fines as well as Police Department fees to achieve cost recovery were adopted by the BFC this Spring and incorporated into the FY 2010 Adopted Budget. Police firearm fees as well as those for entertainment clubs require additional study and will be brought back to the BFC. The cost recovery of public safety provided at sports stadiums is under review and the City Attorney's report on this issue will be discussed at the June 17, 2009 meeting of the Budget Committee.</p>
<p><b>4 City Attorney Case Management:</b> Presentation to Budget and Finance Committee was requested of the current case management program and benefits of potential upgrades.</p>	<p>Budget and Finance Committee</p>	<p><b>Partially Completed</b></p>	<p>The Office of the City Attorney presented an update on its case management needs at the Budget Committee meeting on September 10, 2008. According to a recent City Attorney newsletter, a case management system for the criminal division, modeled after the District Attorney's, is expected to go-live in July 2009.</p>
<p><b>5 Outside Counsel:</b> Quarterly reports were requested each year for ongoing costs for outside legal counsel.</p>	<p>Budget and Finance Committee</p>	<p><b>N/A</b></p>	<p>The new City Attorney will be providing these updates on a going-forward basis</p>

**IBA/Council Outstanding Requests from FY 2009 Budget Process**

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**COUNCILMEMBER REQUESTS (cont.)**

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| <p><b>6 Recruitment Consultant:</b> In July 2006, \$250,000 was authorized for a recruitment and retention study for the Police Department. RAND Corporation performed work during FY 2008. Results of their study are requested to be presented to the Public Safety and Neighborhood Services Committee, as well as status of all recruitment and retention efforts.</p>   | <p>Public Safety and Neighborhood Services Committee</p> | <p><b>Completed</b></p>     | <p>The RAND Institute released its report "Strategies for Improving Officer Recruitment in the San Diego Police Department", and the Police Department presented its findings to the PS&amp;NS Committee on September 24, 2008. Given new concerns regarding high attrition, PS&amp;NS may want to revisit this matter.</p>                                 |
| <p><b>7 Advanced Water Treatment Demonstration Project:</b> The Water Department was requested to provide a cost estimate for the Advanced Water Treatment Demonstration Project, including an energy and economic analysis for all water supply augmentation methods in the Long Range Water Resources Plan, a flow and detention study at the San Vicente Reservoir, and community outreach and education efforts as approved by Council on December 3, 2007. The Water Department should also provide funding options once the cost estimates are identified.</p> | <p>Natural Resources and Culture Committee</p>           | <p><b>Completed</b></p>     | <p>The Water Department has estimated the cost of the Advanced Water Treatment Demonstration Project to be approximately \$11.8 million. On November 18, 2008, the City Council approved a temporary water rate increase to fund \$10.7 million of total estimated project costs. The remaining \$1.1 million will be funded by a Proposition 50 grant.</p> |
| <p><b>8 Family Justice Center/YWCA Proposal:</b> During the FY 2007 Budget process, the Mayor was in discussions with the YWCA to consolidate services provided by the Family Justice Center and those provided by the YWCA, the District Attorney's Office and other community-based organizations. A status of these discussions, including a cost analysis, was requested at committee.</p>   | <p>Public Safety and Neighborhood Services Committee</p> | <p><b>New Direction</b></p> | <p>Department has been consolidated with Police Department rather than the YWCA.</p>  |



**IBA/Council Outstanding Requests from FY 2009 Budget Process**

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Status

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Recommendation

**BUDGET MONITORING (cont.)**

<p><b>12 BPR/Managed Competition Status:</b> Quarterly updates have begun in FY 2008 and the IBA recommended the following be included in the FY 2009 quarterly updates: Status/Schedule of current, pending, and upcoming BPRs and Managed Competition efforts and follow up discussion on implemented BPRs (i.e. cost and/or efficiency savings realized).</p>	<p>Report to Budget &amp; Finance Committee</p>	<p><b>Ongoing</b></p>	<p>Ongoing labor negotiations on the Managed Competition Ordinance and Guide have precluded new actions on Managed Competition thus far this year. The Council has requested that all BPRs be completed by October 2009.</p>
<p><b>13 ADA Project Status Reports:</b> The ADA projects identified for FY 2008 are in the design/bid process and are scheduled for final completion in April 2009. The IBA has received a preliminary list of identified ADA projects for FY 2009. If this project list can be expeditiously scoped and scheduled, it is reasonable to expect that the identified projects could be substantially completed in FY 2009. The IBA had recommended that the City Council be apprised on the progress on these projects every six months with the next update to be provided before the end of calendar 2008.</p>	<p>Report to Budget &amp; Finance Committee</p>	<p><b>Ongoing</b></p>	<p>Most of the 37 FY 2008 ADA projects are now projected to be completed in FY 2010. On June 5, 2009, the Engineering &amp; Capital Projects Dept. indicated that 14 of the 37 projects were constructed and open to the public with the remainder to be completed later in FY 2010. In a report dated May 7, 2009, the E&amp;CP Dept. provided a spreadsheet indicating that 1 project of approximately 25 ADA projects funded for FY 2009 had been completed. On May 21, 2009, Councilmember's Gloria and Frye requested a performance audit of the City's CIP to assess the process for completing approved and funded CIP projects, including ADA projects. The City Auditor will be incorporating this request into his audit work plan for FY 2010. The IBA continues to recommend that the City Council be regularly apprised on the status and timelines for all funded ADA projects.</p>
<p><b>14 Public Safety Enhancements:</b> The FY 2009 May Revise identified reimbursements from the Seized and Forfeited Assets Fund to support technology improvements in the Police Department. Specific details on how this funding will be used were not available at that time. The IBA recommended that the department develop a plan that addresses the Councilmembers' priorities and return to committee by September 2008.</p>	<p>Public Safety and Neighborhood Services Committee</p>	<p><b>N/A</b></p>	<p>No update at this time.</p>
<p><b>15 FY 2008 Disaster Reimbursements:</b> Staff was requested to update quarterly (or as part of the Charter Section 39 or Budget Monitoring Reports) the status of FY 2008 Disaster Reimbursements for the current and future fiscal years.</p>	<p>Budget &amp; Finance Committee</p>	<p><b>Completed</b></p>	<p>An informational update on disaster reimbursements was provided to the Budget Committee on September 10, 2008, by the Office of Homeland Security.</p>

**IBA/Council Outstanding Requests from FY 2009 Budget Process**

Comments on Status as of March 2009

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Recommendation

**BUDGET MONITORING (cont.)**

<p><b>16 Periodic Reports on Performance Measures:</b> As part of the City Management Program, departments have developed performance measures as part of the FY 2009 budget. Measures are to be tracked, monitored and reported throughout the year, and should be presented to the Budget Committee and be made available to the City Council and the public.</p>	<p>Budget &amp; Finance Committee</p>	<p>Ongoing</p>	<p>An update on the City Management Program was presented to the Budget Committee on March 11, 2009. The FY 2009 Mid-Year Performance Report was released at the end of March 2009 and will cover performance data through December 31, 2008. The FY 2009 Year-End Report is expected to be issued in August 2009. The City's Strategic Plan and Tactical Plans for city departments are available on the City's website. The IBA has requested that data be provided in FY 2010 final budget documents for the Citywide measures associated with the City's strategic plan.</p>
<p><b>17 Alcohol Beach Ban:</b> A one-year pilot of the Alcohol Beach Ban approved by Council in November 2007 will expire in January 2009. Prior to January, a report on the impacts of implementing this ban should be presented and discussed at committee.</p>	<p>Public Safety and Neighborhood Services Committee</p>	<p>Completed</p>	<p>The Police Department presented an informational report on the Alcohol Beach Ban to PS&amp;NS on October 22, 2008. The statistics used to evaluate the effectiveness of the ban shows a decrease in several categories since the ban was implemented. A ballot measure permanently prohibiting the consumption of alcoholic beverages on San Diego beaches and in most public parks was passed by voters in November 2008.</p>
<p><b>18 QUALCOMM Stadium Self-Sufficiency.</b> The QUALCOMM Stadium Fund currently requires a \$5.1 million subsidy from the TOT Fund to support operations, above and beyond the annual debt service payment. Staff should report to the Budget &amp; Finance Committee actions being implemented to minimize reliance on the TOT Fund to support operational expenses.</p>	<p>Report to Budget &amp; Finance Committee / Audit Committee</p>	<p>Ongoing</p>	<p>QUALCOMM Stadium management has been pursuing various measures to become more self-sufficient, such as renegotiating the lease with SDSU and attracting new special events. However, the TOT Fund will continue to provide significant support in FY 2010. The City Auditor recently completed an audit on QUALCOMM Stadium operations, which was heard at Audit Committee in May 2009. It addressed a number of findings and recommendations, which will be implemented by READ and monitored by the City Auditor.</p>

**IBA/Council Outstanding Requests from FY 2009 Budget Process**

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**Comments on Status as of March 2009**

**CONTINUED FROM FY 2008**

**19 Permanent Homeless Shelter:** There is interest in a year-round Winter Shelter program to include a comprehensive Central Intake Facility. The Central Intake Facility will work in partnership with other homeless agencies, SDDP, healthcare providers, and others to provide comprehensive services on-site for quick and effective placement into long-term solutions. Given the yearly funding difficulty with the City's annual Winter Shelter, the year-round Shelter Program will need a funding strategy for consistent funding resources. Coordination with the County is also suggested.

Semi-annual Reports to City Council

**Ongoing**

On December 2, 2008 the City Council heard from the San Diego Housing Commission on a proposed Scope of Services for a Permanent Homeless Facility. At that meeting the Council approved the draft RFP/Scope of Services and asked that a comprehensive homeless policy be brought forward to the Council within 6 months. An RFP was issued on April 3, 2009 with the deadline for responses set for June 22, 2009. Staff has indicated that based on the viability of the responses received, staff from the City, CCDC, and the HC would form a selection committee to evaluate proposals, which would later be presented to the LU&H Committee. While no comprehensive homeless policy is planned to come forward, staff has indicated that the RFP is the first step in the goal of addressing the homeless population and serves the purpose of comprehensively addressing the issue of homelessness.

**20 Booking Fees:** Conclude negotiations with the County over the terms of the 1998 MOU in such a manner that is in the best interest of the City, including but not limited to reimbursement to the City of \$2.9 million in funds that were received by the County in FY 2008 from the State.

Report to Budget & Finance or Rules Committees

**Ongoing**

Although a tentative agreement on modifying the existing MOU between the City and the County has been reached, the terms have yet to be presented to Council. The City must continue to pay \$5.2 million annually as part of the original MOU, although the City would only pay for the number of beds actually used versus a fixed cost. Most recently, the savings were estimated at \$1.4M annually and have been included in the FY 2010 Budget.

**21 CDBG Reforms:** During FY 2008, the policies and procedures related to the allocation of CDBG funds were revised, in response to HUD audits. Additional reform efforts are underway, including greater community outreach and involvement, and the development of a comprehensive strategic plan that prioritizes allocations based on community needs and creates performance measurements to make sure funds are utilized in an effective manner. Reports should be made to Public Safety and Neighborhood Services Committee on progress of continued reforms, and outcome of HUD audits, when concluded.

Public Safety and Neighborhood Services Committee

**Ongoing**

Currently a working group co-chaired by Councilmembers Tony Young and Todd Gloria is reviewing the City's current CDBG allocation process and is expected to suggest reforms for the future on how funds are allocated. The July 8, 2009 PS&NS Committee meeting will host a "CDBG Workshop." At this workshop it is expected that the City's CDBG consultant will give a report on best practices for the administration and allocation of funds.



**IBA/Council Outstanding Requests from FY 2009 Budget Process**

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Recommendation

**CONTINUED FROM FY 2008 (cont.)**

<p><b>22 Financial Policies - Budget:</b> During the development of the FY 2008 budget, discussions centered around the ability of the City Council and the Mayor to unilaterally make budgetary decisions and adjustments. This led to the adoption of the Statement of Budgetary Principles, which laid out desired communication, and parameters for what level of budgetary changes could be made by the Mayor administratively and which required Council notification/ approval.</p>	<p>Budget &amp; Finance Committee and City Council</p>	<p><b>Completed in 2008 &amp; 2009</b></p>	<p>Continuation of the "Statement of Budgetary Principles" for FY 2010 needs to be discussed by BFC. These principals, which have been in effect for the past two fiscal years, establish criteria for Mayoral budget changes and Council notification during the year. The new list of Fiscal Reforms also includes development of a budget policy that could address budget authority.</p>
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<p><b>23 Financial Policies - Budget Monitoring: Revision to Council Policy 000-20 - Annual Council Programming:</b> As discussed during FY 2008, the current timeframe for providing mid-year financial reporting, as outlined in Council Policy 000-20, does not permit the collection and analysis of six months of data for mid-year report to the City Council. Review and revision of this policy is desired and may be able to incorporate other changes necessitated by the implementation of ERP/OneSD financial system.</p>	<p>Budget &amp; Finance Committee</p>	<p><b>Ongoing</b></p>	<p>Pending implementation of "One SD," which is expected to facilitate/expedite processing of the mid-year report more in line with Council Policy.</p>
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**IBA/Council Outstanding Requests from FY 2009 Budget Process**

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**Comments on Status as of March 2009**

**CONTINUED FROM FY 2008 (cont.)**

<p><b>25 Financial Policies - Debt:</b> The City Council approved a comprehensive, formal Debt Policy for the City in Nov 2007. The resolution provided that the Mayor's staff would bring certain policies forward to the Budget and Finance Committee for inclusion as appendices to the Debt Policy by the end of FY 2008. These pending policies included: a redevelopment debt policy; a CIP prioritization policy; a variable rate debt and derivatives policy; and, if appropriate, an updated Housing Authority Multifamily Mortgage Revenue Bond Program Policy. The Deputy Executive Director of the Redevelopment Agency requested another year (late in FY 2009) to develop/present a redevelopment agency debt policy in light of possible Agency reorganization. The CIP prioritization policy was adopted by the City Council on May 27, 2008. City Council training was held on the use of variable rate debt and derivatives in January 2008; however, a policy has yet to be developed for Council consideration. The Housing Authority Bond Program Policy is expected to be docketed for Budget and Finance Committee discussion early in FY 2009.</p>	<p>Budget &amp; Finance Committee and City Council</p>	<p><b>Policy Completed</b></p>	<p>On October 27, 2008, staff provided an annual review of the City's Debt Policy to the City Council. At that meeting, a redevelopment debt policy was anticipated to be completed by the end of FY 2009. Based on comments at the City Council training on the potential use of variable rate debt and derivatives in January 2008 and given the current economic climate this issue is on hold. The updated Housing Commission's Multifamily Mortgage Revenue Bond Policy was presented to the City Council on September 23, 2008 and has been incorporated into the City's Debt Policy. Revised Council Policy 800-14 ("Prioritizing CIP Projects") was approved by the City Council on May 30, 2008 and has been included in the updated City Debt Policy.</p>
<p><b>26 Storm Water Funding:</b> Staff has requested to identify potential dedicated funding sources for Storm Water Permit compliance. Present these funding options to the Budget &amp; Finance or Natural Resources &amp; Culture Committee for a full policy discussion.</p>	<p>Report to Budget &amp; Finance or Natural Resources &amp; Culture Committee</p>	<p><b>Ongoing</b></p>	<p>The Storm Water Department continues to have ongoing discussions with the Mayor on identifying potential funding sources for storm water permit compliance. On March 2nd, 2009 the IBA released a report that surveyed storm water funding methods in various California cities. The IBA has recommended that a Citizens Commission study this revenue option for FY 2011 implementation.</p>
<p><b>27 Publishing Services Deficit:</b> Identify potential solutions to the ongoing negative fund balance in the Publishing Services Internal Service Fund. These options, with staff recommendations, should be presented to the Budget &amp; Finance Committee prior to implementation.</p>	<p>Report to Budget &amp; Finance Committee</p>	<p><b>Ongoing</b></p>	<p>The Publishing Services Internal Service Fund continues to operate with a negative fund balance. However, the deficit is projected to be lower than in previous years. In addition, ongoing expenditures are anticipated to be fully covered by Fund revenues.</p>

**IBA/Council Outstanding Requests from FY 2009 Budget Process**

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**CONTINUED FROM FY 2008 (cont.)**

<p><b>28 Fleet Services Division Fuel Reserve:</b> Establish a fuel reserve in the FY 2010 Budget to guard against unanticipated fluctuation in fuel prices.</p>	<p>Include in the FY 2010 Proposed Budget</p>	<p><b>Completed</b></p>	<p>A \$3.0 million fuel reserve has been established for FY 2010 from FY 2009 fuel savings.</p>
<p><b>29 Library Ordinance:</b> Consider alternatives to the Library Ordinance, which requires 6% of General Fund budget be allocated to library uses. Current ordinance has been waived for last several fiscal years.</p>	<p>Report to Budget &amp; Finance Committee</p>	<p><b>N/A</b></p>	<p>No update at this time.</p>
<p><b>30 Environmental Growth Fund Strategic Plan:</b> Develop a long-term strategic plan for the Environmental Growth Fund, as long-term bonds will be fully repaid in FY 2010, reducing annually required payments from EGF.</p>	<p>Report to Budget &amp; Finance Committee</p>	<p><b>N/A</b></p>	<p>The IBA presented a report on the status of the Environmental Growth Fund to the Budget Committee on October 29, 2008. At the meeting, the Committee requested:          1). Bring back in-depth policy discussion regarding the Environmental Growth Fund with new City Council; 2). City Attorney to provide a legal analysis regarding whether the City is in compliance with the law on use of the Environmental Growth Fund; and 3). Mayor's office to provide a list of 2007 Park and Recreation Environmental Growth Fund Projects completed as well as 2008 and 2009 Capital Improvement Projects. For the past two budget years, the EGF has been recommended for use as a budget balancing measure but has been used appropriately for parks projects.</p>
<p><b>31 Workers Compensation Reform:</b> Explore the issue of Workers Compensation reform further, including a presentation on current and future programs to address this significant liability.</p>	<p>Report to Budget &amp; Finance Committee</p>	<p><b>N/A</b></p>	<p>No update at this time.</p>

**IBA/Council Outstanding Requests from FY 2009 Budget Process**

Recommendation                      Suggested Committee                      Status                      Comments on Status as of March 2009

**BUDGET AND FINANCE COMMITTEE ADDITIONS**

<p><b>32</b> Tracking of Assembly Bill 32, Greenhouse Gas Emission Reduction:</p>	<p>NR&amp;C</p>	<p>Ongoing</p>	<p>The AB32 Scoping Plan, which lays out a comprehensive plan for achieving target greenhouse gas (GHG) emission reductions, was approved by the California Air Resources Board (CARB) on December 11, 2008. Departments currently impacted include ESD (Landfill) and Metro Wastewater. The GHG Emission Inventory is being recalculated for 2004 and 2007 using the IPCC methodology. Revision of the City's 2004 Climate Protection Action Plan will begin in April and will have stakeholder input from a variety of perspectives.</p>
<p><b>33</b> Water and Sewer Bonds Project Updates</p>	<p>NR&amp;C</p>	<p>Completed</p>	<p>Memoranda from the Debt Management and Public Utilities Departments providing an update on proposed water and sewer bonds were issued in October 2008. An update regarding the City's Capital Improvement Projects for the Water and Metropolitan Wastewater Departments was presented to the Natural Resources &amp; Culture Committee on January 7, 2009.</p>