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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** February 8, 2011

**IBA Report Number:** 11-07

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**Item Number:** 200

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# Menu of Budget Options

## OVERVIEW

When discussing proposed budgetary reductions for Fiscal Year 2012 at the Budget and Finance Committee meeting of November 10, 2010, Chair Young requested the Independent Budget Analyst construct a menu of options consisting of budget balancing ideas from various sources including San Diego Speaks, Councilmembers' budget memoranda, recommendations from the Citizens Revenue Review and Economic Competitiveness Commission, labor organizations, and other interested parties. Where available, the IBA was requested to provide information related to feasibility, process for implementation, and associated expenditure savings or revenue to be generated.

This report presents an overview of the Menu of Budget Options (See Attachment) and describes the sources utilized to create the menu, the categorization of the menu options; and suggested areas for discussion. The City Council is requested to provide feedback as to whether to pursue or eliminate specific options, or to schedule items for more comprehensive review and discussion at a future meeting of the Council or one of its Committees.

## FISCAL/POLICY DISCUSSION

### Sources of Proposed Budget Options and Ideas

The City has provided many opportunities and venues for budgetary suggestions to be offered and submitted. The IBA has compiled the menu of options from a large number of these sources. It should be noted that several budgetary reductions or cost saving ideas from these sources may have already been analyzed and implemented, while others may have not yet been pursued. Also, some may be considered outdated, in need of revision, or require financial and legal review and analysis, prior to implementation.

### **Specific Sources Utilized to Create Menu of Options:**

- Citizen's Revenue Review and Economic Competitiveness Committee (CRRECC)-"Charting a New Path for Success" (12/2010)
- Councilmember Carl DeMaio-"A Roadmap to Recovery" (11/2010)
- Proposition D Reforms Not Yet Complete (11/2010)
- Citizen's Fiscal Sustainability Taskforce Prop. D Budgetary Principles (9/2010)
- Citizens' Fiscal Sustainability Task Force "City of San Diego's Fiscal Outlook" (12/2009)
- City Council Budget Priorities for Fiscal Year 2011-Councilmember Sherri Lightner (1/2011)
- City Council Budget Priorities for Fiscal Year 2011-Councilmember Kevin Faulconer (1/2011)
- City Council Budget Priorities for Fiscal Year 2011-Councilmember Todd Gloria (1/2011)
- City Council Budget Priorities for Fiscal Year 2011-Council President Tony Young (1/2011)
- City Council Budget Priorities for Fiscal Year 2011-Councilmember Carl DeMaio (1/2011)
- City Council Budget Priorities for Fiscal Year 2011-Councilmember Lorie Zapf (1/2011)
- City Council Budget Priorities for Fiscal Year 2011-Councilmember Marti Emerald (1/2011)
- City Council Budget Priorities for Fiscal Year 2011-Councilmember David Alvarez (1/2011)
- FY 2010 Fiscal Reforms from Council Ideas (June 2009)
- Structural Budget Deficit Elimination Plan Memos -Council President Hueso (1/2010)
- Structural Budget Deficit Elimination Plan Memos -Councilmember Marti Emerald (1/2010)
- Structural Budget Deficit Elimination Plan Memos -Councilmember Carl DeMaio (1/2010)
- Structural Budget Deficit Elimination Plan Memos -Councilmember DeMaio and Councilmember Frye (Joint Memo) (1/2010)
- Structural Budget Deficit Elimination Plan Memos -Councilmember Tony Young (1/2010)
- Structural Budget Deficit Elimination Plan Memos -Councilmember Todd Gloria (1/2010)
- Structural Budget Deficit Elimination Plan Memos -Councilmember Kevin Faulconer (1/2010)
- Structural Budget Deficit Elimination Plan Memos -Councilmember Sherri Lightner (1/2010)
- Grand Jury Report: Recommendations from "San Diego City's Financial Crisis-Past, Present, and Future" (6/2010)
- San Diego Speaks-2009 Fall/Winter Budget Suggestions and Remarks (Fall/Winter 2009)
- San Diego Tax County Taxpayers Association- Adopted Pension Reform Principles (12/2010)
- Municipal Employees Association-Budget Committee (1/2009)
- AFSCME Local 127- Budget Committee (1/2009)
- Deputy City Attorneys Association - Budget Committee (1/2009)
- San Diego Police Officers Association- Budget Committee (1/2009)
- San Diego City Firefighters - Budget Committee (1/2009)
- Constituent Suggestions (1/21/11)
- IBA Presentation- Revenue Options for the City of San Diego (3/2010)

### **Categories of Budget Options**

In compiling the many budget options, the IBA consolidated repeated items, and then grouped like ideas in the following categories:

- Managed Competition/Privatization
- Operational Reforms/Efficiencies
- Pension Reform
- OPEB Reform
- Salary/Benefit Reforms
- Revenue Enhancements
- Service Level/Staff Reductions
- Miscellaneous/Other

- Service Level Maintenance/Enhancement or Restoration

In addition, suggestions that are non-financial in nature have been segregated and grouped in these categories:

- Budget Policies and Practices
- Performance Management
- Administrative/Policy

**Next Steps to Develop Specific Options**

The City Council is requested to provide feedback as to whether to pursue or eliminate specific options from the menu, or to possibly select specific items to be scheduled for a more comprehensive review and discussion at a future meeting of the Council or one of its Committees.

It has been proposed that the Menu of Budget Options could be a standing or recurring item on the Council docket to permit ongoing discussion of specific budget options each week.

**[SIGNED]**

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**[SIGNED]**

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Attachment: Menu of Budget Options

<b>MENU OF BUDGET OPTIONS</b>	
<b>Managed Competition/Privatization</b>	
1	Implement Managed Competition
2	Competitively Bid 11 Functions
3	Sell San Diego Data Processing Corporation
4	Privatize Miramar Landfill
5	Privatize Airports
6	Privatize Golf Courses
7	Solicit proposals from bidders for Information Technology Services
8	Consider outsourcing disability administration
9	Explore the feasibility of outsourcing the City's entire library system
10	Consider the benefits of outsourcing the entire trash collection operation
<b>Operational Reforms/Efficiencies</b>	
11	Expand the use of a 4/10/5 work schedule
12	Expand use of volunteers
13	Increase performance audits and City Auditor staff positions
14	Implement Recovery Auditing Program
15	Expand Revenue Audits
16	Transfer Revenue Audit and Appeals Division from City Treasurer's Office to the Office of the City Auditor
17	Performance audit of Revenue Audit and Appeals Division
18	Complete comprehensive review of all existing funds including their legal bases, current and planned uses and fund balances
19	Streamline management and admin structure/span of control
20	Review ERP/Initiate Full-Cost Accounting
21	Partner/consolidate services with State, County & other cities
22	Create consolidated Office of Management & Budget
23	Consolidate Management Analyst
24	Expand Use of "Fixed-Price" and "Perf.-Based" Contracts
25	Consolidate City office space and eliminate the use of underutilized rental space
26	Improve Fleet Tracking Technologies
27	Review the current contract between the City and the Chargers
28	Two-officer patrol units
29	Consider alternative methods of selecting investment advisors, including competitive bidding or reverse auction processes
30	Consolidate Personnel & Human Resources
31	Consolidate call centers for "One-Stop" service
32	Create a Single "Street Department" to improve infrastructure management
33	Streamline and shrink the vehicle pool
34	Eliminate take home cars for emergency personnel
35	Expand use of "Strategic Sourcing"
36	Explore County-wide procurement options
37	Cancel Civic Center project/lock in lease rates
38	Implement audit recommendations for Risk Management & Public Liability Fund
39	Reduce the use of blanket subpoenas to help reduce police officer overtime

<b>MENU OF BUDGET OPTIONS</b>	
40	Complete and implement all Business Process Reengineering (BPR) studies
41	Implement collection services BPR
42	Consider implementation of a zero-based budget approach for equipment outlay requests and an expenditure cap for consultant contracts
43	Explore the feasibility of establishing a Retired Senior Volunteer Program (RSVP) for the Library Department
44	Restructure City TV
45	Address city use of consultants
46	Programs removed from General Fund and supported by Franchise Fees and Enterprise Funds
47	Implement City Auditor Recommendations
48	Create a web based system where all equipment is under one roof and departments rent it out
49	Further develop a San Diego County regional response service
50	Transfer the Ethics Commission to the City Attorney's Office
51	Review Scripps Beach contract with the City
52	Eliminate all part time positions and spread the responsibilities amongst the full time employees
53	Have janitors come in earlier to work. This could save on costs related to light and energy of buildings for after hours work
54	Properly bill service level agreements
55	Outside contracts review
56	Evaluate each department of the City to determine potential cost savings, operational efficiencies and revenue enhancements
57	Consolidate office space
58	Provide employee credit card for health and dental benefits, thereby eliminating reimbursement process - streamlining
59	Eliminate excessive printers, fax machines, and copiers. One per location
60	Develop plan for QUALCOMM Stadium to become financially self-sufficient
61	Eliminate cell phones, PDA's and other communication devices from all non-emergency personnel; review Citywide cell phone expenditures
62	Encourage City employees to obtain phones cheaper on own, be reimbursed from city for city use
63	With department restructure and reorganizations, employees see moves from one office to another. Consider not moving office equipment and furniture - just move employees
64	Reduce personal spending within the city
65	Cut down one work day a week with heavy machinery to cut fuel cost (cuts fuel cost by 20%)
<b>Pension Reform</b>	
66	Eliminate Retirement Offset Contributions
67	Continue to enforce "Substantially Equal" cost share for "normal retirement allowances"
68	Apply "Substantially Equal" to Investment Gains/Losses
69	Implement "Substantially Equal" for elected officials
70	Switch to Defined Contribution retirement plan for elected officials
71	Address purchase of service credit issue
72	Complete DROP Cost Neutrality Study
73	Consider taking steps necessary to declare an immediate moratorium on all new DROP entrants pending the completion of the cost neutrality analysis

<b>MENU OF BUDGET OPTIONS</b>	
74	Reduce and Freeze "Pensionable" Pay
75	Change Pensionable Status of Special Pays
76	Defined Contribution Plan for New Hires - non-Public Safety
77	Defined Contribution Option for Existing Employees
78	Defined Benefit-Defined Contribution Hybrid/second tier penion plans for new Public Safety employees
79	Continue SPSP waiver/compensation reduction
80	Adopt Net Compensation Model
81	Use Charter Section 143.1 to Seek "Negotiated Settlement" with Labor Unions on Pension Reform
82	Amend language in Charter Section 143.1 that restricts the Mayor and City Council's ability to implement pension reform
83	Eliminate accrual of pension credits on terminal leave
84	Continue to explore legal options for pension reform
85	Pension Reform: remain competitive; employees fairly compensated
86	Investigate alternate retirement systems to determine whether SDCERS should be dissolved in favor of another system, a purely outsourced operation, or retention of the current system
87	Conduct a performance audit of SDCERS' administration of the City's pension system
88	Defined benefit based upon the highest three consecutive year average of an employee's salary
89	Restructure the pension debt with pension obligation bonds
<b>OPEB Reform</b>	
90	Retiree Health Care Reform
91	-Freeze Annual Benefit @ \$4,000
92	-Freeze Annual Benefit @ \$1,000
93	-Freeze Annual Benefit @ \$0
94	Complete Retiree Health Care Study
95	Provide update on retiree healthcare
<b>Salary/Benefit Reforms</b>	
96	Explore feasibility of eliminating disability benefits as a vested benefit
97	Preclude employees from "double dipping" in both workers compensation and disability pension payments
98	Monitor all people employees disability benefits to ascertain whether their disability continues or whether they are in fact gainfully employed elsewhere
99	General Salary Freeze
100	Reduce pay for those making \$100,000 a year or more
101	Cut city management salary
102	Reduce/eliminate management flex benefits
103	Suspend Management Leave & Vehicle Allowance
104	Non-Safety 2% Salary Reduction & Freeze
105	Increase employee salary reduction from 6% to 20%
106	Charter Amendment - Labor Cost Cap
107	Reform How Step Increases are Awarded
108	Reform Special Pays
109	-Suspend Emergency Medical Technician 8.5% Special Pay
110	-Eliminate Fire Admin. Assignment Pay

<b>MENU OF BUDGET OPTIONS</b>	
111	-Eliminate Master Degree Library Pay
112	-Additional Municipal Employees Association Special Pay Reductions
113	Eliminate Terminal Leave
114	Reform Holiday and Leave Policies
115	-Maximum Accumulation of Leave
116	-Reform and Cap "Pay in Lieu" Amounts
117	-Elimination of "Floating" Holiday
118	-Review Leave Policies in Fire Union Contract
119	Pension Reforms "Share in Savings" Bonuses
120	Explore the issue of Workers Compensation reform including a presentation on current and future programs to address this significant liability
121	Reduce unit cost of labor to affordable levels more comparable to that in the private sector
122	Increase voluntary furlough or impose mandatory furlough
<b>Revenue Enhancements</b>	
123	Expand use of Marketing Partnerships
124	Extend Tourism Marketing District (TMD)
125	Expand the TMD to include additional hotels and other tourism related businesses
126	Taxes should be broadly based, not industry specific
127	Repeal People's Ordinance, implement Refuse Collection Fee
128	Increase Storm Water Fees
129	Raise Sales and Use Taxes
130	Increase Transient Occupancy Tax (TOT)
131	Increase Property Transfer Tax
132	Increase Business license taxes
133	Reconfigure business license tax to be based on number of employees
134	Explore a commercial parking tax
135	Implement Utility users' taxes
136	Implement rental car tax
137	Charge the average level of taxes/fees charged in other major cities
138	Enact paid parking at beaches and regional parks
139	Explore revenue options from parking meter
140	Explore revenue options from fire protection zones
141	Assure that special events are cost-recoverable & in compliance with City permits
142	Sale of underutilized real estate assets
143	Provide policy for sale of real estate assets to council
144	Charge other local agencies for City services
145	Implement false alarms fee for Police and Fire
146	Increase nightclub-overcrowding fines to make inspections cost recoverable
147	Resume charging cost recovery fees for business tax collection, if appropriate
148	Investigate and possibly start a program to charge user or reservation fees for the fire rings on the beach
149	Expand the use of matching programs for gifts similar to the program used by Park & Recreation
150	Cost of service study for storm water and refuse collection
151	Update user fees and cost recovery policies to ensure full cost recovery where appropriate

<b>MENU OF BUDGET OPTIONS</b>	
152	Enact Cost Recovery for alarm permits, ambulance services, police & fire services outside of San Diego and business tax collection
153	Develop recommendations for achieving cost recovery for professional sports teams and others who utilize Petco Park and Qualcomm Stadium
154	Improve Use of Donations
155	Review all Special Revenue Funds to identify unrestricted fund balances
156	Analyze impact of City's opting in to the Teeter Plan
157	Enter into long-term leased for development of desirable City owned properties for development, such as parkland in Mission Bay, Balboa Park, Torrey Pines and the Qualcomm Stadium area
158	Charge First Responder Fees
159	Create revenue with Qualcomm stadium or turn it over to homeless
160	Enact a tax on marijuana sales
161	Provide permit use stickers for boat vessels on Mission Bay
162	Review recovery costs for the Safety Service at the Glider Port and implement user fees for vendors who conduct group activities on the beach, dive classes, exercise classes, kayak rentals, etc.
163	Charge an annual membership for dog parks
164	Non-emergency police/fire responses to charge a flat rate
165	Restore drinking at local beaches-charge \$5/day beach drinking permit
166	Increase dog license fees
167	Increase code compliance fees
168	Increase fees for Mt. Hope Cemetary
169	Beach parking fees for non-residents; residents could be provided with permits
170	Implement handling/processing fee for claims agaist City
171	Full cost recovery for City Clerk copies
172	Charge a fee for police officers to sign-off tickets (such as traffic violations)
173	Implement graduated parking fines for repeat offenders
174	Increase tax on General Obligation Bonds
175	Increase Parcel Tax rate (District Taxes)
176	Increase Benefit Assessments
177	Implement an Accident Negligence Fee
178	Implement a 9-1-1 Phone Fee
179	Increase the General Plan Maintenance Fee
<b>Service Level/Staff Reductions</b>	
180	Reduction to Arts & Culture Grant Funding and administration
181	Reduce Press Aides and Public Info Officers
182	Reduction to Storm Water Department
183	Cut Mayor and Council Budgets by 10%
184	Reduce quantity and/or quality of services that it provides to its citizens
185	Eliminate vacant positions from the budget
186	Amend Charter to reduce or eliminate the number of classified positions
187	If Council does not make required structural cuts to balance FY 11 budget place a "Citizen's Initiative" on the ballot that forces a permanent reduction of City staff by at least 1,500 people

<b>MENU OF BUDGET OPTIONS</b>	
188	Eliminate as a city obligation non-core services that are currently being provided without a self-sustaining revenue source
189	A five percent cut to Supplies and Services
190	Re-examine all public facilities usage (libraries, rec. centers, parks, pools) and reduce hours for underutilized facilities
191	Replace lifeguards and place signs that read "no lifeguards, swim at own risk"
<b>Miscellaneous/Other</b>	
192	Make 9th Council District "Budget Neutral"
193	Seek grants to do energy retrofits to all City buildings that would afford energy and operational savings
194	Achieve reform target of \$73 million per year on average
195	Freeze new spending at \$20 million per year
196	Convene a panel of bankruptcy experts to discuss the legal and financial ramifications of a Chapter 9 declaration of bankruptcy, in the context of a publicly noticed City Council or Council Committee meeting
197	Stop paying consultants and breaking up unions. Hire more union workers and pay their pensions.
198	Increase CCDC payments to benefit General Fund
199	<i>-Make PETCO Debt Service Payment Permanent</i>
200	<i>-Pay for Convention Center Debt Service</i>
201	<i>-Repayment of CDBG Debt</i>
202	<i>-Repayment of Non-GDBG Debt</i>
203	Push Port to continue annual \$4.5 million payment on Convention Center Expansion Bonds
204	Assist individual neighborhoods to form special assessment districts
205	Reduce outside counsel needs
206	Provide waiver option of Peace Officer Standards & Training (POST) for police officers
207	Resolve lawsuits outside of the courtroom
208	Hire additional administration to perform federal and state reimbursements (currently performed by a uniformed officer)
<b>Service Level Restoration/Maintenance/Enhancement</b>	
209	Restore Fire-Rescue service/end brownouts
210	Prioritize and protect public safety services
211	Restore lifeguard services, including training and relief staffing
212	Identify plan for financing of Public Safety facilities
213	Fully integrate lifeguards and firefighters
214	Provide more funds for Youth Services; prepare impact study on loss of services to youth
215	If/when service levels are reduced allow communities to prioritize
216	Maintain public safety, streets & highways, parks, libraries, beaches, bays and other cultural amenities
217	Provide funding for enhanced input for Economic Prosperity Elements in Community Plans
218	Prevent any further reductions of public safety service levels
219	Retain civilian positions in the Police Department
220	Prioritize neighborhood parks and recreation centers
221	Retain community plan update funding
222	Save the Citizen's Emergency Response Team (CERT) Programs
223	Create a 501(c)(3) to support CERT

<b>MENU OF BUDGET OPTIONS</b>	
224	Save Small Business Enhancement Program (SBEP)
225	Support Business Improvement District Council Micro District Funding
226	Provide adequate staffing levels to meet our obligations and deliver core city services
227	Repair and build water, sewer, solar roofs, and wind power
228	Improve stormwater runoff programs
<b>NON-FINANCIAL</b>	
<b>Budget Policies &amp; Practices</b>	
229	Adopt 5-Year Spending Cap w/Infrastructure Reserve
230	Comply with the guiding principles of our Structural Budget Elimination plan
231	Consider alternatives to Library Ordinance, which requires 6% of General Fund budget be allocated to library uses
232	Deposit revenues in excess of projected amounts in a Fiscal Recovery Reserve Account
233	Transfer a percentage of revenue to savings; provide proactive rather than reactive budget management
234	Adopt a Performance-Based Budget Ordinance
235	Commit to using more structural changes than one-time fixes
236	Budget discipline on future spending and future surpluses
237	Adopt concept of rolling multi-year budget cycle
238	Standardize cost/benefit analysis and incorporate into budgeting process
239	Charter amendment - GF spending cap
240	Charter amendment - Infrastructure Reserve Fund
241	Properly account & budget for infrastructure deficit
242	Adopt concept of a "Poison Pill" - a pre-approved formula for meeting future revenue shortfalls should the Mayor/City Council be unable to structurally solve the problem using normal procedures
<b>Performance Management</b>	
243	Enhance employee performance reviews
244	Improve employee training programs
245	Eliminate "Last Hired, First Fired" policy
246	Develop department strategic plans & performance measures
247	Require "Performance Contracts" with all Department managers
248	Publish annual performance report card
249	Post compensation & labor contracts online
250	Post all City contracts online
251	Post City checkbook online
252	Monthly comment & question session with the Mayor
253	Enable city transactions online
254	Conduct performance audit of San Diego Medical Services Enterprise
255	Create task force on public safety service & staffing
256	Continue to monitor, implement and maintain recommendations provided in the Kroll Remediation Plan
257	Improve and provide information about performance measure and service levels
258	Provide updates on the use of outside Counsel
259	Monitor service level impacts

<b>MENU OF BUDGET OPTIONS</b>	
260	Aggressive timeline and milestones for Structural Budget Deficit Elimination Plan
261	Standardize contracts and performance measures
<b>Administrative/Policy</b>	
262	Expand access to Council docket
263	Provide a financial plan for the Centre City Redevelopment Area
264	Establish high school internship program as part of regular curriculum
265	Promote citywide broadband internet access
266	Comprehensively address the issue of homelessness, and explore development of permanent homeless shelter
267	Declare a Fiscal State of Emergency
268	Establish a fact-based dialogue with citizens to establish a common vision of what services voters want and how much they are willing to pay for them
269	Obtain wide variety of input
270	Identify mandated city services
271	Timeline with outcomes for Structural Budget Deficit plan
272	Report results of all deferred maintenance assessments to Council upon their completion.
273	Determine causes for delay in completion of deferred maintenance/capital projects and development recommendations for improvements
274	Consolidate Southeaster Economic Development Corporation into Redevelopment Agency
275	Establish a process to identify and prioritize deferred maintenance and unfunded procurement needs
276	Honor contractual commitments
277	Encourage small business growth and create job friendly environment
278	Implement "Open for Business" strategy
279	-Strengthen & expand Business Improvement Districts
280	-Redefine role of Office of Small Business
281	-Consolidate Small Business Enhancement Grants
282	-Streamline Special Event permitting & management
283	-Resist/reject tax and fee increases
284	Implement Citizen's Revenue Review and Economic Competitiveness Commission (CRRECC) recommendations on attracting and retaining businesses
285	Direct Risk Management to develop a comprehensive risk & liability management plan
286	Address structural problems of refuse disposal and recycling funds
287	Encourage and support regional water supply solutions including Indirect Potable Reuse, storage and desalination
288	Support additional sustainable energy production
289	Implement "cradle to permit" project management
290	Develop a long-term strategic plan for the Environmental Growth Fund
291	Track Assembly Bill 32, Greenhouse Gas Emission Reduction
292	Find a way to retain attorneys and provide job security
293	Exercise discretion in pursuing litigation
294	Develop working client relationships
295	Effective retention program