

City of San Diego  
Office of the Independent Budget Analyst

## MONTHLY SNAPSHOT OF REPORTS AND ACTIVITIES FOR FEBRUARY 2011

### Reports Highlighted for the Month of February 2011:

#### Highlights of Major Reports Issued in the Month of February:

#### [Report No. 11-07](#) “Menu of Budget Options”

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, San Diego County Taxpayers Association, Councilmembers’ budget memoranda, recommendations from the Citizens Revenue Review and Economic Competitiveness Commission, Citizens Fiscal Sustainability Taskforce, labor organizations, and other interested parties.

This report presented an overview of the Menu of Budget Options and described the sources utilized to create the menu, the categorization of the menu options; and suggested areas for discussion. The City Council was 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.

This item was discussed at the February 14, 2011 City Council meeting as item S400. At the meeting, Councilmembers expressed a desire to focus as a first priority on the Menu items that could be feasible for implementation in FY12, and also requested that information be provided on options that are underway or have been completed. It was requested that this item be a standing City Council item and is scheduled again for discussion at the March 14th City Council meeting.

“Menu of Budget Options”  
[Executive Summary](#) (2/8/11)  
[Report No. 11-07](#) (2/8/11)

“IBA Review of the Mayor’s Five  
-Year Financial Outlook for FY  
2012-2016”  
[Executive Summary](#) (2/11/11)  
[Report No. 11-08](#) (2/11/11)

“City Council’s Authority to Ini-  
tiate a Mid-Year Revision of the  
Budget and Amendment to the  
Appropriation Ordinance”  
[Report No. 11-10](#) (2/28/11)

“Review of FY 2011 Mid-Year  
Budget Monitoring Report”  
[Report No. 11-11](#) (2/28/11)

#### [Report No. 11-08](#) “IBA Review of the Mayor’s Five-Year Financial Outlook for FY 2012-2016”

The Mayor issued the Five-Year Financial Outlook for Fiscal Years 2012-2016 on February 7, 2011. It represents the fifth iteration in the series of long-term financial outlooks developed under Mayor Sanders. The Mayor’s Outlook and the IBA’s review were presented to the Budget and Finance Committee on February 9, 2011. The Committee voted to forward the items to the City Council with requests for additional information from Financial Management (FM) and the IBA.

The IBA reported that the Mayor’s Five-Year Financial Outlook for FY 2012 – FY 2016 did not provide scenarios for possible “pessimistic” property tax outlook; did not adequately address funding for the sizable deferred maintenance backlog; and did not show the City’s full annual costs for retiree health care. The IBA developed an IBA Outlook Scenario to incorporate these issues and others in order to reflect a more accurate assessment of the City’s financial situation.

This item was heard as an informational item at the February 14th meeting of the City Council.

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## **Report No. 11-10 “City Council’s Authority to Initiate a Mid-Year Revision of the Budget and Amendment to the Appropriation Ordinance”**

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In November 2010, the City Attorney’s Office issued a report to the Budget and Finance Committee stating that the Council is required to first secure a proposal from the Mayor before it could take action to utilize the Appropriated Reserve during the year for a critical, unanticipated need. This would also apply to any future mid-year budget reduction process to address a projected deficit.

The IBA noted in the report that this appears inconsistent with the annual budget process whereby the Charter vests the legislative body with the authority to make final revisions to the Mayor’s proposed budget as well as the ability to override any Mayoral veto of the budget, hence giving the Council final budget decision making authority. A budget is a spending plan based on hundreds of critical policy and financial decisions made in June prior to the new fiscal year. As the budget rolls out during the course of the fiscal year, new and updated information becomes available which may warrant reconsideration of a particular decision. Given the current interpretation, Council has no ability to consider correcting or reversing a budget decision that has been shown to have a negative impact on the community or react to a critical community need or a revenue shortfall. Nor do they have the ability to address an emergency situation without first receiving a proposal from the Mayor.

The City Attorney’s Office indicated to the IBA that a Charter amendment may be necessary to provide the Council the authority to make mid-year revisions to the budget. The IBA offered two other possible solutions for consideration.

This report was presented to the Budget and Finance Committee on March 2, 2011 and was referred to the Office of the City Attorney for further legal advice and feedback to the Committee.

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## **Report No. 11-11 “Review of FY 2011 Mid-Year Budget Monitoring Report”**

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The Chief Financial Officer issued the Fiscal Year 2011 Mid-Year Budget Monitoring Report on February 23, 2011. The Mid-Year Report describes the current status of revenues and expenditures, and their year-end projections, based on actual (unaudited) data from July through December 2010.

This report provided the IBA’s review of the Mid-Year Report and also compared information to the City Comptroller’s Financial Performance Report for Period 6, dated February 23, 2011.

This report was presented to the Budget and Finance Committee on March 2, 2011. The Committee forwarded the staff’s recommendation for budget adjustments to the City Council with an amendment that the IBA coordinate with each Council Office and perform a thorough review in order to satisfy the commitments made with Infrastructure Funds.

The IBA also expressed concerns about the lack of financial data available in the mid-year report particularly the status of the City’s reserves and fund balances. Challenges with implementation of the City’s new financial system have delayed the availability of this information making a thorough analysis evaluation of the mid-year report very difficult.

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## **Other Reports Issued in the Month of February 2011:**

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### **Executive Summary**

### **Report No. 11-06 (2/4/11)**

**“Third Amendment to the Ballpark Cooperation Agreement”**

### **Executive Summary**

### **Report No. 11-09 (2/18/11)**

### **Attachment (2/18/11)**

**“Appointment Process for a New Public Audit Committee Member”**

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