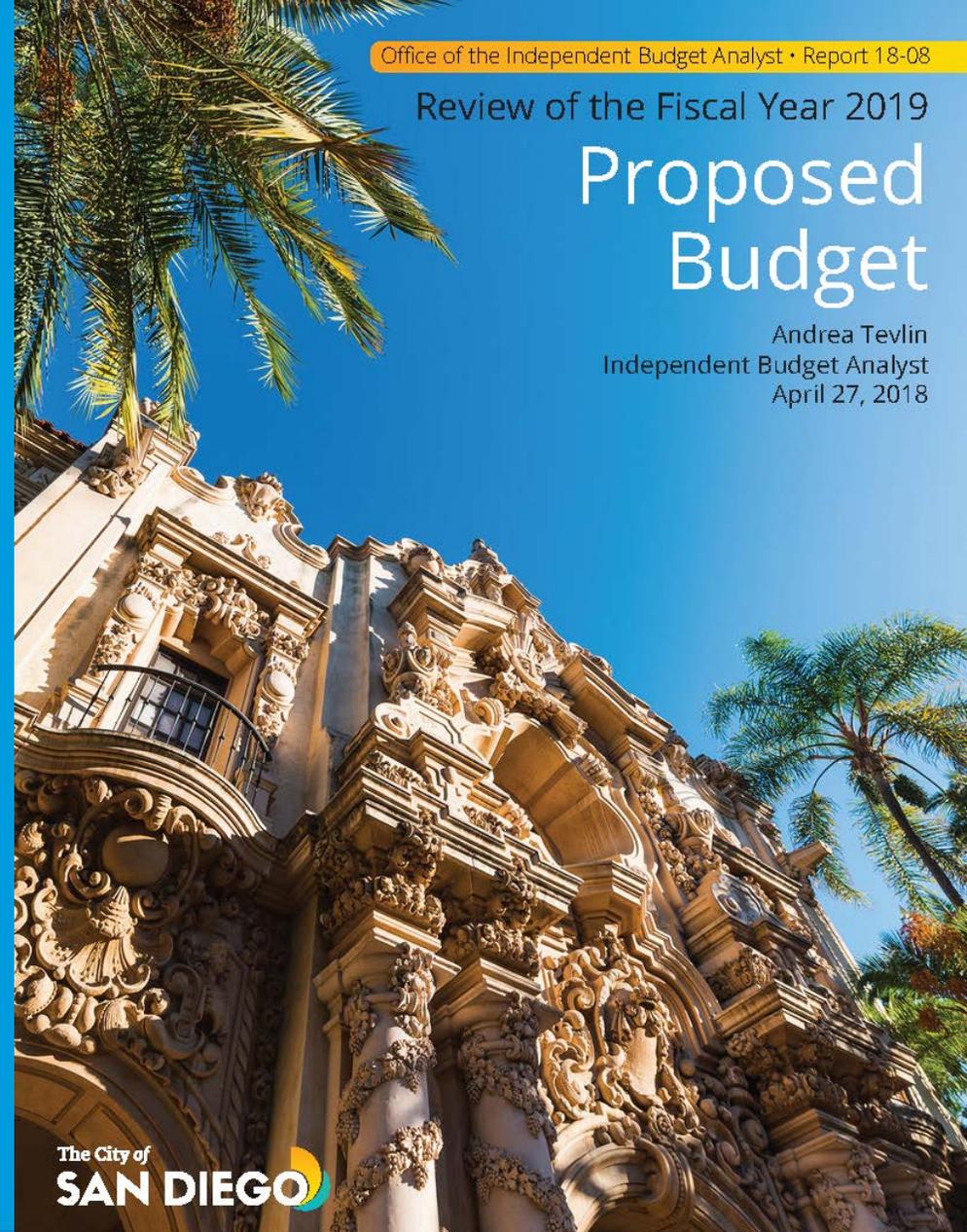


Proposed Budget

Andrea Tevlin
Independent Budget Analyst
April 27, 2018

Budget Town Hall with Councilmember Barbara Bry and Residents of District 1

May 5, 2018



The City of
SAN DIEGO



Independent Budget Analyst





Office of the Independent Budget Analyst (IBA)

IBA provides clear, objective, unbiased analysis and advice to the City Council and the public regarding all legislative items bearing financial and policy impacts to the City of San Diego

- Provides support to the City Council and its Committees and information for the public
- Annually reviews and analyzes the Mayor's Proposed Budget and Five-Year Financial Forecast
- Analyzes and makes recommendations on financial reports and policy matters important to the City Council and the community

Why is the City's Budget Important?

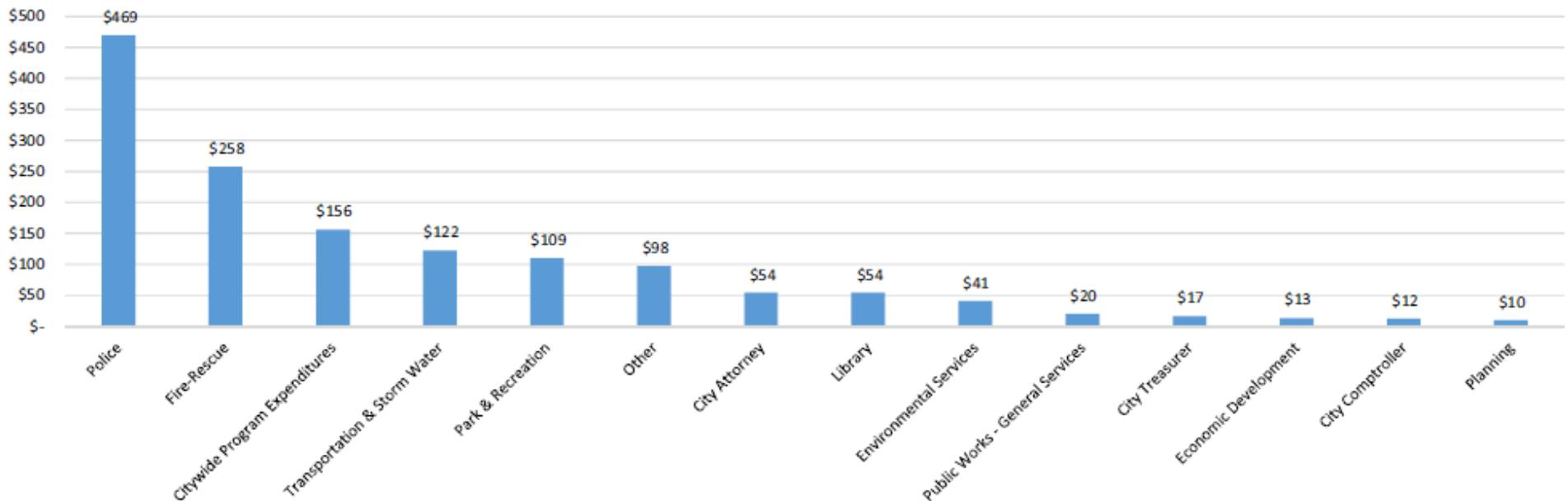
The Budget reflects City policies and community priorities, and allocates available funds for City programs and services

- Public Safety
- Infrastructure
- Parks and recreation
- Libraries
- City Planning
- Climate Action Plan
- Code Enforcement
- Arts & Culture
- Homeless Services
- Economic Development
- Environmental Services
- Internal City Services



Why is the City's Budget Important? *cont'd*

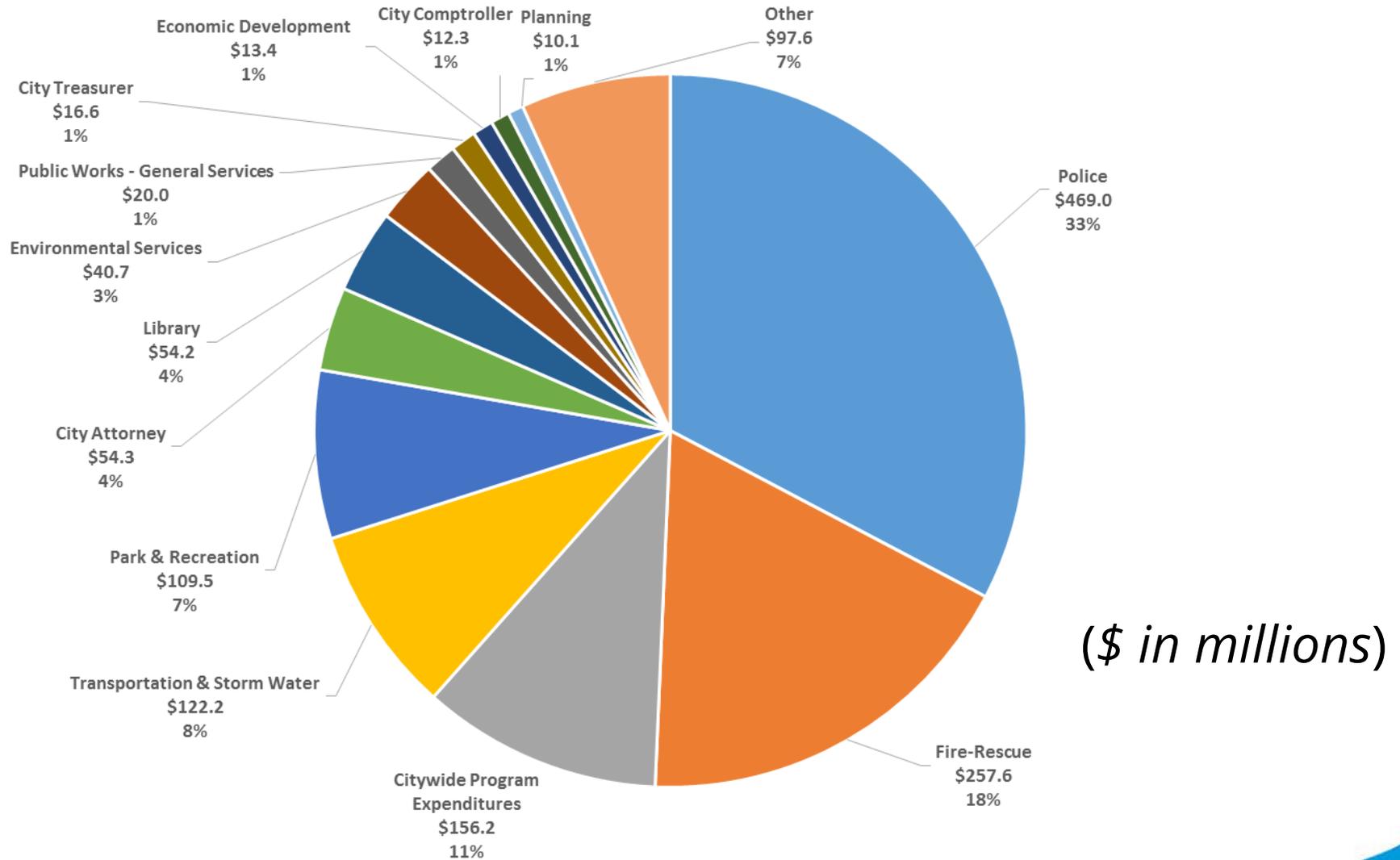
FY 2018 expenditures by department (in millions)



Note: The Other category includes: City Auditor, City Clerk, City Council, Communications, Debt Management, Department of Information Technology, Development Services, Ethics Commission, Financial Management, Human Resources, Infrastructure/Public Works, Internal Operations, Neighborhood Services, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Performance & Analytics, Personnel, Public Utilities, Public Works - Contracting, Purchasing & Contracting, and Real Estate Assets.

General Fund Overview

FY 2018 Expenditures: \$1.43 Billion





Mayor/Council Roles and Authorities in the Budget Process

As the City's CEO, the Mayor is responsible for:

- Proposing a balanced budget to Council by April 15
- Providing any known changes to the budget in the May Revision, for Council consideration
- Carrying out the City's goals, policies, programs, and services reflected in the budget following adoption by Council

Mayor/Council Roles and Authorities in the Budget Process *cont'd*

The Council:

- Is responsible for reviewing and approving the Proposed Budget on or before June 15
- Has the authority to change budgeted line items or services and programs proposed in the Mayor's budget, as long as the budget remains balanced
- Has final budget authority



Mayor/Council Roles and Authorities in the Budget Process *cont'd*

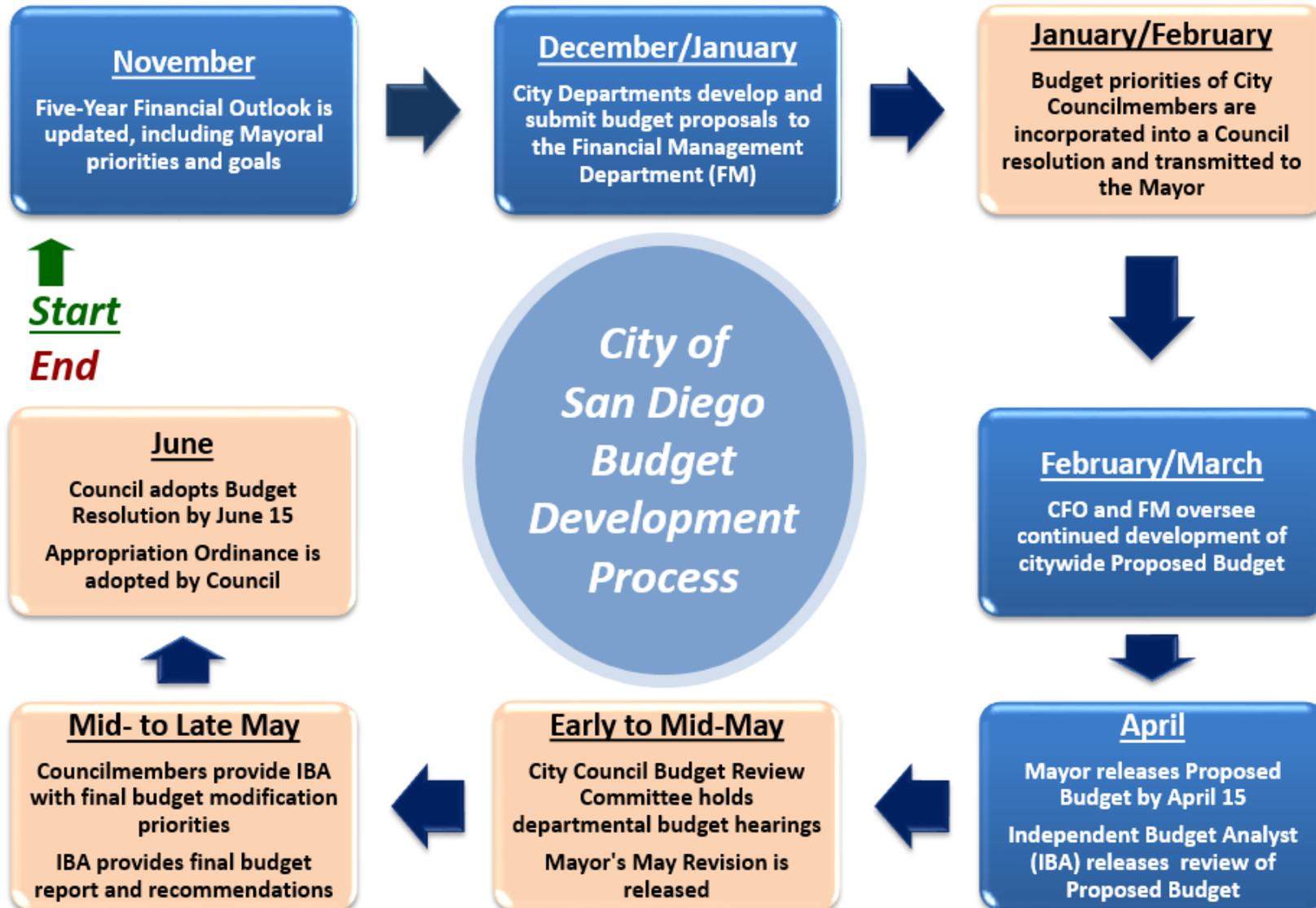
The Office of the IBA:

- Reviews and analyzes the Mayor's Proposed Budget for Council and the public
- Provides support to the City Council and its Committees throughout the process
- Develops final budget recommendations for City Council consideration

Mayor/Council Roles and Authorities in the Budget Process *cont'd*

- The Mayor can veto Council changes to the Proposed Budget
- The Council can override a Mayoral veto with six votes
- After the budget is adopted, the Mayor, Council, and IBA monitor expenditures, revenues, and significant City programs and services throughout the fiscal year
- Once the budget is adopted only the Mayor can initiate changes to the budget during the fiscal year

Annual Budget Development Process



IBA Review of the Mayor's Fiscal Year 2019 Proposed Budget



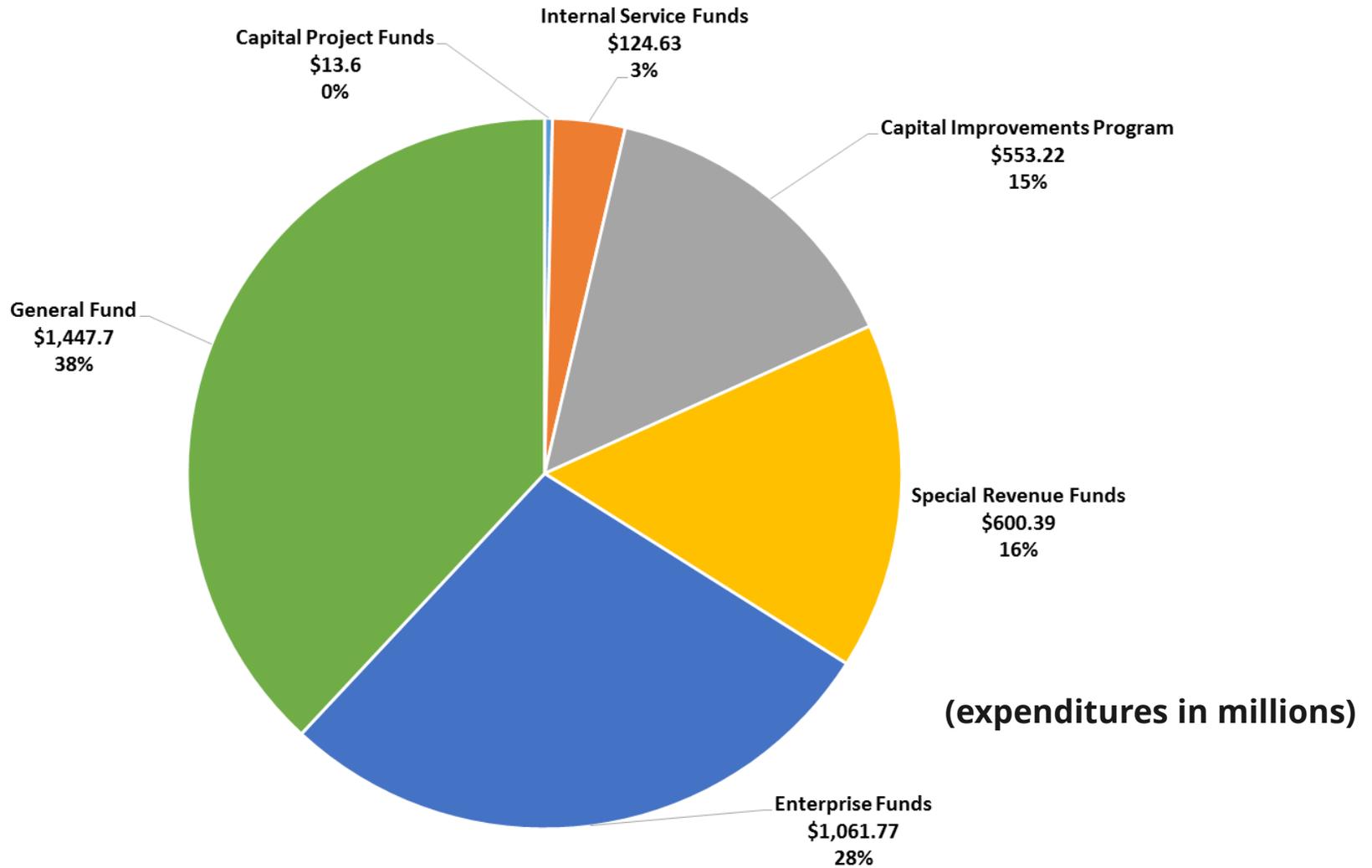
Overview: IBA Review & Analysis of FY19 Proposed Budget

“The Mayor has provided the Council with a balanced, sensible and responsible initial budget proposal that is indicative of having given serious consideration to Council priorities”

“The Council has final budget authority and can develop their own set of final budget revisions or additions based on community input, hearings with City departments and our IBA review and analysis”



Citywide Proposed Budget \$3.8 Billion





General Fund Revenues Overview

- Increase of \$27.7M or 2.0% over the FY 2018 Adopted Budget
- Overall, our Office agrees with the FY 2019 General Fund revenue projections based on FY 2018 revenue projections and current economic forecast

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)					
	FY 2018 ADOPTED	FY 2018 MID-YEAR PROJECTED YEAR-END	FY 2019 PROPOSED	CHANGE, ADOPTED/ PROPOSED	CHANGE, PROJECTED/ PROPOSED
<i>Major General Fund Revenues</i>	\$1006.1	\$1011.0	\$1048.2	\$42.1	\$37.2
<i>Property Tax</i>	534.6	532.9	559.5	24.9	26.6
<i>Sales Tax</i>	275.3	275.4	281.9	6.6	6.5
<i>Transient Occupancy Tax</i>	121.1	123.3	127.9	6.8	4.6
<i>Franchise Fees</i>	75.1	79.5	78.9	3.8	(.6)
<i>Property Transfer Tax</i>	10.1	10.4	10.9	0.9	0.5
<i>Other General Fund Revenue</i>	391.6	393.3	376.3	(15.3)	(17.0)
Total Revenue	\$1,407.7	\$1,414.8	\$1,435.4	\$27.7	\$20.7

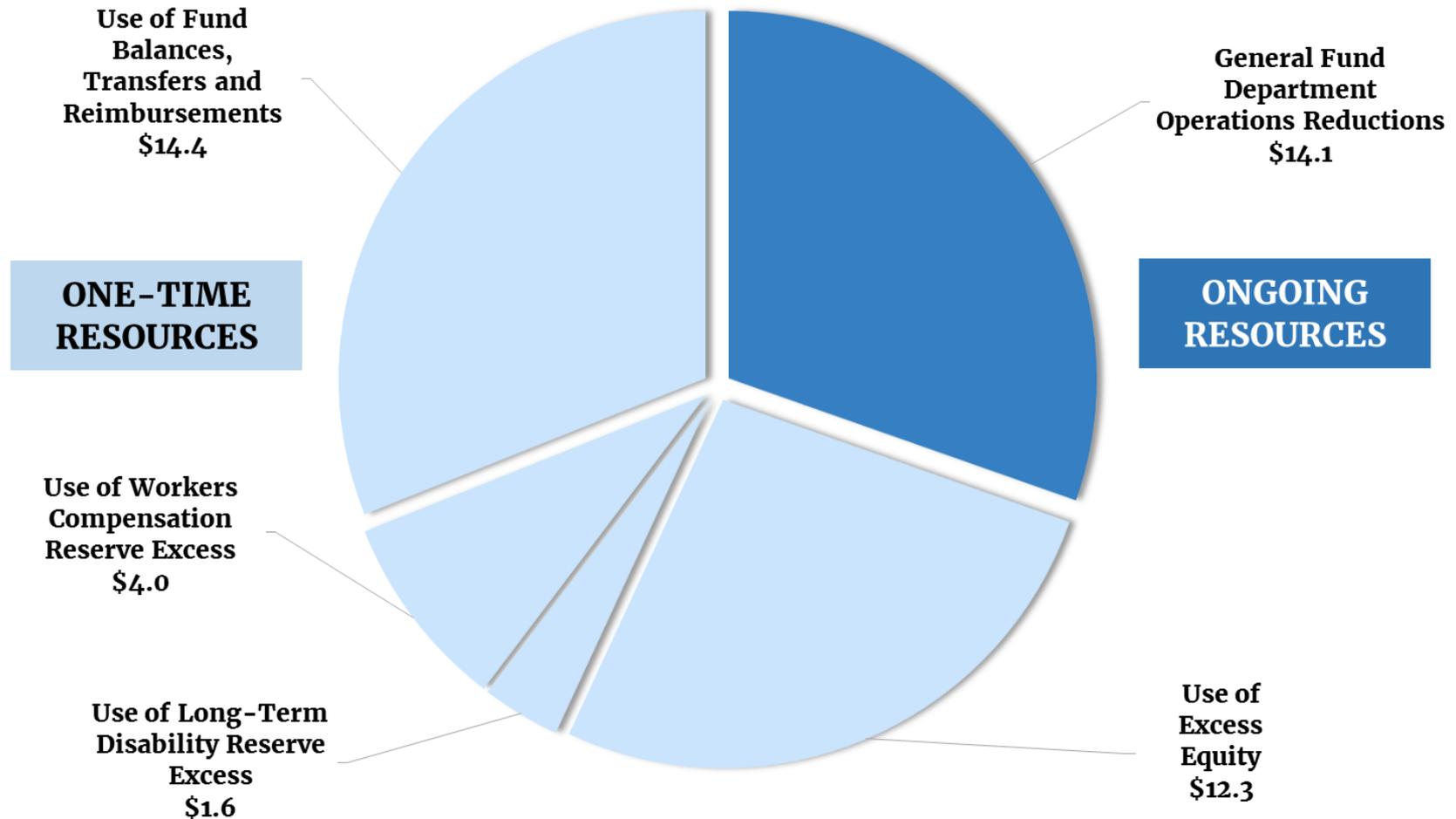
General Fund Expenditures Overview

The FY19 Proposed Budget includes \$1.45B in proposed General Fund expenditures

- Increase of \$13.9M, or 1% over the FY18 Adopted Budget
- Total FTE positions: 7,596.24 – net 68.81 additions
 - Additions (not including transfers) include 106.60 FTEs:
 - 19.22 – Parks & Rec; 17.00 – Environmental Services;
 - 15.00 – Police; 15.00 – Fire-Rescue; 12.00 – Transportation & Storm Water; 8.00 – City Attorney
 - Reduction of 27.85 non-hourly positions and 9.94 hourly positions

Balancing the FY19 Proposed Budget

GENERAL FUND MITIGATION ACTIONS: \$46.4 MILLION (\$ MILLIONS)



Balancing the FY19 Proposed Budget *cont'd*

Department Operations Reductions Detail

- Transportation & Storm Water - \$882,000 reduction in tree trimming contract
- Transportation & Storm Water - \$300,000 reduction in graffiti abatement
- Planning - \$202,000 reduction in contract costs impacting Mira Mesa Community Plan Update
- Parks & Recreation - \$267,000 reduction in Citywide park maintenance
- Public Works - \$355,000 reduction in Facilities Maintenance staff



Council Priorities in the Proposed Budget

Programs for the Homeless

GENERAL FUND BUDGET PRIORITIES (FIVE OR MORE COUNCILMEMBER MENTIONS)	FUNDED IN FY 2019 BUDGET	NOTES
Programs for the Homeless		
Expansion of Homeless Outreach Services	N ¹	No increase from the General Fund (see footnote 1).
Increased Park Ranger and Library Security Services	P	Proposed Budget includes 1.00 Senior Park Ranger and \$88,000 in expenditures to manage and coordinate Park Ranger activities along the San Diego River. No funding provided for two other requests, a Downtown Park Ranger and increased Library security services of \$288,000.
Select Committee on Homelessness Funding	Y	Proposed Budget includes \$38,000 to fund existing contract through December 31, 2018.
Workforce Development Strategies for Homeless Individuals	N	Not included in Proposed Budget.
Public Restrooms Funding	Y	Includes \$898,000 to fund eight portable restrooms and security services at three locations downtown.
Continued Bridge Shelters Funding	Y	Proposed Budget includes \$2.8 million from the General Fund and \$10.0 million in Housing Commission local funds ²
Resources for a Homeless Navigation Center	Y	Proposed Budget includes \$300,000 from the General Fund, \$250,000 from the Low and Moderate Income Housing Asset Fund, and \$1.0 million in CDBG funding.
Additional Psychiatric Emergency Response Team (PERT) Staffing	N	No increase included in Proposed Budget.



Council Priorities in the Proposed Budget *cont'd*

Climate Action Plan

Climate Action Plan		
Adaptive Traffic Signals	N	No additional resources included above FY 2018 amounts.
City's Urban Forestry Program	N	1.00 FTE Horticulturist position is relocated from DSD to TSW, but no additions are proposed. The budget for the City's tree trimming contract is reduced by \$882,000 which will reduce broadleaf tree trimming from once every 9 years to once every 11 years.
Vision Zero Program	Y	1.00 FTE Civil Engineer has been reclassified as a Program Manager in part to oversee Vision Zero implementation. The Proposed Budget includes \$18.6 million for projects that support Vision Zero and improve safety for all modes of transportation.
Community Choice Energy Local Buildout Study	N	While not specifically mentioned in the Proposed Budget, this study is planned for evaluation by the new Office of Sustainability and will likely be grant funded.
Bicycle, Pedestrian, and Transit Mode Share Monitoring Program	Y	Staff transferring into the new Office of Sustainability will be deploying and evaluating smart sensors on streetlight infrastructure in FY 2019.
CAP Social Equity Metrics	Y	A Community Development Specialist 4 position is being added in the new Office of Sustainability in the FY 2019 Proposed Budget. This position will dedicate time to developing social equity metrics for the CAP.



Council Priorities in the Proposed Budget *cont'd*

Public Safety

Police		
Enhance Police Department Recruitment and Retention	Y	\$18.5 million increased salary-related expenditures for POA members included in Proposed Budget.
Fire-Rescue		
Additional Resources for the Fire-Rescue Department's Resource Access Program (RAP)	N	No additional RAP resources in Proposed Budget.
Increased Lifeguard Services Staffing	N	No additional Lifeguard positions in Proposed Budget.



Council Priorities in the Proposed Budget *cont'd*

Storm Water Infrastructure and Maintenance

Storm Water Infrastructure and Maintenance		
Increased Channel Clearing	N	No additional channel clearing resources in Proposed Budget.
Neighborhood Storm Water Projects	P	Proposed Budget includes \$873,000 for a nine-member storm water pipe repair crew. Funding for specific storm water CIP projects is not identified.



Council Priorities in the Proposed Budget *cont'd*

Sanitation Services

Sanitation Services		
Ongoing Street Sanitation	Y	The Proposed Budget includes \$1.3 million for contracted sidewalk sanitization services primarily to occur in the downtown area. This is a component of the CleanSD program.
Additional Code Compliance Officers	Y	The Proposed Budget includes 4.00 Code Compliance Officers, 1.00 Code Compliance Supervisor, and 1.00 Senior Code Compliance Supervisor to enforce illegal dumping. This is a component of the CleanSD Program.
Illegal Dumping Programs	Y	The Proposed Budget includes various efforts to address illegal dumping, including riverbed clean-up efforts, scheduled waste abatements downtown, curbside community clean-ups, and illegal dumping enforcement. These are all components of the Clean SD Program.
Community Clean-ups	Y	The Porposed Budget includes increased frequency of Community Clean-ups. These curbside collection events which are currently held once per week, would increases to 2-3 times per week at different locations around the City. This is a component of the CleanSD Program.
Green Waste Collection	N	No funding for green waste collection.
Mission Beach Second Trash Pick-Up	Y	The Proposed Budget includes \$70,000 in one-time funding perform two collections per week during the summer months. This is the same level of service that was funding in the FY 2018 Adopted Budget.



Council Priorities in the Proposed Budget *cont'd*

Arts & Culture; CONNECT2Careers

Arts and Culture		
Arts and Culture Funding Increase	P	The Proposed Budget includes \$14.5 million for Arts, Culture and Community Festivals funding, a slight decrease of approximately \$150,000 or 1.0% from the FY 2018 funding level of \$14.6 million.
CONNECT2Careers Program		
CONNECT2Careers Program Funding Increase	N	Proposed Budget reduces CONNECT2Careers funding in EDD by \$100,000, with \$324,000 remaining in the General Fund budget after the cut. However, a CDBG allocation of \$625,000 is included (\$225,000 to existing program and \$400,000 for a new mentorship program). An additional \$50,000 is provided by the former Enterprise Zone.



Council Priorities in the Proposed Budget *cont'd*

Earned Sick Leave & Minimum Wage; DSD Code Enforcement

Earned Sick Leave and Minimum Wage Ordinance		
Additional Staff and/or Increased Non-Personnel Budget for City Treasurer	N	No additional resources included above FY 2018 amounts.
Development Services Department - Code Enforcement		
Additional Staffing for Code Compliance Officers, Inspectors or Zoning Investigators	N	The Proposed Budget does not include any additional staffing in the Development Services Department for Code Enforcement.



Council Priorities in the Proposed Budget *cont'd*

Capital Projects Priorities

Capital Projects Priorities		
Park Capital Improvement Program (CIP) Projects	Y	Proposed Budget includes \$11.8 million for park CIP projects, also \$4.7 million is anticipated in Commercial Paper funding.
Pedestrian and Cycling Safety	Y	Proposed Budget includes \$18.6 million for projects that support Vision Zero and improve safety for all modes of transportation.
Sidewalk Repair and Installation	Y	Proposed Budget includes \$5.0 million for repair/reconstruction and \$1.2 million for installation.
Street Repair	Y	Proposed Budget includes \$75.9 million total for streets, of which \$46.9 million is for capital projects. ³
Streetlight Installation	Y	\$1.9 million budgeted in the CIP annual allocation.



Council Priorities in the Proposed Budget *cont'd*

Council Administration

Council Administration		
Addition of 1.00 Council Representative 1	N	Council requested the addition of 1.00 Council Representative 1 to provide additional support to Council Administration. Not included in Proposed Budget. Annual cost is \$66,000.

Key Citywide Issues: Homelessness

Permanent Supportive Housing Funding Reallocated for Bridge Shelters in FY 2018 is not Budgeted

- Housing Commission reallocated \$6.5 million in permanent supportive housing funds to support bridge shelters in FY 2018
- Housing Authority action approving the bridge shelters requested these funds be replaced
- Council may wish to request more information on the plan and timeline for providing this funding

Key Citywide Issues: Homelessness *cont'd*

Ongoing Funding Remains an Issue for Bridge Shelters and Transitional Storage Center

- FY 2018 bridge shelter savings will be used for FY 2019 Transitional Storage Center costs, pending approval of Housing Commission's budget
- Housing Commission's budget also includes \$10.1 million from property reserves for FY 2019 bridge shelter costs, in addition to \$2.8 million in General Funds in the proposed budget
- No ongoing funding plan has been identified past FY 2019 if both programs are approved to continue
- Council may wish to request a funding plan for the two programs

Key Citywide Issues: Climate Action Plan

New CAP-related expenditures identified

- The FY 2019 Proposed Budget attributes \$152.9 million of new expense to CAP-related projects and activities
- \$121 million (79.4%) Pure Water Program (CAP-indirect)
- 2016 GHG emission measurement: 0.5 MT CO₂e under the CAP's 2020 target emission level
- New Office of Sustainability to lead implementation of CAP
- CAP social equity metrics to be developed in FY 2019

Key Citywide Issues: CIP

Allocation of Flexible Funding Generally Aligns with Councilmember Priorities

- Infrastructure Fund and anticipated commercial paper allocations fund priorities including streets, sidewalks, parks, streetlight installation, and projects that enhance pedestrian and cycling safety
- However, Council may wish to ensure there is capacity to spend the additional \$5.0 million proposed for sidewalk repair
 - The annual allocation for sidewalk repair and replacement has \$4.4 million carried over from previous years

Key Citywide Issues: CIP *cont'd*

Looking Forward

- There are many unfunded General Fund capital needs
 - Additional revenue sources should be considered in the future to fund backlogs identified in condition assessments and to fund departmental asset management plans
- Anticipated commercial paper issuance focuses on existing projects
 - New projects should be considered for future financing to provide critical City services, such as recommended fire stations

Key Citywide Issues: Pension

FY19 Actuarially Determined Contribution (ADC) (defined benefit pension payment)

- Decrease of \$1.6M – from \$324.5M in FY18 to \$322.9M
 - Highlights of offsetting factors influencing the ADC change are included in our report
 - Investment experience gain and liability experience loss; SDCERS Board-approved assumption changes
- General Fund portion is increasing due to a higher allocation of cost – based on FTE distribution citywide
 - Increase of \$2.6M – from \$236.4M in FY18 to \$239.0M

Key Citywide Issues: Pension *cont'd*

FY19 Actuarially Determined Contribution (ADC) (defined benefit pension payment)

- Unfunded Liability (UAL) of \$2.76B, up from \$2.56B
- Other pension considerations in our report
 - Potential market correction/future investment return uncertainty
 - Future SDCERS Board discussions regarding assumption changes
 - Impacts of Proposition B
 - Legal challenges to Proposition B

Looking to FY20 & a Future Deficit

City possibly facing double-digit deficit for FY20

- FY20 could require more operational efficiencies, and/or new revenue sources in order to balance the budget.
- The City has the tools, policies, principles, and oversight in place to avoid a structural budget deficit.
 - In 2010 the City adopted a Structural Budget Deficit Elimination Plan
 - The City has since consistently balanced its budget structurally
 - This plan is relevant today and adherence to it will be continuously monitored

Looking to FY20 & a Future Deficit

Some Factors That Could Impact a FY20 Deficit

- Employee compensation increases related to negotiated labor agreements – estimated to be at least \$29M
- The defined benefit pension payment, or ADC:
 - Projected to increase by \$24.5M for FY20 (citywide) (from \$322.9M to \$347.4M)
 - General Fund portion estimated to be \$18.1M
 - Actual FY20 ADC determined by the FY18 actuarial valuation (expected January 2019)
- General Fund Reserve contribution – \$9.0M estimated increase

Looking to FY20 & a Future Deficit

Some Factors That Could Impact a FY20 Deficit

- Operating costs for homeless services: temporary bridge shelters and the Transitional Storage Center
 - No ongoing funding plan identified beyond FY19
 - \$2.8M General Fund budget for three bridge shelters
 - \$10.1M for bridge shelters and \$1.7M for Transitional Storage Center from SDHC – pending approval of SDHC's FY19 Proposed Budget

City Council Budget Authority

The Mayor has proposed his budget, now the Council has the authority to either approve the budget as submitted, or modify it in whole or in part

- The City Council may increase or decrease any item, provided the budget remains structurally balanced with ongoing expenditures funded with ongoing resources
- The Mayor can approve, veto, or modify any line item approved by Council
- The Council can override the Mayor's veto with a two-thirds vote

Next Steps in the Process

Council meets as the Budget Review Committee to make the Proposed Budget into the City's final Adopted Budget

- May 2-4, 7-9: Budget Review Committee
 - IBA Review of the FY19 Proposed Budget
 - Public hearings on City departments, functions, and agencies
- May 14: City Council holds evening hearing to receive further input from the public
- May 17: Budget Review Committee reviews the Mayor's May Revision and Year-End Report

Next Steps in the Process *cont'd*

- May 21: City Councilmembers issue final budget priority memoranda to the Office of the IBA
- June 4: Office of the IBA issues final report on recommended changes to the Proposed Budget based on input from Council memoranda, public comment, and independent analysis
- June 11: City Council makes final FY19 budget decisions and takes action on any budget revisions
- June 26: City Council introduces and adopts the FY19 Appropriations Ordinance