

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item: “The Bottom Line” Report Addressing the City’s Structural Budget Deficit

OVERVIEW

In April 2005, the Center for Policy Initiatives (CPI) released a report titled “The Bottom Line – Solutions for San Diego’s Budget Crisis.” The report examined General Fund revenues and expenditures in the City of San Diego, and provided a comparative analysis among the ten largest cities in California. In addition, the report made three general recommendations for how to close the gap between the expectation for local services and the funds available to pay for them.

The conclusions of the report were clear: the City of San Diego generates lower revenue per capita than the average of the ten largest cities in California, due in large part to tax rates that fall below average. This inability to raise revenue significantly impacts the City’s ability to provide general services, evidenced by indicators such as police officers per 1,000 residents, per capita firefighting expenditures, and expenditures per acre of parkland, all of which are below average.

The report makes three notable recommendations to address the discrepancy between available revenues and expected services:

- Create a public awareness campaign to inform residents and businesses on the role of City services and the need to raise funds for providing them;
- Introduce ballot measures to raise taxes and fees at least to the average California level; and
- Raise revenues through fees that can be implemented through Council ordinances.

The CPI report does a good job illustrating San Diego’s general revenue and expenditure position relative to other large California cities. The report’s analysis exposes one of the most difficult issues facing the City today: the growing disparity between the desired levels of services by our residents and the ability to pay for them.

RECOMMENDATIONS

The IBA believes that now is not the appropriate time to consider ballot measures to raise taxes and fees, but this will be an important issue to address in the years to come. Before such measures can realistically be considered, the City must first work diligently to restore its financial credibility with the public through such means as fixing its budget, getting a handle on its pension requirements, returning to the bond market, and creating internal efficiencies through restructuring and reorganization. However, the IBA believes that consideration of tax and fee increases is certainly warranted once many of the City's current financial challenges have been met and credibility is restored. The IBA looks forward to working with both the Mayor's Office and CPI in the future to examine the possibility of such revenue enhancements. The first area that should be reviewed thoroughly in early FY07 is cost recovery levels for all existing fee supported services. In the IBA report, "City Council Budget Priorities for FY07" presented to the Council on January 30, the IBA made note of this issue including the need to "recommend actions for achieving higher cost recovery levels where necessary."

Finally, the IBA supports creating a public awareness campaign, as recommended by the report, with the goal of further educating the public and the business community on the role of local government. It often times gets lost or forgotten in the course of our daily lives that the City provides a wide array of services; those services cost money, and the costs to sustain service levels desired by our residents may require new revenue sources. The IBA encourages an open dialogue in the near future between the City and the public regarding the desired level of services and means to pay for them.

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