

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

RECOMMENDED
MODIFICATIONS TO THE
MAYOR'S PROPOSED
FISCAL YEAR 2007 BUDGET

Date Issued: May 19, 2006

IBA Report Number: 06-26

Introduction/Overview

Overview of Budget Process Following Mayor's Proposed Budget Submittal

On April 14, 2006, Mayor Jerry Sanders released his Fiscal Year 2007 Proposed Budget to the City Council and the public as required by City Charter. The Office of the Independent Budget Analyst (IBA) started a two-week review and analysis of the Mayor's Proposed Budget on April 14, and issued its preliminary report, "Mayor's Proposed Fiscal Year 2007 Budget" (Report No. 06-18) on April 28, 2006, in accordance with the budget process schedule adopted by Council on February 22, 2006.

Since release of the Mayor's Proposed Budget, the City Council and Budget and Finance Committee have held six public hearings, including an evening Community Forum at the recently renovated North Park Theatre. During these hearings the Mayor's Chief Financial Officer (CFO) or department directors presented budget overviews of 34 City departments. Additionally, the City Council was able to ask questions of City staff and issues of concerns were raised by the IBA. Citizens from throughout the San Diego community were able to share their views on the City's budget.

After completion of five of the budget hearings and as set forth in the adopted budget schedule, Councilwoman Toni Atkins, Chair of the Budget and Finance Committee, requested that Council members submit individual memoranda on recommended changes to the Mayor's Proposed Budget by May 10, 2006, for forwarding to the IBA. The memoranda are attached to this report for reference.

During the budget hearings multiple questions were asked by the City Council and the public. The CFO has responded in writing to these questions via eleven memoranda. These memoranda are available on the City's website at www.sandiego.gov. In addition the Financial Management Department distributed two additional budget documents: "Fiscal Year 2007 Proposed Budget Supplement" on April 26, 2006, and "Fiscal Year 2007 Proposed Budget Recommended Revisions" on May 15, 2006.

The IBA's final report "Recommended Modifications to the Mayor's Proposed Fiscal Year 2007 Budget" is being issued today in accordance with the budget schedule previously adopted by the City Council. This report includes recommended modifications to the Mayor's Proposed Budget and outlines items that should be considered or monitored during the fiscal year. Our final recommendations are based on a number of factors including consideration of City Council memoranda on recommended modifications and budget priorities; further discussion with City departments; additional IBA analysis; and input from the public through the community hearing process. Consistency with the budget approach and budget priorities, discussed by the IBA and endorsed by the City Council in January, was also a key factor.

In addition, we have incorporated some of the technical corrections requested by the CFO in his May 11 memorandum to the City Council as determined to be appropriate. Minor adjustments, including position transfers among departments to implement the Mayor's restructuring will be brought forward by the CFO prior to final City Council approval of recommended modifications to the Mayor's Fiscal Year 2007 Proposed Budget on May 30.

The chart on attachment I to this report summarizes the recommended modifications to the General Fund and Non-General Fund Departments. All of the recommendations in our report represent modifications to the Mayor's Fiscal Year 2007 Proposed Budget (blue document) **as submitted on April 14.**

General Fund Ongoing Revenue/Expenditures Modifications

The following are descriptions of recommended modifications to the Mayor's Fiscal Year 2007 Proposed Budget.

CITYWIDE RECOMMENDATIONS

	<u>FTE</u>	<u>Expense</u>	<u>Revenue</u>
Retiree Health Care and Trust Fund Establishment			
Item # 1	0.00	(\$883,547)	\$0
<p>Add funding for Retiree Health Care and the establishment of a Retiree Health Trust Fund. Approve the Mayor's recent proposal to implement necessary reductions in various personnel accounts to accommodate this addition. This represents a net savings to the General Fund after all adjustments. The IBA cautions that these accounts should be carefully monitored to ensure proper funding levels, particularly Workers' Compensation, which will be funded at significantly lower levels than anticipated in the Proposed Budget and is not consistent with commitments to fund short-term liability reserves.</p>			
Employee Offset Savings			
Item # 2	0.00	\$0	\$9,334,180
<p>Based on Council action to securitize the City's tobacco funding, tobacco settlement revenues (TSRs) were not budgeted in the Proposed Budget. Programs historically supported by the TSRs were budgeted, as appropriate. However, the General Fund was to be backfilled through the Employee Offset Savings, which were not included in the Proposed Budget. The funding reflected here is less than originally anticipated due to Non-Participating Manufacturer's adjustment made to the April 2006 payment.</p>			

		<u>FTE</u>	<u>Expense</u>	<u>Revenue</u>
Remove Pension Obligation Bond Revenue and Expense				
Item # 3	Per the IBA's recommendation, POBs should be removed due to the uncertainty in implementation and the need for City Council review and approval.	0.00	(\$374 M)	(\$374 M)

Unallocated Reserve (General Fund Reserve)

Item # 4	The Proposed Budget does not provide for a contribution to the General Reserves. Due to the anticipated growth of the General Fund in FY 2007 and several withdrawals from the reserves in FY 2006, the reserves are expected to be exceptionally low in FY 2007. With this infusion, total General Reserves are estimated to be approximately \$22 million or about 2.15%. This information is very preliminary and is based on the most recent discussions with the CFO regarding the current year status of the reserves. The IBA strongly recommends strengthening the City of San Diego's financial position through the infusion of funding into the reserves.	0.00	\$7,226,121	\$0
----------	--	------	-------------	-----

General Fund Revenue Adjustments

Item # 5	The IBA, in conjunction with Financial Management, is currently in the process of reviewing General Fund revenue projections. This review will be completed before the budget is voted on by the full Council. It is recommended that any adjustments in General Fund revenue projections be reflected in the General Fund reserve contribution.	0.00	\$0	TBD
----------	--	------	-----	-----

DEPARTMENT SPECIFIC MODIFICATIONS

FTE Expense Revenue

Community and Economic Development

Commission on Gang Prevention

Item # 6	This is a technical correction to the funding for the Commission on Gang Prevention, per the Mayor's Recommended Revisions due to an error in the Proposed Budget.	0.00	\$62,194	\$0
----------	--	------	----------	-----

Staffing for Disability Services

Item # 7	As identified in the Mayor's Fiscal Year 2007 Proposed Budget Recommended Revisions, the IBA recommends the addition of 1.00 Administrative Aide II to support the Disability Services Director.	1.00	\$73,212	\$0
----------	--	------	----------	-----

Environmental Services

Recycling (AB 939) Fees

Item # 8	The FY 2007 Proposed Budget for Environmental Services assumed a \$3/ton increase in recycling fees, resulting in an increased cost of approximately \$1.2 million to the General Fund. It is recommended that the assumed rate increases and corresponding general fund cost be removed from the budget until such time that they are approved by Council. This also results in a revenue reduction to the Recycling Fund, which is shown in the Non-General Fund section. It should be noted that any future increase in recycling fees will have an associated General Fund impact.	0.00	(\$1,162,872)	\$0
----------	--	------	---------------	-----

Increase funding for "Take Back the Streets Program"

Item # 9	The "Take Back the Streets Program," operated by the Alpha Project, employs homeless and formerly homeless men and women to clean up the City's streets and neighborhoods. Funding for this program previously came from CDBG funds. However, new federal restrictions will no longer allow CDBG funds to be used for this purpose.	0.00	\$300,000	\$0
----------	---	------	-----------	-----

Ethics Commission

FTE Expense Revenue

Vacancy Factor/Supplemental Positions

Item # 10	Restoration of \$137,627 in vacancy savings and the addition of 1.25 supplemental positions not included in the Proposed Budget. The supplemental positions include 1.00 Program Manager and 0.25 Investigator.	1.25	\$273,379	\$0
-----------	---	------	-----------	-----

Additional staffing

Item # 11	Due to a substantial increase in workload the Commission has requested, and the IBA agrees, that the addition of 1.00 Investigator and 1.00 Training Officer is warranted. The addition of a second investigator position will enable the Commission to promptly respond to complaints and to conduct investigations within the one-year time period set forth in the Commission's investigative procedures. The addition of a training officer will facilitate the continued expansion of the Commission's education and outreach programs.	2.00	\$201,359	\$0
-----------	--	------	-----------	-----

Library

New Facilities Correction

Item # 12	This is a technical correction to the funding for the College-Rolando Branch Library, per the Mayor's recommendation, due to an error in the Proposed Budget.	0.00	\$15,575	\$0
-----------	---	------	----------	-----

Temporary Help Correction

Item # 13	This is a technical correction to the funding for the Otay Nestor Branch Library, per the Mayor's recommendation, due to an error in the Proposed Budget.	0.00	\$36,545	\$0
-----------	---	------	----------	-----

FTE Expense Revenue

Restoration of Youth-Related Programs (Youth Services Librarian)

Item # 14	The Proposed Budget includes a reduction of \$356,083 to the City’s 6 to 6 Program, which has been funded through Tobacco Settlement Receipts. This proposal restores funding for youth-related programs including 1.00 Youth Services Librarian as shown here, as well as 1.00 Assistant Recreation Center Director for Robb Field, and 6.68 Hourly Recreation Leaders for citywide recreation programs in the Park and Recreation Department.	1.00	\$84,137	\$0
-----------	---	------	----------	-----

Neighborhood Code Compliance

Graffiti Control Program

Item # 15	The Mayor’s FY 2007 Proposed Budget includes \$230,000 for the Urban Corps Contract for graffiti removal. The IBA recommends a \$378,000 increase to the FY 2007 Budget for Graffiti Control including (1) a \$250,000 increase to the Urban Corps Contract for Graffiti Removal for a total of \$480,000; and (2) the addition of one “crew” of 2.00 Utility Workers for a total of 8.00 Utility Workers to expedite the removal of graffiti.	2.00	\$378,300	\$0
-----------	--	------	-----------	-----

Park and Recreation Department

FTE Expense Revenue

FY 2007 New Facilities

Item # 16	<p>When the City of San Diego builds new facilities, it is important to provide for ongoing operations and maintenance costs in each year's budget. This proposal provides for funding for FY 2007 new facilities as follows:</p> <ul style="list-style-type: none"> -Chollas Creek Enhancement -Edison Elementary School Joint Use -Hilltop Community Park Expansion -Naval Training Center Phase I -Nobel Athletic Area and Recreation Center -Normal Heights Elementary School Joint Use -Open space acres -Otay Valley Regional Park Phase II -Sunshine Berardini Fields 	16.02	\$1,917,940	\$0
-----------	---	-------	-------------	-----

Tweet Street Park will also be opening in FY 2007, but required funding levels are not yet available. This should be provided and added prior to final budget decisions.

Operations and maintenance funding for new facilities in prior years remains unfunded at this time, but should be included in future budgets.

Restoration of Youth-Related Programs (Asst. Director Robb Field & Hourly Rec Leaders)

Item # 17	<p>The Proposed Budget includes a reduction of \$356,083 to the City's 6 to 6 Program, which has been funded through Tobacco Settlement Receipts. This proposal restores funding for youth-related programs including 1.00 Assistant Recreation Center Director for Robb Field and 6.68 Hourly Recreation Leaders for citywide recreation programs as shown here, as well as 1.00 Youth Services Librarian for the Library.</p>	7.68	\$271,925	\$0
-----------	---	------	-----------	-----

FTE Expense Revenue

Planning Department

Historical Resources/Overtime

Item # 18	Due to the continued reduction in the Planning Department staffing over the past several years combined with current vacancies and the 10% vacancy rate for 2007, the IBA recommends the addition of 1.00 Sr. Planner for Historical Resources and the addition of overtime in an amount equivalent to 1.00 Sr. Planner.	1.00	\$215,996	\$0
-----------	--	------	-----------	-----

QUALCOMM Stadium

Increase General Fund subsidy to QUALCOMM in lieu of parking fee increases

Item # 19	The FY 2007 Proposed Budget for QUALCOMM has a deficit of approximately \$312,000. It was assumed that much of this deficit would be covered by proposed increases in parking fees, which were not approved. It is recommended that the General Fund subsidy be increased to make the Stadium Fund whole. This allocation will be made via the Special Promotional Programs budget. In addition, it is recommended that the proposal to increase parking fees be brought back to Council for reconsideration.	0.00	\$312,204	\$0
-----------	---	------	-----------	-----

San Diego Police Department

FTE Expense Revenue

Increase to Vacancy Factor

Item # 20	<p>The Police Department is experiencing recruitment challenges and the loss of significant experienced officers to other jurisdictions as well as to retirements. Recent projections show that the department is likely to experience continued loss of officers that will result in higher vacancies by this time next year. The vacancy factor included in the Proposed Budget is equivalent to approximately 160 officers. However, with continued attrition, we anticipate that vacancies may be significantly higher, even with academies during FY 2007. The IBA recommends an increase to the vacancy rate to more accurately reflect the likely experience of the department for FY 2007. This vacancy factor may still be conservative, given the challenges for the department, and the IBA recommends again that an aggressive recruitment and retention strategy be developed and provided as soon as possible and that vacancies be regularly monitored. Note that it is anticipated that significant funding will have to be added to the Police Department in FY 2008 and future years to reduce the vacancy factor as the City is able to recruit and retain more officers.</p>	0.00	(\$2,000,000)	\$0
-----------	--	------	---------------	-----

New Civilian Positions to Return Officers to Patrol

Item # 21	<p>While the City develops a recruitment and retention plan, the IBA recommends taking this action to put officers back on the streets and increase the amount of public safety work that can be done. This proposal adds funding to hire civilians to take on non-sworn duties currently being provided by officers. Please see Attachment II for a list of positions. The status of hiring for these positions and officers returned to patrol should be reported regularly during FY 2007 to the Public Safety & Neighborhood Services Committee.</p>	30.00	\$2,000,000	\$0
-----------	--	-------	-------------	-----

Special Promotional Programs

Accessible San Diego Funding Correction

Item # 22	Per the Mayor’s recommendation, this funding is proposed for Accessible San Diego as a reinstatement to the full Fiscal Year 2006 amount of \$65,039. The \$11,712 allocated in Fiscal Year 2006 to Accessible San Diego’s Power Beach Chair Program was inadvertently reduced in the Fiscal Year 2007 Proposed Budget.	0.00	\$11,712	\$0
-----------	---	------	----------	-----

Non-General Fund Recommended Modifications

The following are descriptions of recommended modifications to the Mayor’s Fiscal Year 2007 Proposed Budget.

CITYWIDE ISSUES

Proposition 42 – Street Resurfacing/Slurry Seal

Item # 23	The Governor’s Proposed FY 2007 Budget includes funding for Proposition 42. The allocation of the funds is to be used only for public street and highway maintenance, rehabilitation, reconstruction and storm damage repairs. This is currently not reflected in the Mayor’s FY 2007 Proposed Budget. For FY 2006, the City is projecting to receive approximately \$5.5 million. For FY 2007, the IBA recommends allocating \$5 million to CIP #59-001.0 for Street Resurfacing/Slurry Seal.	0.00	\$5,000,000	\$5,000,000
-----------	--	------	-------------	-------------

		<u>FTE</u>	<u>Expense</u>	<u>Revenue</u>
Retiree Health Care and Trust Fund Establishment				
Item # 24	Add funding for Retiree Health Care and the establishment of a Retiree Health Trust Fund. Approve the Mayor's recent proposal to implement necessary reductions in various personnel accounts to accommodate this addition. This represents a net savings to various funds after all adjustments. The IBA cautions that these accounts should be carefully monitored to ensure proper funding levels, particularly Workers' Compensation, which will be funded at significantly lower levels than anticipated in the Proposed Budget and is not consistent with commitments to fund short-term liability reserves.	0.00	(\$503,624)	\$0

DEPARTMENT SPECIFIC RECOMMENDATIONS

Environmental Growth Fund

Surplus Balance

Item # 25	The Environmental Growth Fund (EGF) 2/3 has been accumulating a large balance since the General Obligation Bonds were partially paid down in FY 2005. The IBA recommends these funds be utilized for deferred maintenance projects that contribute to preserving and enhancing the environment, consistent with the City Charter. It appears that approximately \$2.5 million would be available in this fund for these purposes. The IBA recommends that the Park and Recreation Department provide information to the City Council on a prioritized list of projects that could be carried out in FY 2007. Furthermore, because the bonds will be retired soon, a long-term strategy for EGF should be developed as soon as is practicable.	0.00	\$2,500,000	\$0
-----------	---	------	-------------	-----

Environmental Services – Recycling Fees

FTE Expense Revenue

Recycling (AB 939) Fees

Item # 26	Removal of revenue associated with the \$3/ton increase in recycling fees assumed in the FY 2007 Proposed Budget (See Item # 8 in the General Fund section). Without the assumed fee increases, the Recycling Fund budget is currently projected to end the fiscal year with a negative fund balance. However, the Division will be proposing an increase in recycling fees later in the year, after going through Business Process Reengineering.	0.00	\$0	(\$2,600,000)
-----------	--	------	-----	---------------

Other Councilmember Requests Not Recommended At This Time

The following items were noted by one or more Council Members in their individual memoranda, but have not been recommended for new funding. A brief explanation of our review status or reason for not recommending funding at this time is provided below:

Police Recruitment/ Retention Program Funding

Pursuant to our April 28 report, the IBA recommends that the Police Department develop a comprehensive recruitment and retention plan and report to the Public Safety & Neighborhood Services Committee and the City Council to enact necessary reforms and legislation. The IBA does not recommend funding until a specific plan has been developed. Additionally, the IBA recommends that the Police Department provide monthly informational reports to the Public Safety & Neighborhood Services Committee on current vacancies and trends as well as recruitment and retention efforts. Quarterly reports should be provided to the entire Council.

Fire Personnel Costs

The Mayor's CFO and the Fire-Rescue Department have agreed to track this carefully and return regularly to the Council with updates on the financial status of this department and the vacancy factor, per the IBA's recommendation in our April 28 report. As further recommended in that report, the "rover" concept and budgeting for constant staffing should be studied and presented at a future meeting of the Public Safety & Neighborhood Services Committee.

Fire Trucks

The Mayor's FY 2007 Proposed Budget includes appropriate funding for 15 fire engines (the first lease payment for 8 engines and sales tax payment for 7 engines). However, funding for fire trucks is not provided. In FY 2007, three fire trucks are recommended for replacement. While the lack of funding for these trucks does put the City behind its replacement schedule, the City is not in the financial position to establish a new Equipment & Vehicle Financing Program at this time. Other options may be available for financing, but will have to be explored. The IBA recommends that Financing Services and the Fire-Rescue Department collaborate and report to the Public Safety & Neighborhood Services Committee in FY 2007.

Red Light Photo Program

The Engineering & Capital Projects' FY 2007 Budget includes expenditures for all 15 recommended intersection sites. In order to reduce violations, prevent accidents and change behaviors, Engineering & Capital Projects staff recommends eliminating the existing grace period and constructing the seven additional sites. A policy decision is needed regarding whether or not to eliminate the grace period. The IBA recommends that this item be brought before the Public Safety & Neighborhood Services Committee soon for further discussion regarding the possible implementation of a "pilot" project concerning the grace period. If the grace period is modified, or

eliminated, there would be additional revenues generated. This possible revenue increase is not included in the FY 2007 Budget.

Fuel Costs

Fuel expenses are calculated as a component of the usage rates, which support the operation and maintenance of the City's non-public safety fleet. In FY 2007, these rates included an assumed 35% increase for fuel costs. However, the rates were determined in October 2005, and since that time fuel prices have continued to increase beyond original estimates. There is concern that insufficient funding has been allocated for fuel expenses in the FY 2007 Budget.

When actual fuel expenses exceed the available revenue generated by usage rates, the Equipment Division in the past has been forced to transfer funds from the Vehicle Replacement Funds in order to keep the Operations Fund whole. In FY 2007, over-budget fuel costs for the General Fund may require the use of the General Fund reserve, as the GF Replacement Fund no longer has enough "excess" to cover these costs. In addition, it is recommended that the budgeting process for fuel costs be re-examined for FY 2008 so that the Replacement Funds are no longer needed to support cost overruns. One option that should be considered is to create a reserve fund for fuel expenses.

San Dieguito River Park

The San Dieguito River Valley Regional Open Space Park Joint Powers Authority, also known as the San Dieguito River Park JPA, was formed in 1989 to acquire, plan, design, improve, operate and maintain the San Dieguito River Park. Partial funding for the JPA is attained through annual contributions from member agencies, including the City of San Diego. The JPA has recently indicated a desire to increase the contribution from all member agencies. It is recommended that this issue be brought back to the City Council during FY 2007 for further consideration.

Street Sweeping Parking Enforcement

The FY 2007 Proposed Budget for the Street Division includes the addition of three street sweeping parking enforcement officers. These positions generate revenue through parking fines, and are considered to be cost-recoverable. A desire has been expressed for additional parking enforcement as long as it remains cost-recoverable. Due to the cost of training and equipment, it is not recommended that additional street sweeping parking enforcement officers be included in the budget at this time. Once the three new parking officers are trained and operational, a mid-year request for additional parking officers may be warranted. This incremental approach will ensure that parking enforcement remains cost-recoverable by not surpassing the point of diminishing returns.

Year Round Shelter

There has been an interest in extending the "Winter Shelter" to a Year Round Shelter. According to the memo dated May 4, 2006 from the Chief Financial Officer, regarding the Response to Request for Information Fiscal Year 2007 Proposed Budget, the estimated cost to run the Winter Homeless Shelter for the entire year would be approximately \$1,965,000; \$491,250 per quarter; \$37,788 per week; and \$5,384 per day. The San Diego Housing Commission's FY 2007 Budget currently does not include their funding of the homeless winter shelter for FY 2007, but the Commission has identified a possible funding solution for FY 2007 and FY 2008, that is not finalized at this time. If the Housing Commission is unable to identify funding for the Winter Shelter Program, this could have a possible impact of approximately \$450,000 to the City. Additional funding of \$1.5 million

would need to be identified in order to fund the Year Round Shelter. Given the current condition of the City, the City is unable to allocate the additional funding at this time. The IBA recommends that this item be brought before the Land Use & Housing Committee for further discussion and for the exploration of additional resources for the Shelter.

Disclosure Practices Working Group (DPWG)

The Mayor's Fiscal Year 2007 Proposed Budget eliminates 6.00 positions from the City Treasurer-Financing Services Division added in Fiscal Year 2006 to support the Disclosure Practices Working Group. Although the reduction of these positions has caused concern for the IBA and the Deputy City Attorney responsible for the DPWG, the City Treasurer staff indicated during budget deliberations that they will be able to handle the work load in Fiscal Year 2007 without these positions.

Council-Proposed Resources

Several options for additional resources and increased revenue have been suggested, including charging non-resident parking fees for beach parking, creating a Tourism Improvement District, implementing a self-sufficiency program for refuse and recycling containers and accessing the Civil Penalties Code Enforcement Fund. While each of these options deserves consideration, the IBA does not recommend including them in the FY 2007 budget. The feasibility and potential revenue from each of these options should be further analyzed during FY 2007 for possible inclusion in the FY 2008 budget.

Miscellaneous Programs

Although funding for these services is a priority for the City Council and is important to the community, available revenues in FY 2007 could not accommodate all needs. The IBA continues to recommend the "time out" approach for the FY 2007 Budget, and the utilization of a multi-year financial forecast to plan for future funding of these priorities.

- **Swanson/UC and Carmel Valley Pool Hours**
- **Youth Commission**
- **Library Friday/Saturday Hours**
- **Library Book Budget**
- **Mission Valley Library Hours**
- **Increase in Arts Commission Discretionary Funds**
- **Shell Beach Staircase**
- **Special Promotional Programs**
- **McGonigle Canyon Maintenance**

Financial Issues on the Horizon

In making final decisions about the Fiscal Year 2007 Budget it is critical to keep in the forefront fiscal issues that face the City in 2008 and 2009. Understanding the total financial picture is key to evaluating funding needs and priorities for 2007 when weighed against future obligations.

In our Preliminary Report we identified the following budget pressures on the horizon:

- One-time property tax revenue bump in 2007 will not recur in future years
- Significant salary increases in 2008 as a result of back-loaded labor agreements
- Likely increases in retirement contributions in future years and transition to a 15-year amortization in 2009
- Retiree health premiums projected to increase in 2008 and beyond
- Need to build-up Retiree Health Trust Fund in 2008 and beyond
- Full funding of Police sworn positions in 2008 and 2009 as officers come on line and high vacancy factor cannot be assumed
- Ongoing need to increase Unallocated Reserve to more appropriate levels
- Ongoing need to fund deferred maintenance as well as ongoing maintenance
- Community expectation and demand for restoration of past service level reductions
- New City facilities operating and maintenance costs

The following are potential resources that may be available or **should be explored** to help relieve these budget pressures:

- Creation of Tourism Improvement District
- Complete user fee analysis and recommendations for user fee increases
- Refinancing of existing debt at appropriate time
- Possible future pension obligation bonds
- Sale or lease of City real estate
- Savings resulting from Mayor's Business Process Reengineering
- Tax and fee increases to address City's structural deficit
- Reevaluation of current City leases to move toward market rate leases

The IBA will work with the City Council and the Council Committees to ensure that these issues are addressed in the coming year.

Next Steps in the Process

On May 24, 2006, the IBA will present its Final Report on recommended modifications to the Mayor's Proposed Budget to the Budget and Finance Committee for their consideration. At this meeting, the Committee will take action on recommended final Council modifications for consideration by the full City Council on May 30, 2006. As required by City Charter, the Council will return the budget to the Mayor with recommended modifications "as soon as practicable." The Mayor then has five business days to approve, veto or modify any line item approved by the Council and resubmit the budget to the Council. The Council then has five business days to take action to override any vetoes or modifications made by the Mayor. Five votes of the Council are required for this override action.

The final steps of the Fiscal Year 2007 budget process includes the Budget and Finance Committee's review of the Appropriation Ordinance in June and full Council review and adoption of the ordinance in July.

In IBA Report 06-18, our office made various recommendations to further refine and improve the City's processes and fiscal position. These recommendations are outlined in Attachment III, IBA Policy Recommendations FY 2007. This matrix includes suggested actions for each recommendation as well as suggested Council Committee, and will be used throughout the year to track the implementation of these recommendations for FY 2008. The IBA will provide quarterly performance reports on these recommendations to the Budget & Finance Committee as well as the full City Council.

[SIGNED]

Tom Haynes
Fiscal & Policy Analyst

[SIGNED]

Angela Means
Fiscal & Policy Analyst

[SIGNED]

Penni Takade
Fiscal & Policy Analyst

[SIGNED]

Jeff Sturak
Deputy Director

[SIGNED]

Judy Stone
Executive Assistant

[SIGNED]

Andrea Tevlin
Independent Budget Analyst