

# Residents' Budget Academy

January 18, 2018



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
- Annually reviews and analyzes the Mayor's Proposed Budget and Five-Year Financial Forecast
- Reviews and comments on financial reports and policy matters important to the City Council and the community

## Why was the IBA Created?

*In 2003, serious financial problems led to a loss of confidence at City Hall*

- Serious budget shortfalls, irresponsible expenditures
- Underfunding of pension system while increasing benefits
- City lost its credit rating, could not issue debt (no bonding for streets, sidewalks, etc.)
- SEC was charged with oversight of our financial operations

## Why was the IBA Created? *cont'd*

*Loss of confidence led to citizen initiative to do away with City Manager form of government and switch to Strong Mayor/Strong Council*

- Approved by voters in Fall 2004
- Sitting Mayor resigns, election for new Mayor held
- Strong Mayor/Strong Council form of government went into effect January 2006

## Why was the IBA Created? *cont'd*

*Strong Mayor ballot included creation of the Office of the IBA to advise the Council*

- Elected Mayor, not professional manager, is now running the City
- All City employees now report to Mayor, carrying out his/her agenda
- Councilmembers no longer had a professional to advise them on complex matters

# Why our Office's Role is Important

*It is critical to have checks and balances between the Executive Branch (Mayor) and the Legislative Branch (City Council) in a Strong Mayor form of government*

- To help ensure the City Council is coequal to the Mayor, the Council needs its own executive-level position to:
  - Serve as independent advisor on proposals from the Mayor and all items before the Council
  - Provide Council with the information needed to make informed, effective decisions
  - Identify issues and make recommendations to approve, amend, or reject the proposal

# 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

# Strong Mayor/Strong Council Roles and Authorities in the Budget Process

*The Mayor is required to propose a budget each year, for review and approval by the City Council*

- The Mayor:
  - Is responsible for proposing a balanced budget to Council by April 15
  - Provides any changes to the budget in the May Revision, for Council consideration
  - Is responsible for the administration of the budget once it is adopted by Council
  - Is the City's chief executive; most City employees report to him including Financial Management (budget office)

# Strong Mayor/Strong 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
- The Office of the IBA:
  - Provides support to the City Council and its Committees
  - Develops final budget recommendations for City Council throughout the budget process

# Strong Mayor/Strong 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 and Council monitor expenditures, revenues, and significant City programs and services throughout the fiscal year
- Mayor, Council, and IBA roles are included in the City Charter with further definition in the City's Municipal Code

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

- City Charter includes (but is not limited to):
  - City Council roles and responsibilities included within Article III, “Legislative Power” and Article XV “Strong Mayor Form of Governance”
  - Mayor roles and responsibilities included within Article IV, “The Mayor” and Article XV “Strong Mayor Form of Governance”
  - Office of the IBA and role of the Independent Budget Analyst included within Article V, Section 39.3
  - Requirements for the planning, creation, appropriation, and amendment of the City’s Annual Budget throughout Article VII

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

- City Municipal Code includes (but is not limited to):
  - Further definitions of processes and responsibilities for the City Council (§ 22.0101-22.0102), Mayoral departments (various sections), and IBA (§ 22.2301-22.2306)
  - The process by which the Mayor and City Council may amend the Adopted Budget at mid-year (§ 22.0229)
  - The requirement that the Mayor report any significant reductions in service to the City Council (§ 22.0230)

City Council Budget Policies Guide the Budget  
*The City's Budget Policy provides standards for developing and monitoring the City's annual operating and capital budget as recommended by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB)*

Standards include:

- A balanced budget (expenditures shall not exceed annual revenues plus available unrestricted fund balances)
- Performance measures and reporting of results during the budget process

## City Council Budget Policies *cont'd*

- Mayor is required to prepare five-year forecasts for both operating and capital budgets
- Mayor provides quarterly budget monitoring reports to Council
- Public involvement (public hearings and outreach)
- ***One-time*** revenues shall be used to fund ***one-time*** expenditures; ***ongoing*** expenditures shall be supported by ***ongoing*** revenues



## City Council Budget Policies *cont'd*

- The City shall fully fund the annual pension payment; and funding for retiree health shall also be a priority (based on existing labor agreements)

## City Council User Fee Policy

*Establishes the method for setting up fees and the extent to which they cover the cost of the service provided – as recommended by the GFOA, NACSLB, and Federal Government Office of Management and Budget (Circular A-87)*

- A “user fee” is charged by a government agency to recipients of its services
- User fees generally apply to activities that provide special benefits to members of the public
- Examples of user fees are pool fees, park room rental fees, fire inspection fees, and others

## City Council User Fee Policy *cont'd*

- “Cost recovery” is recouping a ***portion of or all*** costs associated with a particular service
- Cost recovery categories include full recovery (100%), partial recovery (below 100%, for example to subsidize or encourage use of the service), and fines and penalties
- Costs to be recovered include direct costs and indirect costs not directly associated with the service (including departmental and citywide overhead)



## City Council User Fee Policy *cont'd*

- User fees shall be updated annually as part of the budget process until the next comprehensive (triennial) user fee study is publically presented and approved by Council

# City Council Reserve Policy

*Strong reserves position an organization to weather unexpected events or significant economic downturns more effectively*

- The Reserve Policy documents the City's approach to establishing and maintaining reserves, including:
  - Target reserve levels, and their calculation methodology
  - Time-frame for meeting reserve targets
  - Criteria for use of reserves
  - Process to replenish reserves

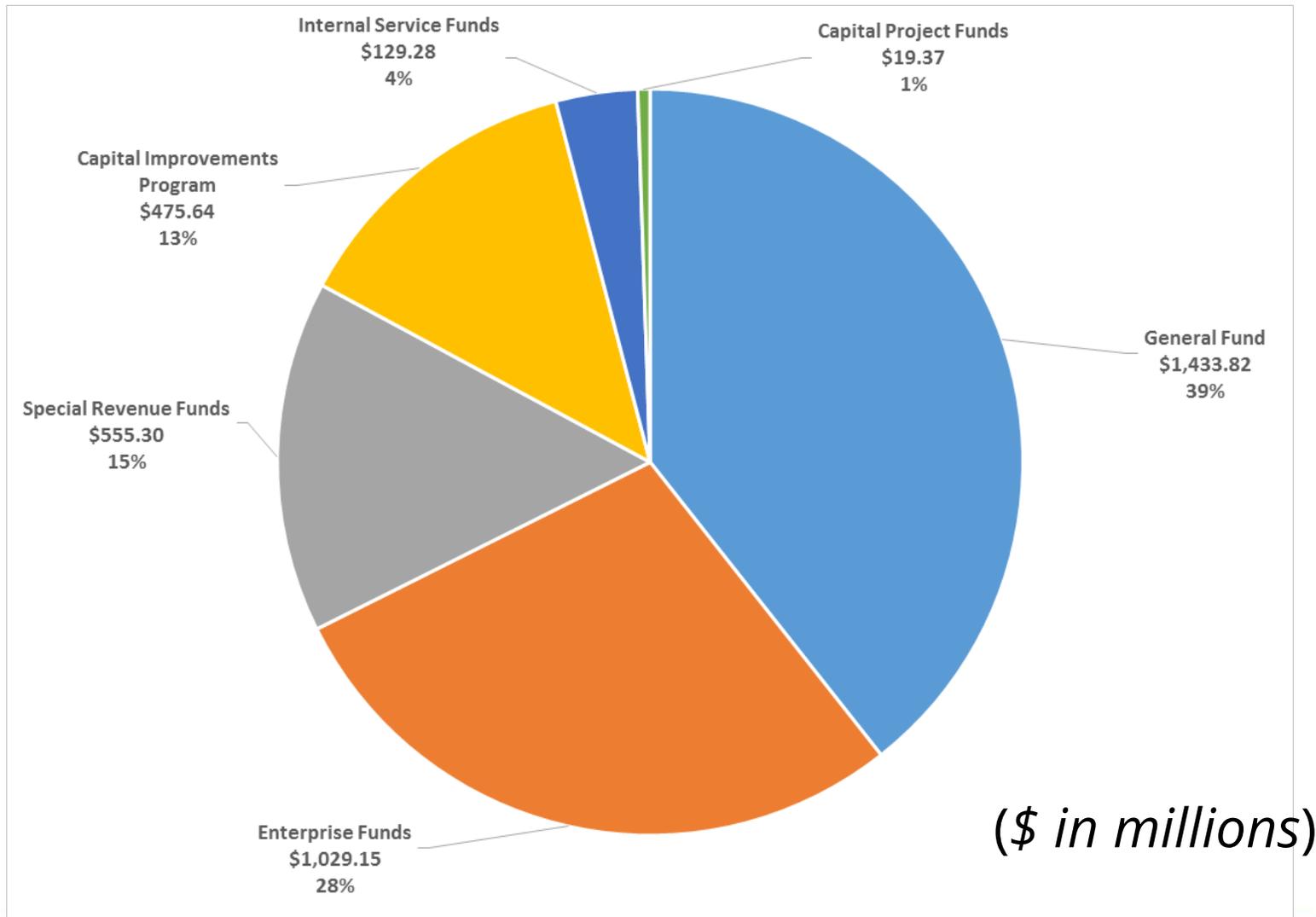
## City Council Reserve Policy *cont'd*

- Some of the City's Reserves included in the policy:
  - General Fund Reserve
    - FY18 Reserve target is 15% and FY25 target is 16.7% of operating revenues
    - Comparatively, the FY07 Reserve was 3.8%
  - Pension Payment Stabilization Reserve
    - Utilized in FY18 to help cover increased pension costs
    - A plan to replenish the reserve is incorporated into the Five-Year Outlook
  - Risk Management Reserves (for the Workers' Compensation, Public Liability, and Long-Term Disability Funds)



# City of San Diego FY 2018 Adopted Budget

*\$3.64 Billion*





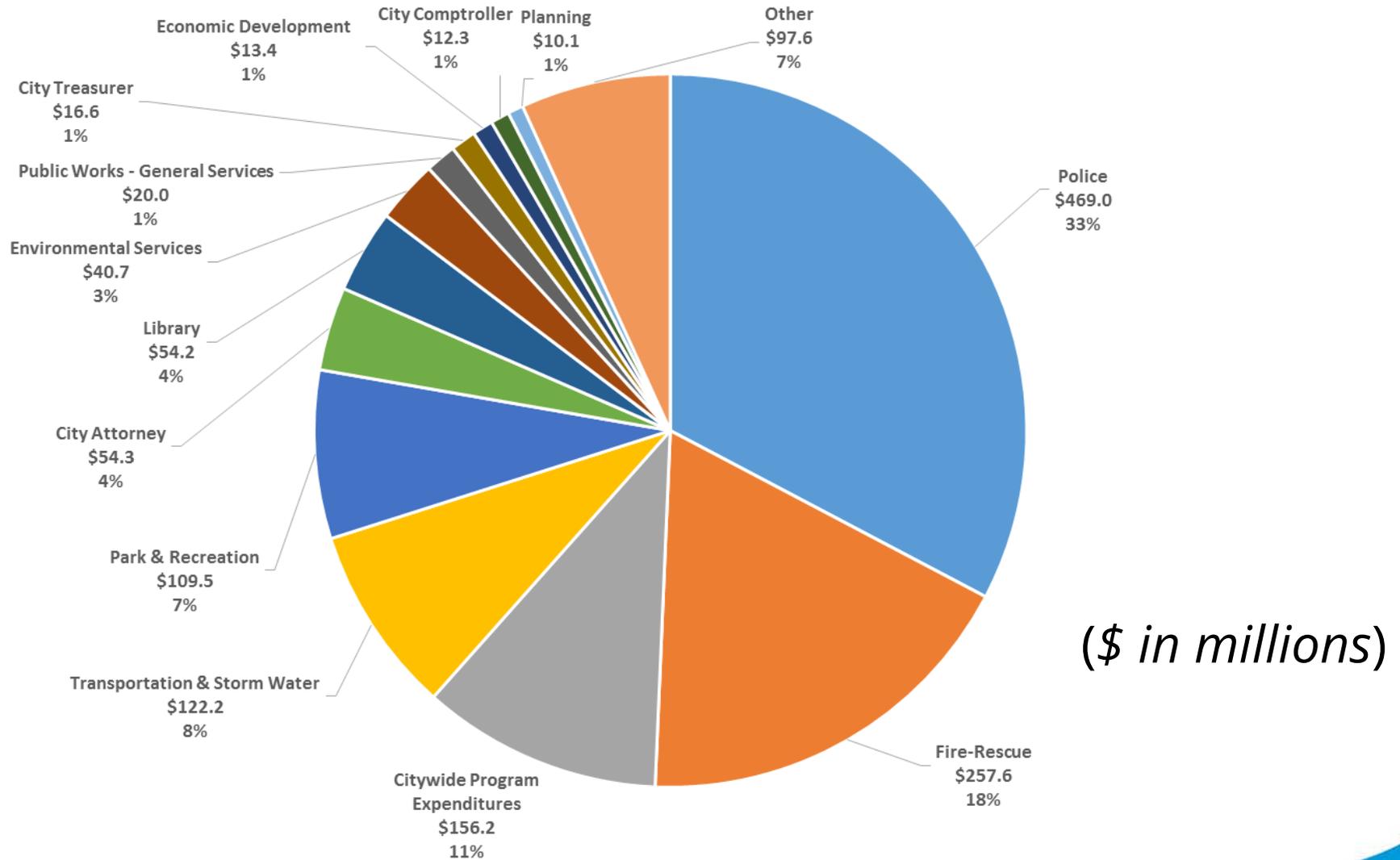
# City of San Diego FY 2018 Adopted Budget *cont'd*

## *Budgeted full-time equivalent (FTE) positions by fund, over five years*

Fund Type	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
General Fund	7,267.50	6,975.29	7,299.48	7,530.69	7,527.43
Special Revenue Funds	233.36	263.36	273.70	925.05	988.15
Enterprise Funds	2,366.69	2,385.39	2,475.08	2,481.79	2,500.35
Internal Service Funds	295.32	790.18	929.63	344.58	340.58
Other Fund: City Employee's Retirement System Fund	64.00	64.00	63.00	63.00	63.00
<b>Total FTE positions</b>	<b>10,226.87</b>	<b>10,478.22</b>	<b>11,040.89</b>	<b>11,345.11</b>	<b>11,419.51</b>

# General Fund Overview

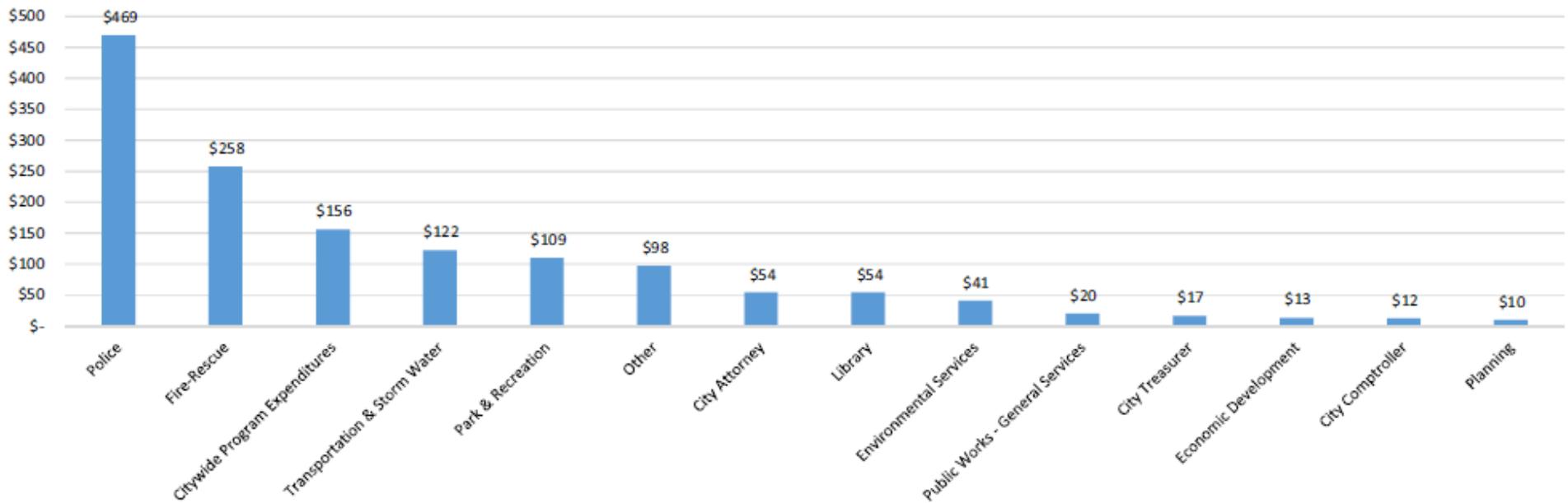
*FY 2018 Expenditures: \$1.43 Billion*





# General Fund Overview *cont'd*

## *FY 2018 expenditures by department (in millions)*

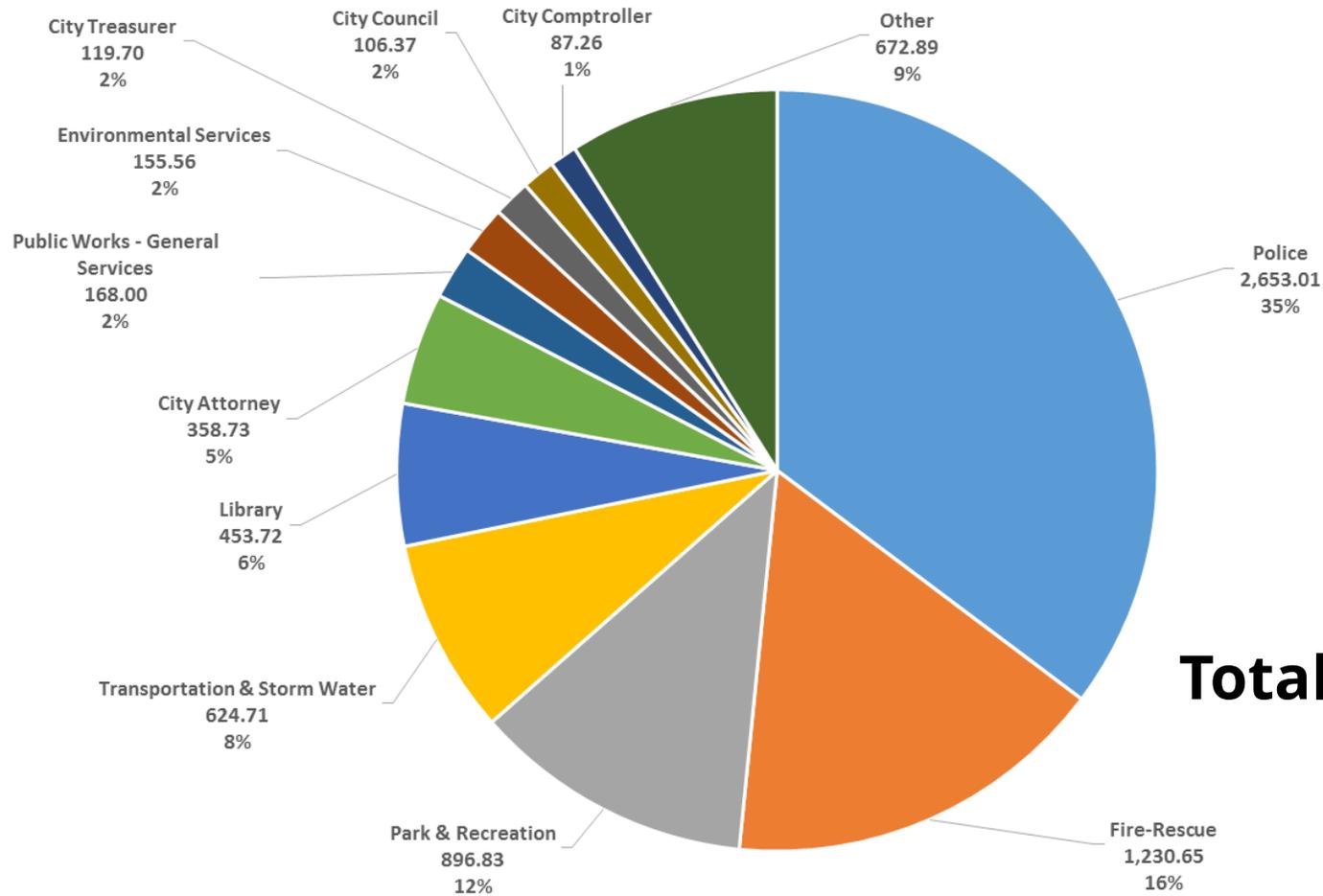


**Note:** The Other category includes: City Auditor, City Clerk, City Council, Communications, Debt Management, Department of Information Technology, Development Services, Ethics Commission, Financial Management, Human Resources, Infrastructure/Public Works, Internal Operations, Neighborhood Services, 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 *cont'd*

## *FY 2018 FTE by department*



**Total FTE: 7,527.43**

Note: The Other category includes City Auditor, City Clerk, Communications, Debt Management, Development Services, Economic Development, 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, Planning, Public Works - Contracts, Purchasing & Contracting, and Real Estate Assets.

## General Fund Overview *cont'd*

*The FY 2018 General Fund expenditure budget has increased from the previous year, although the number of General Fund positions has decreased*

- FY 2018 General Fund operating budget of \$1.43 billion represents a \$95.8 million or 7.2% increase over FY 2017
- Increase in FY 2018 budget due to a number of factors including:
  - Increase in the pension payment - \$45.2 million
  - Transfer to the Infrastructure Fund (Prop H) - \$17.8 million
  - Increases in flexible benefits largely related to labor agreements - \$16.7 million

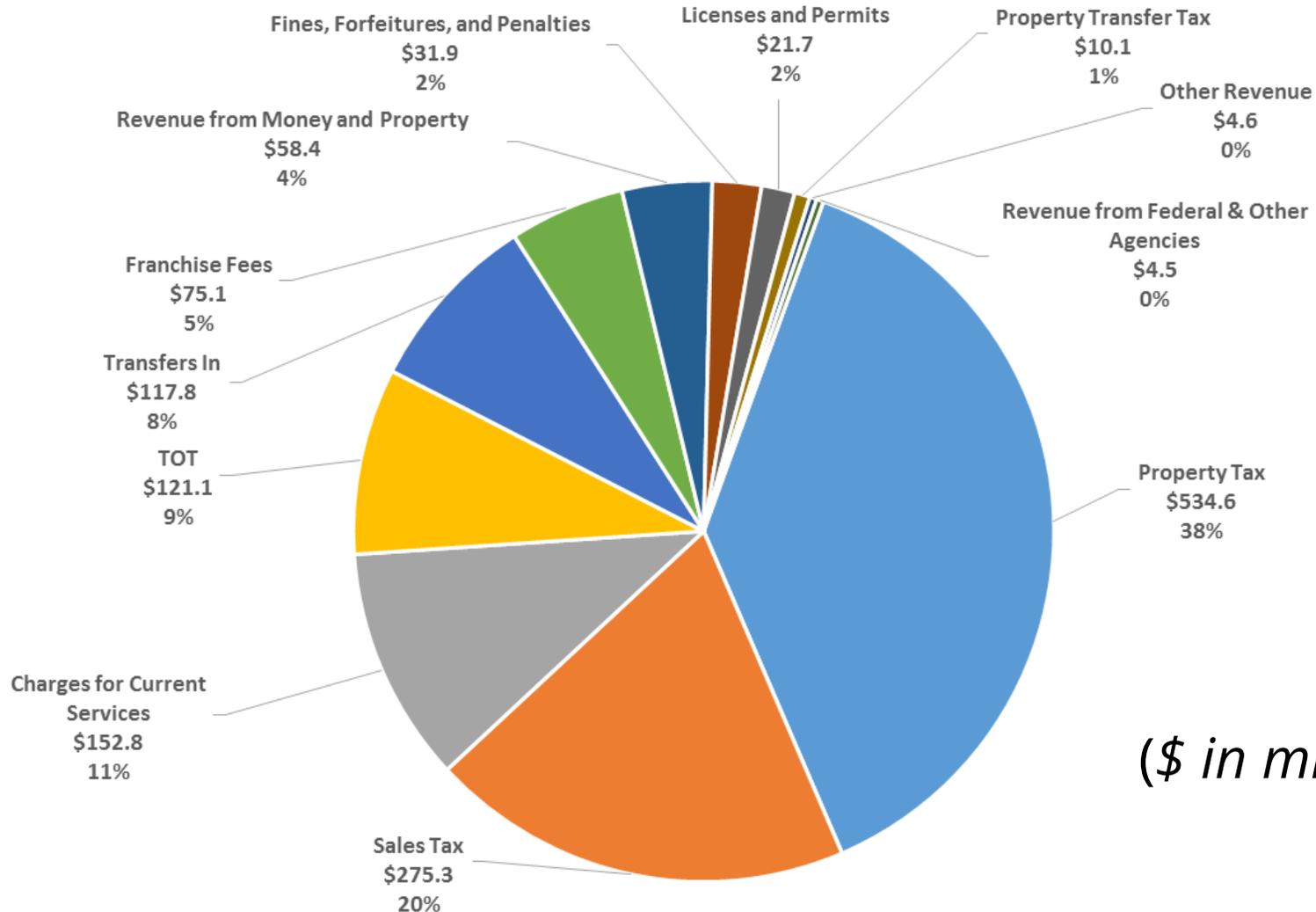


## General Fund Overview *cont'd*

- The General Fund includes 7527.43 budgeted FTE positions in FY 2018, a net reduction of 3.26 FTE positions

# General Fund Overview

*FY 2018 Revenues: \$1.41 Billion*



*(\$ in millions)*

## General Fund Overview *cont'd*

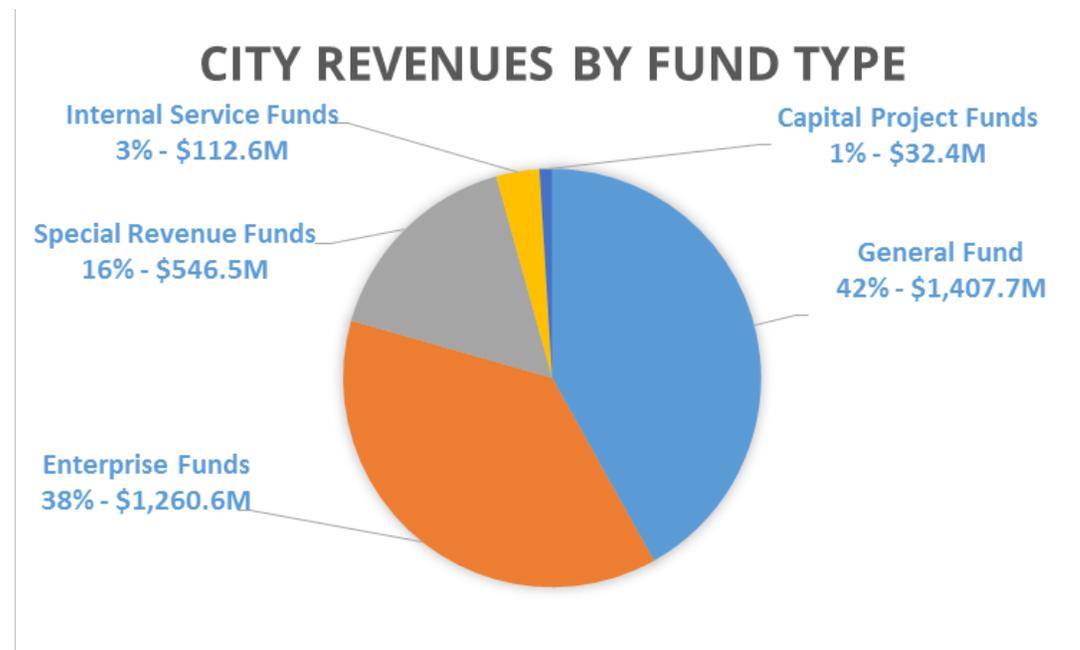
*FY 2018 General Fund revenues are projected to increase \$77.8 million or 5.8% over FY 2017*

- Revenues are monitored quarterly and projections are adjusted if appropriate
- Some General Fund revenue constraints exist including:
  - Infrastructure Fund: captures a portion of major General Fund revenue growth through FY 2022; then captures only a portion of Sales Tax revenue growth
  - People's Ordinance: constrains the City's ability to charge for trash/recycling pick-up
  - TOT: 10.5 cent charge on overnight hotel stays, only 5.5 cents is initially allocated to the General Fund

# Enterprise Funds - Overview

*The City has a number of funds in addition to the General Fund*

- Enterprise funds are funds that receive revenue directly from user fees for a specific service, such as water and sewer fees
- In FY 2018, Enterprise Fund revenues total \$1.26 billion. This is the second largest source of revenue in the City's budget



## Enterprise Funds – Overview *cont'd*

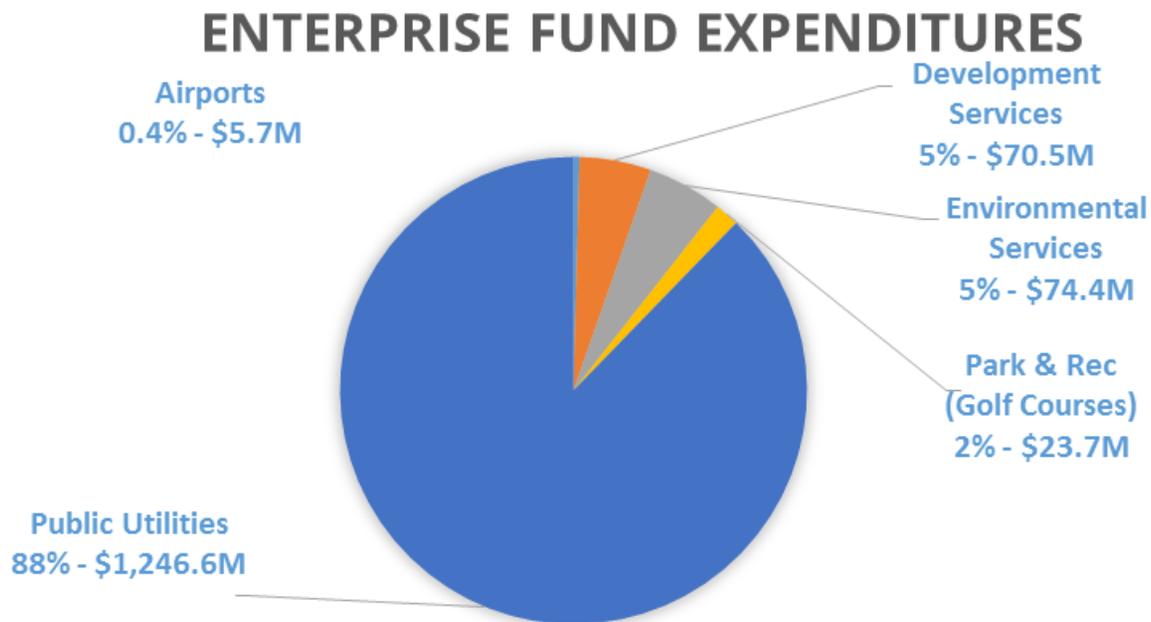
- Enterprise Fund departments and programs do not receive funding from general tax revenue
- Instead, these programs receive revenue from fees that are charged for the services, and these fees must be supported by a cost of service study
- California law – Proposition 218 and Proposition 26 – requires that fees collect no more revenue than is necessary to support services, and fees be approved either by voters or by the voters elected representatives (in San Diego, the City Council)

## Enterprise Funds – Overview *cont'd*

- Revenue from these fees therefore does not support or subsidize other City programs, and must be spent on the service it is paid for
- Four City Departments are funded primarily through enterprise funds:
  - Airports
  - Development Services
  - Environmental Services
  - Public Utilities
- The Parks & Recreation Department's Golf Courses are also funded through an Enterprise Fund

## Enterprise Funds – Overview *cont'd*

- Of these departments, Public Utilities accounts for the vast majority of expenditures
- We will therefore look more closely at them in the following slides



## Enterprise Funds – Public Utilities

*The Public Utilities Department (PUD) is responsible for providing water and sewer services to City residents and businesses*

- Its FY 2018 budget includes 1,650 FTE positions, \$875.8 million in operating expenditures, and \$373.3 million in capital expenditures
- PUD actually consists of 3 separate enterprise funds:
  - Water Fund – Revenues come from water bills
  - Municipal Wastewater Fund – Revenue comes from sewer users
  - Metropolitan Wastewater Fund – Revenue comes from agencies outside the City that still send wastewater to the City's treatment plants

## Enterprise Funds – Public Utilities *cont'd*

- Revenue from each source is used to provide those specific services – revenues being received from City water ratepayers is not used to pay for the treatment of outside agencies' wastewater
- On a roughly 5-year cycle, the Public Utilities Department reviews the water and sewer rates that it charges customers to ensure that they are appropriate and that there is a nexus between the rates charged and the services provided

## Enterprise Funds – Public Utilities *cont'd*

- A number of things influence rates:
  - Costs to build and maintain infrastructure – pipes and pump stations and treatment plants – necessary to provide water and sewer service
  - Costs to purchase water
  - Costs associated with regulatory mandates
  - Financing costs and debt-service coverage associated with bonds used to fund large capital projects
  - Future projects and programs

## Enterprise Funds – Public Utilities *cont'd*

- All these inputs are used in development of a Cost of Service Study which details the rates necessary for continued service – if costs go down, rates should down; if costs go up, rates should go up
- Per Proposition 218, any changes in rates ultimately must be approved by the City Council

# City Infrastructure

*The City owns and maintains a variety of infrastructure assets*

- Streets and sidewalks
- Libraries
- Park and recreation facilities
- Police, fire, and lifeguard facilities
- Storm drainage and flood control facilities
- Water and sewer facilities and pipelines
- Street lights and traffic signals
- Three golf courses and two airports

# Infrastructure Support Provided through the Capital Improvement Program (CIP)

*The City's CIP is composed of capital improvement projects and their funding sources*

- CIP projects are construction projects that provide tangible, long-term improvements or additions of a permanent nature
- CIP projects do NOT include routine maintenance
- Public input is one way to identify project needs
- CIP projects are prioritized according to Council Policy

# Infrastructure Support Provided through the CIP *cont'd*

- The Public Works Department implements most capital improvement projects
  - Engineering & Capital Projects Branch: 715.80 FTE positions
  - Contracts: 21.00 FTE positions
  - General Services – Facilities: 160.00 FTE positions



# Key Capital Expenditures for FY 2018

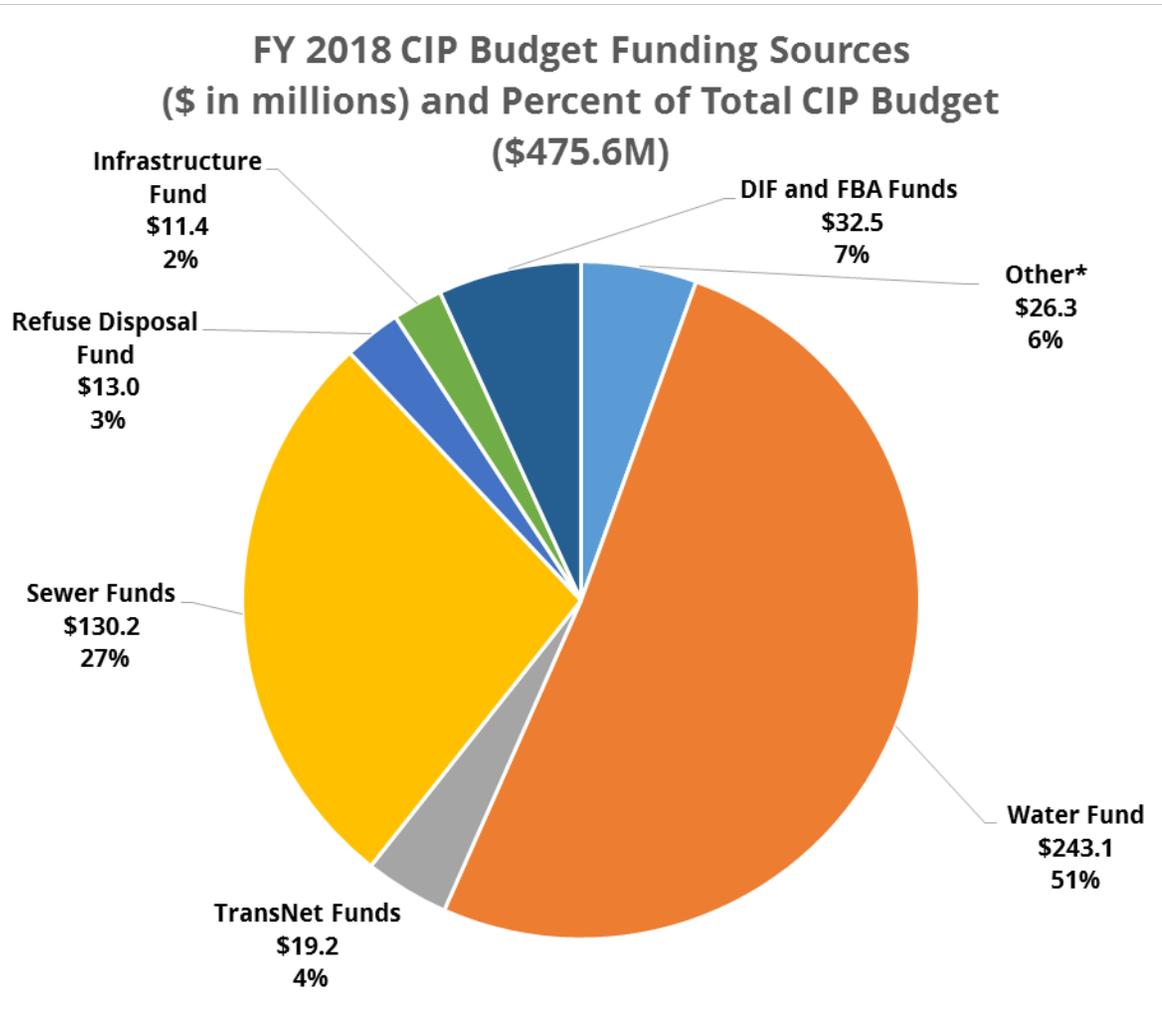
*FY 2018 CIP budget is \$475.6 million*

Department or Division	FY 2018 Adopted Budget (\$ in millions)
Airports	\$ -
Citywide	3.4
Environmental Services	14.2
Fire-Rescue	1.0
Library	2.6
Park & Recreation	44.7
Police	-
Public Utilities	370.7
Public Works-General Services	4.8
Transportation & Storm Water	34.3
<b>Total</b>	<b>\$ 475.6</b>

- Total multi-year CIP: \$8.02 billion
- Includes funding appropriated in prior fiscal years, current year funding, and funding needed in future years to complete projects

# Key Revenues for FY 2018

*CIP projects are supported by a variety of funding sources*



- Funded projects largely driven by available funding

# Major Challenges to the CIP

## *Limited Resources and Competing Priorities*

- Limited discretionary funding available in the CIP
- Needs significantly exceed available funding: \$1.58 billion funding gap over 5 years
- Policy decisions are made that fund certain asset types over others, given limited resources

# Major Challenges to the CIP *cont'd*

## *Growing Infrastructure Backlog*

- Condition assessments have improved identification of the City's growing infrastructure needs
  - \$426.0 million to bring leased City buildings to good condition
  - \$24.8 million to bring park amenities to good condition
- Assessments are point-in-time estimates which increase over time if needs are left unaddressed
- Development of asset management plans will continue to refine the City's infrastructure needs

# Major Challenges to the CIP *cont'd*

## *Bond Funding*

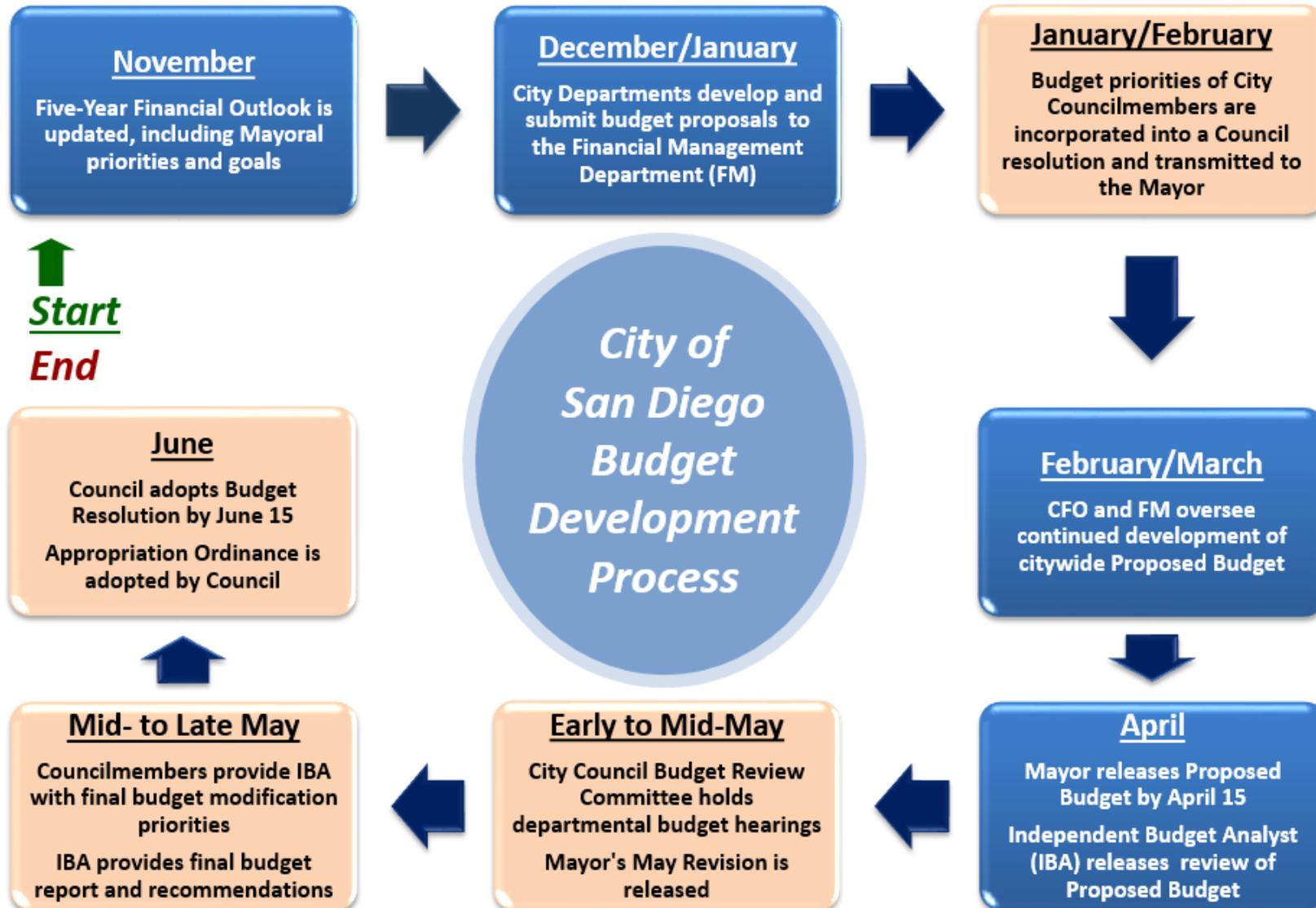
- Lease revenue and general obligation bonds are most commonly used to finance public infrastructure
- City relies upon lease revenue bonds; last issued in FY 2015
- Initial plan for additional issuances delayed due to remaining bond fund balances
- GO bonds offer a possible financing option but require two-thirds voter approval

# CIP: Looking Forward

## *Difficult to Optimally Maintain City Capital Assets*

- Significant funding gap for asset needs that rely upon limited flexible funding available
- Infrastructure needs continue to grow
- Financing options to meet needs available, but are limited by:
  - Capacity to deliver projects
  - Whether option requires voter approval

# FY 2019 Budget Development Process





# FY 2019 Budget Development Process *cont'd*

*Budget development begins in the fall of each year and ends in June when the Council adopts the budget*

- October/November: CIP budget development process begins
- November:
  - Five-Year Financial Forecast released
  - Proposed budget development begins
- January:
  - Five-Year CIP Forecast released
  - City Council budget priorities developed

# FY 2019 Budget Development Process *cont'd*

- February/March:
  - Approved City Council budget priorities sent to Mayor for consideration in the Proposed Budget
  - Mid-Year Budget Monitoring discussed at Council
- April:
  - Mayor's Proposed Budget released by April 15
  - IBA's review of the Proposed Budget released two weeks later
- May:
  - City Council Budget Review Committee hearings held, including one evening meeting
  - Mayor's May Revision to the Proposed Budget released

# FY 2019 Budget Development Process *cont'd*

- May (*cont'd*):
  - Mayor's Year-End Budget Monitoring report released
  - City Councilmembers send final budget priority memoranda to IBA
- June:
  - IBA releases final budget recommendations report
  - City Council adopts the budget by June 15
  - Mayor has five business days to veto all or part of the Adopted Budget
  - Council has five business days to override all or part of the Mayor's veto (six votes needed)



# Mayor's FY 2019-2023 Financial Outlook

*Released in November, deficits were projected for FY 2019-2021, when accounting for baseline growth and the Mayor's critical, strategic expenditures*

Summary of Key Financial Data (\$ in Millions)					
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Property Tax	\$563.7	\$590.2	\$622.6	\$651.6	\$679.9
Sales Tax	\$281.8	\$289.7	\$297.5	\$305.5	\$313.5
Transient Occupancy Tax	\$130.6	\$138.1	\$145.8	\$153.8	\$162.0
Franchise Fees	\$77.6	\$79.0	\$80.3	\$81.6	\$82.9
All Other Revenue Categories	\$380.6	\$389.2	\$404.2	\$415.1	\$426.6
<b>BASELINE GENERAL FUND REVENUES</b>	<b>\$1,434.3</b>	<b>\$1,486.1</b>	<b>\$1,550.4</b>	<b>\$1,607.6</b>	<b>\$1,664.8</b>
Salaries & Wages	\$549.5	\$550.4	\$551.1	\$551.0	\$550.5
Recognized Employee Organization Agreements	\$40.3	\$66.6	\$72.1	\$72.1	\$72.1
Retirement Actuarially Determined Contributions (ADC)	\$227.5	\$239.3	\$248.5	\$248.3	\$248.3
All other Personnel Expenditures	\$192.7	\$197.3	\$201.2	\$203.2	\$205.2
Non-Personnel Expenditures	\$400.0	\$409.6	\$420.2	\$433.3	\$444.8
Charter Section 77.1 - Infrastructure Fund	\$16.9	\$17.7	\$20.7	\$19.2	\$0.0
Reserve Contributions	\$5.0	\$14.9	\$15.1	\$17.4	\$17.3
<b>BASELINE GENERAL FUND EXPENDITURES</b>	<b>\$1,431.9</b>	<b>\$1,495.7</b>	<b>\$1,528.8</b>	<b>\$1,544.5</b>	<b>\$1,538.3</b>
<b>BASELINE REVENUE (LESS)/ GREATER THAN EXPENDITURES</b>	<b>\$2.4</b>	<b>(\$9.6)</b>	<b>\$21.6</b>	<b>\$63.1</b>	<b>\$126.5</b>
<b>CRITICAL STRATEGIC EXPENDITURES</b>	<b>\$12.5</b>	<b>\$25.0</b>	<b>\$41.5</b>	<b>\$57.5</b>	<b>\$67.2</b>
<b>(AMOUNT TO BE MITIGATED) / AVAILABLE RESOURCES</b>	<b>(\$10.1)</b>	<b>(\$34.6)</b>	<b>(\$19.8)</b>	<b>\$5.6</b>	<b>\$59.3</b>

# Mayor's FY 2019-2023 Outlook: General Fund Baseline

*Baseline revenues and expenditures are projected to grow over the Outlook period*

- Baseline revenues:
  - Major General Fund revenues are projected to have slowing growth in each year of the Outlook
  - A major economic downturn (recession) is noted in the Outlook as a possibility, but is not included in revenue projections
  - Our Office agrees with the slowing growth projections; however, we note that property tax, sales tax, and TOT revenue projections in fiscal years 2021-2022 are substantially higher than in the previous year's Outlook

# Mayor's FY 2019-2023 Outlook: General Fund Baseline *cont'd*

- Baseline expenditures:
  - FY 2023 General Fund Baseline expenditure projection is an increase of \$104.5 million, or 7.3%, over the FY 2018 Adopted Budget
  - No programmatic increases in the Baseline
  - Significant increases due to:
    - Compensation increases with the City's recognized employee organizations
    - Projected growth in contracts
    - Projected growth in energy and utilities expenditures



# Five-Year Outlook: Mayor's Critical Strategic Expenditures

Mayor's Critical Strategic Expenditures Included in Outlook

General Fund		FY 2019	Total Outlook Period
Baseline Revenues		\$ 1,434,313,822	\$ 7,743,295,804
Baseline Expenditures		1,431,925,069	7,539,265,426
<b>Outlook Baseline Surplus/(Deficit)</b>		<b>\$ 2,388,754</b>	<b>\$ 204,030,378</b>
<b>Mayor's Critical Strategic Expenditures (Net Total)</b>			
<b>City Clerk</b>	Replace and maintain electronic voting system and audio-visual equipment	\$ -	\$ 520,000
<b>Deputy Chief Operating Officer</b>	Addition of new DCOO position responsible for large public project coordination and priorities	310,050	1,576,194
<b>Special Projects</b>			
<b>City Treasurer</b>	Cannabis business tax program administration	275,773	1,415,089
<b>Citywide Program Expenditures</b>	Debt service for the General Fund's Capital Improvements Program	20,000	27,210,000
<b>Environmental Services</b>	Elimination of the tipping fee discount at the Miramar Landfill	-	2,100,000
<b>Fire-Rescue Department</b>	Fire dispatcher staffing	658,875	3,361,579
	Replace one helicopter	1,700,000	10,900,000
	Institution of peak hour engines	-	22,142,297
	Funding for operational staffing of fire stations scheduled to complete construction during the Outlook period	925,000	17,683,997
<b>Fleet Operations</b>	Increase to charges to the General Fund for planned replacement of the City's fleet	-	53,264,411
<b>Hepatitis A Response<sup>1</sup></b>	Expenses related to the City's response to the Hepatitis A outbreak, including street sanitation	2,665,884	5,462,748
<b>Homelessness</b>	General Fund support for safe parking program	338,000	507,000
<b>Information Technology</b>	Baseline adjustments	(682,825)	(3,414,125)
	Motorola public safety contract	478,500	4,306,500
	Cyber security initiative support	58,177	297,549
<b>Library</b>	Staffing and operating costs for new facilities	142,809	4,880,072
<b>Park &amp; Recreation</b>	Addition of staffing and operating costs for new facilities	2,167,505	20,550,431
	MADs Proposition 218 compliance/general benefit	192,861	1,060,735
<b>Performance and Analytics</b>	311 Customer Experience (Get it Done) Phase 1 expansion	686,355	3,508,686
<b>Planning</b>	Middle Income Density Bonus Program	250,000	250,000
<b>Police</b>	Addition of civilian positions and equipment	991,432	5,052,892
	New equipment: body worn cameras and tasers	-	4,296,560
<b>Transportation &amp; Storm Water</b>	Pothole repair	170,000	1,170,628
	Pipe maintenance and repair	765,080	3,909,144
	Street sweeping	107,716	2,691,490
	Slurry seal maintenance	-	7,800,000
	Stop guide	250,000	250,000
	Pavement assessment	-	800,000
<b>Mayor's Critical Strategic Expenditures (Net Total)</b>		<b>12,471,192</b>	<b>203,553,877</b>
<b>Net Surplus/(Deficit)</b>		<b>\$ (10,082,438)</b>	<b>\$ 476,501</b>

<sup>1</sup>Since the Outlook was released, Financial Management has updated its projections related to Hepatitis A sanitation services. Updated projections for the Hepatitis A response, including Department response efforts and the sanitation contract, total approximately \$3.3 million in FY 2019 and \$8.5 million over the Outlook period.

# Five-Year Outlook: Mayor's Critical Strategic Expenditures *cont'd*

*Critical strategic expenditures in the Outlook total \$203.6 million over five years*

- Deficits now projected in three years of the Outlook:
  - FY 2019: \$10.1 million deficit
  - FY 2020: \$34.6 million deficit
  - FY 2021: \$19.8 million deficit



# Potential Funding Needs Not Included in the Outlook, Identified in IBA Report 17-39

**Projected and Potential Expenditures in the FY 2019-FY 2023 Outlook Period**

<b>General Fund</b>		<b>FY 2019</b>	<b>Total Outlook Period</b>
Baseline Revenues		\$ 1,434,313,822	\$ 7,743,295,804
Baseline Expenditures		1,431,925,069	7,539,265,426
<b>Outlook Baseline Surplus/(Deficit)</b>		<b>\$ 2,388,754</b>	<b>\$ 204,030,378</b>
<b>Mayor's Critical Strategic Expenditures (Net Total)</b>		<b>12,471,192</b>	<b>203,553,877</b>
<b>Net Surplus/(Deficit)</b>		<b>\$ (10,082,438)</b>	<b>\$ 476,501</b>
<b>Selected Department Five-Year Requests not Included in the Outlook</b>			
Environmental Services	Code Enforcement - CAP/Zero Waste	\$ 313,924	\$ 1,597,512
Fire-Rescue	Operations Funding for New Fire Stations (Fairmount and Paradise Hills)	-	12,978,532
Information Technology	PC Replacement	656,700	2,566,700
	Run the Business projects - OneSD	1,178,935	7,621,468
	Run the Business projects - IT Fund	389,880	1,187,500
Infrastructure Asset Management	IAM Support for Several Departments	883,027	4,478,199
Library	Janitorial Services for the Central Library	129,744	688,829
	Security Services	287,602	1,526,918
Performance & Analytics	Get it Done - Phase II	-	1,025,000
Personnel	Additional Staff Support	902,002	4,603,394
Planning	Climate Adaptation Plan	310,000	500,000
Police	Sworn and Civilian Positions	-	36,983,647
	Motorola Radio Replacement	1,729,221	8,646,105
Purchasing & Contracting	Animal Services Contract	147,318	753,370
Transportation Storm Water	Storm Water Permit Compliance Projects	13,319,859	98,219,152
<b>Total Selected Department Five-Year Requests not Included in the Outlook</b>		<b>20,248,212</b>	<b>183,376,325</b>
<b>Net Surplus/(Deficit)</b>		<b>\$ (30,330,650)</b>	<b>\$ (182,899,824)</b>

# Potential Funding Needs Not Included in the Outlook, Identified in IBA Report 17-39 *cont'd*

- Other items of interest not included in the Outlook that may be of interest to the City Council or the community based upon prior budget discussions:
  - Increases in Commission for Arts & Culture funding
  - Graffiti abatement: Environmental Services pilot program and Transportation & Storm Water funding to address graffiti abatement requests within 5 days
  - Expanded recreation center hours
  - Tree planting and trimming

# Five-Year Outlook: Potential Resources and Mitigation Actions

*Included in the Outlook and our review, are possible actions to address the projected deficit*

- Budget reductions of 2% requested from departments with a General Fund impact
- Use of reserves in excess of policy targets
- Use of fund balance (Excess Equity) – Mayor may recommend allocating Excess Equity at the Mid-Year
- Alternate replenishment plan for the Pension Reserve
- One-year suspension of funding the Infrastructure Fund

# Five-Year Outlook: Potential Resources and Mitigation Actions *cont'd*

- Increase to the Storm Drain Fee rates
  - SB 231 clarifies that storm drains and storm water systems are included under the definition of sewers
  - This change allows the City Council to adjust storm water and storm drain fees
  - An increase of \$1.00 per parcel per month would generate an additional \$6 million year; therefore an increase in the fee from \$0.95 to \$5.00 per parcel per month would generate an additional \$24.3 million per year
  - Council could consider requesting additional information or a proposal on adjusting the City's Storm Drain Fee

# Five-Year Outlook: Future Challenges

*The General Fund continues to face a number of pressures/challenges over the coming years*

- The City's annual pension payment
- Police officer recruitment and retention
- Homelessness
- Maintaining City service levels and expectations
- Infrastructure needs
- Storm Water needs
- Voter attitude towards tax increases
- Reliance on revenue susceptible to economic change



# The FY 2019 Budget – Opportunities for Public Input

*There are a number opportunities for public input on the budget throughout the year, but especially in the January – May timeframe*

- Contact the Mayor during the budget development/May Revision process (October/April)
- Contact Councilmembers at any point in the year, but especially:
  - September: for **capital project priorities** prior to the Mayor's request for Councilmember CIP input
  - November: as part of Council's review of the Five-Year Forecast

# The FY 2019 Budget – Opportunities for Public Input *cont'd*

- Contact Councilmembers at any point in the year (*cont'd*):
  - January: prior to the release of Councilmember budget priorities
  - May:
    - Participate in Budget Review Committee hearings (May 2-9; plus City Council meeting May 14 at 6:00pm)
    - Contact Councilmembers prior to them sending their final budget priority memoranda to the IBA on May 21
    - Attend Council District Town Halls or budget discussions
  - Throughout the year:
    - Review Mayoral or IBA budget reports released
    - Contact the IBA with any questions



# More City of San Diego Budget Information

*Information on the City's budget and other legislative items can be found on the IBA website*

- IBA reports and a full list of key budget dates are online: <https://www.sandiego.gov/iba>
- Call our office for additional information: 619-236-6555
- City of San Diego budget visualization tool (charts and graphs displaying budget data by year): <https://sandiegoca.opengov.com/>
- City of San Diego budget document (Proposed and Adopted): <https://www.sandiego.gov/fm>