

RESOLUTION NUMBER R- 306181

DATE OF FINAL PASSAGE OCT 08 2010

RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO ADOPTING A STATEMENT OF BUDGETARY PRINCIPLES CONSISTENT WITH THE PRINCIPLES CALLED FOR IN THE CITIZEN'S FISCAL SUSTAINABILITY TASK FORCE ANALYSIS OF PROPOSITION D – REFORM IMPACT.

WHEREAS, the City has prepared a Five-Year Financial Outlook every year since fiscal year 2007; and ✓

WHEREAS, the Five-Year Financial Outlook has projected a structural budget deficit in the tens of millions of dollars or greater for each year included in each of the Outlooks; and ✓

WHEREAS, the Mayor and the City Council has balanced each individual fiscal year's budget through a combination of permanent reductions and the use of one-time savings; and ✓

WHEREAS, some of the permanent reductions include the elimination of over 1,400 full-time equivalent positions and the enactment of over \$330 million in savings of which approximately \$200 million were in permanent, ongoing savings; and ✓

WHEREAS, a significant portion of the annual savings have come through the implementation of reforms and operational efficiencies, while attempting to preserve vital City services; and ✓

WHEREAS, the national, state and local economies have been negatively impacted by the nation's worst recession since the Great Depression; and ✓

WHEREAS, the City of San Diego has seen its revenues decline by over \$67 million annually since its revenues peaked in fiscal year 2008, and has seen its financial obligations grow due to declines in the real estate and stock markets; and

WHEREAS, the Mayor and City Council strongly believe that without a combination of additional reforms and a new revenue stream, City services such as fire, police, 9-1-1 emergency calls, branch library hours and park and recreation programs will experience further significant reductions in fiscal year 2012, and

WHEREAS, the Mayor and City Council have placed on the November 2, 2010 ballot Proposition D, which requires completion of ten reform conditions before a temporary (five-years) one-half cent sales tax can be implemented; and

WHEREAS, it has been estimated the savings that could be achieved through the implementation of these reforms may be as high as \$85.5 million annually; and

WHEREAS, it has been confirmed by the Citizen's Fiscal Sustainability Task Force Analysis of Proposition D (attached hereto as Exhibit A) that neither reforms alone nor the collection of a temporary one-half cent sales tax alone will solve the City's long-term structural budget deficit; and

WHEREAS, it has also been determined by the Citizen's Fiscal Sustainability Task Force Analysis of Proposition D that without meaningful savings from the reforms called for in Proposition D or other cost cutting measures, the temporary sales tax will only resolve the City's structural budget deficit for the five-year duration of the sales tax; and

WHEREAS, it has been calculated given the financial information known today that the City needs to reduce its annual spending/costs by an average of \$73 million to ensure that the

structural budget deficit is eliminated following the expiration of the temporary one-half cent sales tax; NOW, THEREFORE, ✓

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

Upon the passage of Proposition D, the Council hereby adopts the following principles consistent with the Citizen's Fiscal Sustainability Task Force Analysis of Proposition D –

Reform Impact:

a. Enactment of operational reforms, efficiencies and other budget reductions that produce an average annual savings of \$73 million below the Mayor's Five-Year Financial Outlook as presented in April 2010, as verified by the Mayor, Independent Budget Analyst, and Independent City Auditor. ✓

b. For the duration of the collection of the temporary one-half cent sales tax, implementation of a spending freeze that permits service restorations above those enacted in the fiscal year 2011 budget and consistent with the Mayor's Five-Year Financial Outlook as presented in April 2010, that cumulatively costs no more than \$20 million per year, adjusted annually for inflation, as verified by the Mayor and Independent Budget Analyst. ✓

c. For the duration of the collection of the temporary one-half cent sales tax, adoption of budget discipline which ensures that, in the event of any future one-year temporary budget surplus, a minimum of 50% of such surplus will be utilized to either fund General Fund related reserves and/or to pay down General Fund debt, while any remaining surplus may be expended on critical infrastructure requirements or important one-time expenditures that do not impact future budget year expense run rates. ✓

APPROVED: JAN I. GOLDSMITH, City Attorney

By Josephine A. Kiernan
Josephine A. Kiernan
Deputy City Attorney

JAK:als
10/05/10
Or.Dept:Mayor
R-2011-303
PL#2010-02665

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of OCT 4 2010.

ELIZABETH S. MALAND
City Clerk

By [Signature]
Deputy City Clerk

Approved: 10-8-10
(date)

[Signature]
JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor