

EXECUTIVE SUMMARY

City Council Budget Priorities for Fiscal Year 2012

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: January 21, 2011

IBA Report Number: 11-02

Budget and Finance Committee Meeting Date: January 26, 2011

Item Number: 10

City Charter Section 265(b)(15) requires the Mayor to propose a budget to the City Council and the public by April 15 of each year. The City Council then holds a series of budget hearings to obtain public input, and to request additional information and discuss budget priorities with the Mayor and City management. Following the budget hearing process, the City Council may make modifications to the Mayor's proposed budget. For development of the FY 2012 budget, hearings will be held Wednesday, May 4 through Friday, May 6, 2011, and potentially Thursday, May 12 and Friday, May 13, if needed.

Each year since February 2006, the Council has submitted its budget priorities to the Mayor for consideration in the development of his proposed budget. Typically the Council's priorities have taken the form of a resolution accompanied by individual Councilmembers' priorities memoranda and a report prepared by the IBA. This year, Councilmembers were requested to submit their priorities for the Fiscal Year 2012 Budget to Budget and Finance Committee Chair Todd Gloria.

This report compiles the individual budget priorities of each Councilmember, which are provided as an attachment, and identifies five common themes which are proposed to represent the budget priorities of the entire City Council:

- **Completing the Fiscal Reforms as Outlined in Proposition D**
- **Protecting Public Safety**
- **Adhere to Guiding Principles for Structural Budget Deficit Elimination**
- **Identifying and Funding Mandated and/or Core Services**
- **Full Cost Recovery for Programs Supported by Fees**

This report also summarizes the various methods utilized in recent years to solicit citizen input in order to assist the Council in determining its budgetary priorities, including San Diego Speaks community input process and last year's professionally administered citizen survey.

It is recommended that the Budget and Finance Committee review and discuss the areas highlighted in this report, and forward it to the City Council with any desired direction, for the preparation of a budget priorities resolution for FY 2012 to be adopted by the City Council for transmission to the Mayor.

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City Council Budget Priorities for Fiscal Year 2012

OVERVIEW

City Charter Section 265(b)(15) requires the Mayor to propose a budget to the City Council and the public by April 15 of each year. The City Council then holds a series of budget hearings to obtain public input on spending priorities, and to request additional information and discuss the City Council's budget priorities with the Mayor and City management. At the conclusion of the budget hearing process, the City Council may make modifications to the Mayor's proposed budget.

On November 16, 2010, the City Council adopted the schedule of meetings for the City Council and its committees for calendar year 2011, including the key budget process dates for the development and approval of the City's budget for Fiscal Year 2012 (which covers the period starting July 1, 2011 and ends June 30, 2012). Based on the recently adopted schedule, budget hearings will be held Wednesday, May 4 through Friday, May 6, 2011, and potentially Thursday, May 12 and Friday, May 13, if needed.

At the time the City prepared to move to the Strong Mayor/Strong Council form of government, the Mayor – City Council Transition Committee recommended that the City Council adopt by resolution its budgetary priorities for submission to the Mayor by February 1 of each year. The City Council added this step in the process beginning in 2006.

This year, Councilmembers were requested to submit their priorities for the Fiscal Year 2012 Budget to Budget and Finance Committee Chair Todd Gloria. These budget priorities, as outlined in this report, are scheduled to be discussed by the Budget and Finance Committee at its meeting of January 26, 2011, and are requested to be forwarded to the City Council for its consideration.

This report compiles the individual budget priorities of each Councilmember as stated in each of their memorandums. The memos are provided as Attachment 3 to this report. Common themes can be identified that can then represent the budget priorities of the entire City Council, and can be used as the basis for a budget priorities resolution to be adopted by the City Council for transmission to the Mayor. This report also summarizes the various methods utilized in recent years to solicit citizen input in order to assist the Council in determining its budgetary priorities.

It is recommended that the Budget and Finance Committee review and discuss the areas highlighted in this report, and forward it to the City Council with any desired direction, for the preparation of a budget priorities resolution to be adopted by the City Council.

FISCAL/POLICY DISCUSSION

Recent History of Establishing Council Budget Priorities

Beginning in February 2006, the Council's budget priorities have taken the form of a resolution accompanied by individual Council members' priorities memoranda and a report prepared by the IBA. The IBA reports have provided a high level summary of the memos and highlighted for the Mayor the highest priority areas of the Council.

In January 2007, in preparation for FY 2008 budget development, the entire City Council participated in a two-hour facilitated Strategic Budget Prioritization process, utilizing polling technology which quickly and anonymously evaluated Council members' perspectives, in the aggregate, on key City services, critical issues and alternative budget solutions. That year the resolution and IBA report which were presented to the Mayor reflected the results of this public prioritization process along with the individual Council memoranda.

In January 2009, Budget and Finance Committee Chairman Tony Young expressed interest for the Budget and Finance Committee to host a series of community meetings that would allow for citizen input prior to the formulation of the Mayor's proposed budget. As a result, a series of community meetings were held, and a citizen participation survey was available at the community meetings, as well as on the City's website. This community input process became known as "San Diego Speaks", and a second series was held again during Fiscal Year 2010.

This survey asked respondents to prioritize City services, display preferences for specific services, indicate which services they felt could be reduced or eliminated, and asked which services they may be willing to pay more. While the results were informative, it was recommended that future surveys be conducted by professionals to conduct a random scientific survey to ensure results better represent the community as a whole.

In 2010, the IBA worked with Behavior Research Center, Inc. (BRC), an independent firm that provides market and public opinion research and consulting services, to develop an improved survey, aimed to gauge citizen opinions on the priority of and satisfaction with services being provided by the city and their willingness to pay more to maintain

city service levels. The results of the professional survey were issued in April 2010 (IBA Report No. 10-34), and are useful to consider now as the Council develops and finalizes its budgetary priorities for FY 2012. Key results from the survey are summarized here.

When San Diego residents were asked how essential they consider each of 17 City services, five services received “absolutely essential” ratings from a majority of residents:

- Fire services
- Police services
- Emergency medical services
- Residential trash collection services
- Fire prevention programs

When asked their level of satisfaction with each of 25 services provided by the City, San Diego residents scored these four services with the lowest ratings:

- Conditions of neighborhood sidewalks
- Efforts to address homelessness
- Condition of City streets
- Downtown parking availability

After residents evaluated each of the 25 service areas under consideration, they were asked to indicate whether they would or would not be willing to pay more through taxes or fees in order to maintain them or avoid further cuts. Four services were mentioned by at least a majority of residents as areas where they would be willing to pay more:

- Fire response to calls for service
- Police response to calls for service
- Condition of City streets
- Maintenance of parks and its facilities

When asked if they approve or disapprove of each of six strategies to deal with the City’s budget deficit, the following strategy received approval from 74 percent of residents:

- Use more private contractors, implement managed competition

Two additional strategies also received approval from a majority of residents, but also generated significant disapproval ratings:

- Generate new revenue through increased fees to help avoid service reductions
- Combination of new revenues and service cuts

The survey results have been useful over the past several months as the Mayor and City Council have evaluated various budgetary solutions. The results highlight the importance of public safety to residents, as well as their dissatisfaction with the current conditions of sidewalks and streets, and their interest in pursuing managed competition and/or the use of private contractors.

The IBA continues to recommend that this type of survey be conducted on a regular basis, as this would allow the City to determine if opinions have changed over time, and if efforts to address areas of concern have been effective. Conducting this same survey

during FY 2012 would allow this type of assessment and comparison with the 2010 results.

FY 2012 Council Budget Priorities

In reviewing the memorandums submitted by each Councilmember, it became clear that many areas were consistently mentioned as budgetary priorities, either specifically or that could be captured in one of the following five categories:

Completing the Fiscal Reforms as Outlined in Proposition D

Proposition D on the November 2010 ballot proposed a temporary half-cent sales tax after certain conditions were met (Attachment 1). While Proposition D failed, several Councilmembers state that the ten reforms outlined in the measure should be completed. Some reforms as specifically written in Proposition D have been completed, while many others are underway. The following items were specifically mentioned in several Councilmembers' memoranda, and are either contained in the ten reforms, or can be considered related:

- Pension Reform
- Retiree Health Care Reform

Protecting Public Safety

Ensuring public safety is adequately staffed and funded has been an ongoing concern of the Council, and was mentioned by most Councilmembers in their respective memos, with specific references including:

- Restore funding to eliminate rolling brownouts in the Fire-Rescue Department
- Retain civilian staffing in the Police Department
- Reestablish lifeguard training and relief staff

Adhere to Guiding Principles for Structural Budget Deficit Elimination

In February 2010, the City Council adopted eleven Guiding Principles to assist in the development of a comprehensive Structural Budget Deficit Elimination Plan (Attachment 2). Several Councilmembers cited the importance of abiding by the Guiding Principles explicitly, or included the following items, which are contained in the Principles:

- Commit to using more structural changes than one-time fixes
- Implement Managed Competition
- Examine departments for greater efficiency and innovation
- Achieve 100% cost recovery for programs supported by fees
- Establish process to identify and prioritize deferred maintenance needs
- Improve and provide performance measures and service level information

Identifying and Funding Mandated and/or Core Services

The identification of the City's core services is also reflected in the Guiding Principles which refers to a prioritization of City services as required by the Charter. Core services received specific mention in Councilmember memos as follows:

- Provide adequate workforce and staffing levels necessary to meet our obligations and deliver core services
- Meet the City's mandated obligations

- Investigate option of leasing City owned golf courses and airports
- Prioritization of neighborhood parks and recreation centers

Full Cost Recovery for Programs Supported by Fees

Seeking full cost recovery for fee-supported programs is also included in the Guiding Principles and deserves separate mention due to the large number of specific fees and programs described by several Councilmembers in their memos:

- Implement cost recovery for false fire alarms
- Ensure full cost recovery for false police alarms
- Consider user fee or reservation fee for beach fire rings
- Assure Special Events cost-recovery
- Complete comprehensive user fee update

Other issues outlined in Councilmember memos include expansion of the use of volunteers, cost of service studies for new fees including storm water and trash collection, establishment of parking fees at beaches and parks, funding for City Auditor staff, support for efforts to encourage small business, expanding the use of marketing partnerships, and development of a comprehensive financial plan for the Centre City Redevelopment Project Area. In his memo, Councilmember DeMaio made reference to his recently issued “Roadmap to Recovery” which contains specific budget-balancing actions and reform solutions.

CONCLUSION

It is recommended that the Budget and Finance Committee review and discuss the areas highlighted in this report, and forward it to the City Council with any desired direction, for the preparation of a budget priorities resolution for FY 2012 to be adopted by the City Council for transmission to the Mayor.

The IBA continues to recommend that a professionally administered citizen survey be conducted on a regular basis, as this would allow the City to determine if opinions have changed over time, and if efforts to address areas of concerns have been effective. Conducting the 2010 survey again during FY 2012 would allow this type of assessment and comparison with prior results.

[SIGNED]

 Elaine DuVal
 Fiscal & Policy Analyst

[SIGNED]

 APPROVED: Andrea Tevlin
 Independent Budget Analyst

Attachments:

1. Financial Reform Conditions as Outlined in Proposition D November 2010 Ballot
2. Structural Budget Deficit Elimination Plan Guiding Principles
3. City Council Fiscal Year 2012 Budget Priorities Memoranda

**FINANCIAL REFORM CONDITIONS AS OUTLINED IN PROPOSITION D
NOVEMBER 2010 BALLOT**

1. Ordinance to Eliminate Employee Retirement Offsets for Elected Officials and Unrepresented City Employees: An ordinance has been adopted to eliminate retirement offsets for elected officials and those City employees who are not represented by a labor organization. "Retirement offsets" means the amount of an individual's retirement system contribution which the City agrees to pay on behalf of the individual.
2. Complete Managed Competition Guide: The City has adopted a Managed Competition Guide, by ordinance, to allow the City to implement a managed competition process pursuant to San Diego Charter section 117(c) involving services such as, solid waste collection, print shop and publishing services, auto and fleet maintenance, landscaping and facilities operations and maintenance.
3. Complete DROP Cost Neutrality Study. The Mayor has completed a Deferred Retirement Option Plan (DROP) cost neutrality study, presented the findings to the City Council and, if said findings are that DROP is not cost neutral, the City will initiate "meet and confer" to make DROP cost neutral. Cost neutral means that the present value of the City's share of costs for all compensation and benefit programs of the City of San Diego with DROP included is less than or equal to 102% of the present value of what those costs would be in the absence of DROP.
4. Solicit Request for Qualifications to Take Over Miramar Landfill Operations/Lease. The Mayor has solicited Requests for Qualifications from qualified bidders to assume the operations of the Miramar Landfill.
5. Eliminate Terminal Leave for all City Employees. The City has adopted an ordinance eliminating terminal leave for all City employees. Under the ordinance, upon separation from the City, an employee may only cash out accrued leave.
6. Reduce Retirement Offset for Represented City Employees. The City has reduced the total cost of Retirement Offsets existing as of June 30, 2010, for employees represented by labor organizations. "Retirement offsets" means the amount of an individual's retirement system contribution which the City agrees to pay on behalf of the individual.
7. Reduce Retiree Health Costs. The City's future unfunded retiree health care liability existing on June 30, 2010, has been reduced. For purposes of this section, "future unfunded retiree health care liability" means the actuarial accrued liability based upon the retiree health care plan in effect on June 30, 2010.
8. Solicit Proposals to Take Over Information Technology Services. The Mayor has solicited proposals from qualified bidders to provide information technology services to the City which are provided by the San Diego Data Processing Corporation.
9. Establish Second Tier Pension Plan for Firefighters. The City has established a second tier pension plan for new employees represented by San Diego City Firefighters, International Association of Fire Fighters, Local 145 comparable to the terms of the plan currently in place for new employees represented by San Diego Police Officers Association as set forth at San Diego Municipal Code section 24.0403(i).
10. Adopt Ordinance for Voluntary Defined Contribution Pension Plan. The City has adopted an ordinance creating an alternative Defined Contribution Plan intended to reduce City costs from the current City retirement plan. The ordinance would allow all City employees to voluntarily select or switch from a current City retirement plan to the alternative Defined Contribution Plan, which may be subject to IRS and other governmental agency approvals, but obtaining such approval is not part of this condition.

STRUCTURAL BUDGET DEFICIT ELIMINATION
GUIDING PRINCIPLES
AS ADOPTED BY THE CITY COUNCIL (2/22/2010)
Resolution R-305615

1. Eliminate the General Fund structural budget deficit through a balanced approach of ongoing expenditure reductions and revenue generation, including identifying new revenue sources.
2. Until the City achieves its targeted General Fund reserve level of 8%, the City should not consider using reserve balances to balance any budget shortfall and should ensure that it does not drop below the current level of 7%.
3. Actively pursue alternative service delivery methods, including managed competition, efficiency improvements and elimination of service duplications.
4. Prepare a 5-year Outlook each year and provide numeric values for alternative budget balancing options based on input from City Council, Mayor, and IBA; be prepared each year to discuss alternative budget balancing options with the Budget Committee or City Council should the Outlook suggest an ongoing structural deficit.
5. One-time resources should be matched to one-time expenditures.
6. Achieve 100% cost recovery for programs and services that are intended to be fully cost recoverable through fees.
7. Reduce pension and retiree health care liability and annual City costs through the meet and confer process.
8. When deciding to construct new facilities or establish new programs, the City must take into consideration ongoing operation expenses and should identify ongoing funding to cover these expenses unless necessary to meet high priority needs.
9. Prioritize City services expenditures based on the City Charter requirements, Citizen Survey and other means of public input, benchmarking studies and departmental goals and performance data.
10. Maintain funding of the full annual required contributions (ARC) for the City's pension obligations in a manner compliant with City Charter and develop a plan to fully fund the Retiree Health Care ARC.
11. Develop a plan to fund deferred capital infrastructure and maintenance needs to reduce the current backlog, identify the level of funding necessary to prevent the problem from growing larger, and to reduce the potential of increasing costs to identify the level of funding. Discuss at Budget and Finance Committee a policy to calculate and identify the level of funding for deferred maintenance budget needs.



**OFFICE OF COUNCILMEMBER TODD GLORIA
COUNCIL DISTRICT THREE**

M E M O R A N D U M

DATE: January 18, 2011

TO: Andrea Tevlin, Independent Budget Analyst

FROM: Councilmember Todd Gloria *Todd Gloria*

SUBJECT: Budget Priorities for Fiscal Year 2012

As we prepare for the Mayor's release of the Five-Year Outlook and FY12 budget, I have asked my Council colleagues for their budget priorities. In order to facilitate the Council's adoption of formal budgetary recommendations, I am submitting to you the attached priorities memos. Under your guidance, the Budget and Finance Committee on January 26, will review a comprehensive list of priorities which will ultimately be voted upon by the full City Council and presented to the Mayor via resolution in February.

The lists of priorities were developed with full recognition of the fiscal constraints faced by the City. It is my hope that these priorities will guide our discussions and decision-making on the FY12 budget as we once again face the difficult task of balancing the challenges of living within our means, meeting our legal obligations and other responsibilities, and maintaining an appropriate level of city services for residents.

In addition to the ideas offered by my colleagues, I am submitting the following observations and recommendations for priorities in the FY12 budget:

- Complete the fundamental financial reforms established in Proposition D;
- Commit to using more structural changes than one-time fixes;
- Prioritize and protect public safety services;
- Provide adequate workforce and staffing levels necessary to meet our obligations and deliver core city services;
- Examine departments for greater efficiency and innovation;
- Comply with the guiding principles of our Structural Budget Elimination plan;
- Continue to monitor, implement and maintain recommendations provided in the Kroll Remediation Plan;
- Achieve 100% cost recovery for programs and services that are intended to be fully cost recoverable through fees;
- Establish a process to identify and prioritize deferred maintenance and unfunded procurement needs;

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Andrea Tevlin, Independent Budget Analyst

Budget Priorities for Fiscal Year 2012

January 18, 2011

- Improve and provide information about performance measure and service levels to enable us to make even better informed decisions; and
- Honor contractual commitments.

I have great confidence that these priorities will help to establish a foundation that will restore fiscal integrity in our City. I look forward to working together to ensure that the final budget once again puts the City on the path towards long-term fiscal health while protecting the core services that our residents deserve.

TG:pi

Attachments:

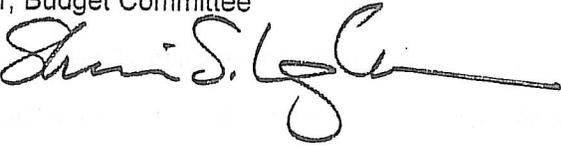
1. Councilmember Lightner: *2011 Budget Committee Priorities*
2. Council President Pro Tem Faulconer: *Reforms and Budget Priorities for Fiscal Year 2012*
3. Council President Young: *Budget Priorities for 2011*
4. Councilmember DeMaio: *Budget Priorities for FY 2012*
5. Councilmember Zapf: *Budget Priorities for Fiscal Year 2012*
6. Councilmember Emerald: *Budget Priorities for Fiscal Year 2012*
7. Councilmember Alvarez: *Budget Priorities for Fiscal Year 2012*

cc: Mayor Jerry Sanders
City Councilmembers
Jay Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Mark Leonard, Financial Management Director



CITY OF SAN DIEGO
COUNCILMEMBER SHERRI S. LIGHTNER
DISTRICT ONE

MEMORANDUM

DATE: January 5, 2011 SL-1101-001
TO: Councilmember Todd Gloria, Chair, Budget Committee
FROM: Councilmember Sherri S. Lightner 
SUBJECT: 2011 Budget Committee Priorities

Thank you for your request for our budget priorities for the upcoming year.

In response to this request, please see my attached memo, dated November 10, 2010, "Fiscal Year 2011-2012 Budget Recommendations."

Thank you, and please contact my office if you have any questions.

Attachment

SL/jm

cc: Honorable Mayor
Honorable Councilmembers

Attachment 1



CITY OF SAN DIEGO
COUNCILMEMBER SHERRI S. LIGHTNER
DISTRICT ONE

MEMORANDUM

DATE: November 10, 2010
TO: Honorable Anthony Young, Chair, Budget & Finance Committee
FROM: Councilmember Sherri S. Lightner
SUBJECT: Fiscal Year 2011-2012 Budget Recommendations

Thank you for inviting us to contribute our recommendations for the FY2011-2012 budget.

We need to establish methods for achieving savings or revenue in both the short term (for the FY2012 budget) and long term (for the structural budget deficit).

We should support a budget that:

- **Complies with the guiding principles of our Structural Deficit Elimination Plan.**
- **Does not use one time funds for ongoing expenses.**
- **Meets the City's mandated obligations.**

I look forward to the report being prepared by the Citizens Revenue Review & Economic Competitiveness Commission. They have spent nearly one year researching best practices, interviewing experts, and listening to citizens from throughout the city, and should have much to add to the discussion. We should include consideration of the Commission's recommendations in our budget deliberations—both in the near term and long term.

We also need to plan for how to restore cuts to public safety. Even before cuts were made, severe limitations to public safety existed, including a need for additional fire stations citywide.

Ideas that could generate revenue or cut costs prior to FY2012:

1. Expand use of a 4/10/5 work schedule. The Environmental Services Department has shown that this schedule can result in efficiencies and cost savings. It has been suggested that this be used in Facilities Maintenance and the Street Division.

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2. **Establish agreements with other local agencies**, including educational institutions and universities, to identify ways in which they can contribute toward any City services they receive (e.g. fire-rescue, infrastructure, etc.). This type of agreement has previously been successfully implemented with Lifeguard Services to provide lifeguard coverage at beach frontage on the property of the Scripps Institution of Oceanography. Discussions are currently ongoing among UCSD, my office, and City staff for expanded agreements.
3. **Implement cost recovery fines for false fire alarms**. We expect the Fire-Rescue Department to issue a report on this shortly.
4. **Ensure fines for false police alarms are cost recoverable**.
5. **Increase nightclub-overcrowding fines to make inspections cost recoverable**.
6. **Resume charging cost recovery fees for business tax collection, if appropriate**.
7. **Investigate and possibly start a program to charge user or reservation fees for the fire rings on the beach**. Another approach for funding the fire rings could be to incorporate them into a beach marketing program.
8. **Expand the use of matching programs for gifts similar to the program used by Park & Recreation in past years**.
9. **Assure that special events comply with their City permits**. Fees should cover the costs to the City for the event and comply with the existing rate structure.
10. **Expand use of volunteers**. One of the fiscal reforms adopted by City Council on June 8, 2009 was to explore the feasibility of establishing an RSVP type program for the Library Department. A report on the progress evaluating a Library RSVP program should be requested. Programs could be developed to provide other functions as well in departments such as Park & Recreation, Streets (landscaping maintenance), and Code Compliance, among others. We should also make better use of educational internships.
11. **Implement innovative marketing partnerships**. The City should begin soliciting input from community groups on the Strategic Marketing and Advertising Plan proposed by the Corporate Partnership Program. If this program is implemented, these funds should be used for operations as well as capital improvements.
12. **Consolidate City office space and eliminate the use of underutilized rental space**.
13. **Use redevelopment dollars to fill General Fund gaps wherever possible**.
14. **Increase use of voluntary furloughs for City staff**.
15. **Seek grants to do energy retrofits to all City buildings that would afford energy and operational savings**.

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Ideas that could generate revenue or cut costs for future budgets:

A. Complete the Remaining Proposition D Reforms

Four of the ten reforms have already been completed. The remaining reforms have already achieved enough political support to reduce roadblocks and allow them to be completed expeditiously. We should proceed with the same urgency as would have been the case had voters approved Proposition D.

Those reforms which have not yet been completed include:

1. Completing the DROP neutrality study, and if necessary initiating meet and confer proceedings to make it cost neutral
2. Reducing the total cost of retirement offsets
3. Reducing our retiree health care liability
4. Soliciting proposals from bidders to provide the City's information technology services;
5. Establishing a second tier pension plan for new firefighters
6. Adopting an ordinance that would allow all City employees to voluntarily select or switch from a current retirement plan to a new alternative Defined Contribution Plan

We should request a status update presentation on these remaining reforms and what measures are needed for prompt implementation and completion of these reforms.

B. Teeter Plan

The City is studying the benefits of transitioning to a Teeter Plan for property tax collection. If this plan is shown to result in a significant revenue advantage for the City, we should adopt a Teeter Plan, which would create a reliable, guaranteed upfront revenue stream for the City. This has been previously suggested by the IBA and discussed by the Citizens Revenue Review and Economic Competitiveness Commission.

C. Special Assessment Districts

Council should explore assisting individual neighborhoods to form special assessment districts to allow each neighborhood to determine the level of City services that they would like to receive.

D. Cost of Service Studies for New Fees

Council should request an update on the cost of service study for storm water operations. We should initiate a study for cost of service for refuse collection.

E. Fiscal Reforms Adopted by Council on June 8, 2009

Adopted reforms that have not been completed should be finished expeditiously. Council should request a status update from the IBA or Mayor's office on these reforms, which include exploring changes to worker's compensation, developing recommendations for achieving cost

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recovery for professional sports teams, and considering an expenditure cap for consultant contracts. The full list of adopted reforms is included as Attachment 1.

F. Partnering with Other Agencies

We should explore the advantages of partnering with agencies such as the County, state, federal, and other local governments to save costs. Examples of partnerships include joint purchase agreements, sharing maintenance operations or facilities, and joint patrols of parks and beaches.

G. Tourism Marketing District (TMD)

Council should explore expansion of the TMD to include additional hotels and other tourism-related businesses.

If you have any questions or comments regarding any of these proposals, please contact my office at (619) 236-6611.

cc: Honorable Mayor
Honorable Councilmembers
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Jay Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Breanna Zwart, Budget & Finance Committee Consultant

Attachment 1 – Fiscal Reforms Adopted by City Council on June 8, 2009 (R-304958)

1. Work with the City Council to establish a Citizens Revenue Review and Economic Competitiveness Commission.
2. Complete and implement all Business Process Reengineering studies.
3. Complete comprehensive review of all existing funds including their legal bases, current and planned uses and fund balances.
4. Review with the City Council any reassessments under consideration for City's reserve goals for the following funds: Public Liability, Worker's Compensation, and General Fund.
5. Complete and bring forward to Council the results of the Development Services Department fee study and recommendations.
6. Implement reforms to strengthen oversight of independent agencies including SEDC, CCDC and SDDPC.
7. Address fiscal structural problems of the Refuse Disposal and Recycling Funds.
8. Consider implementation of a zero-based budget approach for equipment outlay requests and an expenditure cap for consultant contracts.
9. Report results of all deferred maintenance assessments to Council upon their completion. Determine causes for delays in completion of deferred maintenance/capital projects and develop recommendations for improvements.
10. Develop and adopt a "Budget Policy" to provide agreed upon principles and best practices for annual budget monitoring and development.
11. Develop recommendations for achieving cost recovery for professional sports teams and others who utilize Petco Park and Qualcomm Stadium.
12. Complete processes necessary to allow managed competition decisions to move forward.
13. Work with the Council to undertake a Community Attitude Survey to gather scientifically random data on citizen prioritization and satisfaction of City services.
14. Present the results of Real Estate Assets' Portfolio Management Plan to Committee and Council.
15. Explore ways to expand commercial marketing and increase City resources using City facilities, vehicles, and publications.
16. Request the IBA and Mayor's Office provide cost information on completed FY 2009 ADA projects. Based on information provided, consider reducing FY 2010 funding for ADA projects consistent with FY2009 total project costs.
17. Undertake study to determine cost neutrality of DROP as required by the Municipal Code.
18. Identify the status and uses of a 2006 \$2.2 million Energy Efficiency Loan and identify any other outstanding grants or loans awarded to the City but not utilized.
19. Review and recommend scheduling reforms for trash pick-up and collections by the Environmental Services Department.
20. Request the City Auditor to conduct a Revenue Audit of all City revenue sources.
21. Request the Mayor and City Auditor to study transferring the Revenue Audit and Appeals Division of the City Treasurer's Office to the Office of the City Auditor, and undertake a performance audit of the tax audit function.
22. Explore the feasibility of establishing a Retired Senior Volunteer Program (RSVP) for the Library Department.
23. Identify plan for financing of Public Safety facilities.
24. Provide updates on the use of Outside Counsel.
25. Develop plan for Redevelopment Agency loan repayment to City, including terms of the agreement and impacts to the project area budgets, in accordance with HUD audit.
26. Develop plan for QUALCOMM Stadium to become financially self-sufficient.
27. Comprehensively address the issue of homelessness, and explore development of permanent homeless shelter.
28. Consider alternatives to Library Ordinance, which requires 6% of General Fund budget be allocated to library uses.
29. Develop a long-term strategic plan for the Environmental Growth Fund.
30. Explore the issue of Workers Compensation reform including a presentation on current and future programs to address this Significant liability.
31. Track Assembly Bill 32, Greenhouse Gas Emission Reduction.



RECEIVED
JAN 8 2011
OFFICE OF
COUNCILMEMBER TODD GLORIA

**COUNCIL PRESIDENT PRO TEM KEVIN L. FAULCONER
CITY OF SAN DIEGO
SECOND DISTRICT**

MEMORANDUM

DATE: January 7, 2011
TO: Councilmember Todd Gloria, Budget and Finance Committee Chair
FROM: Council President Pro Tem Kevin L. Faulconer *Kevin Faulconer*
SUBJECT: Reforms and Budget Priorities for Fiscal Year 2012

I appreciate the opportunity to outline my priorities for the City's FY12 budget. As in past years, we face the challenge of closing a budget gap while making reforms that will help eliminate the structural budget deficit. By rejecting Proposition D's half-cent sales tax increase, San Diego voters told City Hall to make the tough decisions necessary to solve the budget deficit without raising taxes. This mandate, coupled with a new City Council, gives us an opportunity to rethink how the City does business.

Putting Managed Competition Into Action

We must address the structural budget deficit by focusing on the City's core functions, such as public safety and infrastructure, and asking whether other functions should be performed by local government. Managed competition, approved by San Diego voters in 2006, is the tool we will use to re-evaluate some of the services the City provides. In December 2010, the City began the first step of the managed competition process for publishing services, which includes units such as the City's print shop. Printing services are a great example of a City service that is not a core function and will generate spirited competition from the private sector when put out to bid. It is this kind of common-sense reform that will help the City eliminate its budget problems.

I would like to see a timeline for implementing managed competition in FY12 that accompanies the FY12 budget. This timeline should include departments to be considered for managed competition, a schedule for completion, estimated cost savings, and when those cost savings will begin to be realized. At a time when voters have rejected a proposal for new tax revenue, the City's only option is to restructure and reprioritize. Data showing the money that can be permanently saved through managed competition will be invaluable as the City Council and Mayor work to close the budget gap.

Reducing Retiree Health Costs

The City has made progress in addressing its retiree health care obligation. The benefit was eliminated for new safety and general employees hired after July 1, 2005. The retiree health escalator for existing Local 127 and POA employees hired before that date was frozen, while the escalator for existing MEA, Fire, DCAA, and Teamsters employees was temporarily suspended.

More remains to be done to address the City's \$1.3 million unfunded retiree health care liability. The next step must be negotiating in good faith with the affected employee groups to keep the suspension in place and move toward a permanent solution.

Ending the Rolling Brownouts

The rolling brownout program must come to an end. When idling eight fire engines was proposed by the Fire Chief as part of the December 2009 budget cuts, the City Council committed to monitoring the impact. Through feedback from the community and the Fire Chief, it is apparent that continuing to brownout these engines is not in the best interest of San Diego residents.

Public safety is the City's top priority. I look forward to working with the Mayor and my Council colleagues to develop a budget that restores the browned-out fire engines.

Comprehensive Financial Plan for the Centre City Redevelopment Area

The State Legislature's elimination of the Centre City redevelopment area's CAP has generated discussion about the future of Downtown redevelopment funds. New revenue generated over the CAP will be dependent upon new development downtown. Even with a recovering economy, the tax increment generated by new development will take years to accrue.

We must review all of the Centre City Development Corporation's outstanding obligations, as well as its cash flow projections, before committing downtown redevelopment funds to other projects in the FY12 budget. Over \$1.5 billion in infrastructure projects, such as fire stations and parks, are identified in the Downtown Community Plan to be funded with Centre City redevelopment funds.

I look forward to a transparent and robust budget deliberation process that brings us closer to solving the City's structural budget problems and advancing the reforms that San Diegans expect.

KF:mta

cc: Honorable Mayor Jerry Sanders
Honorable Jan Goldsmith, City Attorney
Honorable Councilmembers
Andrea Tevlin, Independent Budget Analyst
Eduardo Luna, City Auditor



CITY OF SAN DIEGO

COUNCIL PRESIDENT ANTHONY YOUNG
DISTRICT FOUR

MEMORANDUM

DATE: January 3, 2011
TO: Councilmember Todd Gloria
FROM: Council President Anthony Young
SUBJECT: Budget Priorities for 2011

As Council President, my budgetary priorities have not changed; I remain focused on solutions to solve the structural deficit. My number one priority is public safety and solving the structural deficit ensures the viability of these essential services.

I am positive the completion of the following actions is key to making the solution to structural deficit tangible:

- The completion of the ten reforms on Proposition D
- A five percent (5%) cut to Supplies and Services
- Investigate the option of leasing City owned golf courses and airports and the determination of the flexibility of their respective enterprise funds
- A comprehensive user fee update from departments

Thank you for your commitment to San Diego's financial health.

cc: City Councilmembers
Andrea Tevlin, Independent Budget Analyst



COUNCILMEMBER CARL DEMaIO

FIFTH DISTRICT
CITY OF SAN DIEGO

MEMORANDUM

DATE: January 4, 2011
TO: Councilmember Todd Gloria
FROM: Councilmember Carl DeMaio *Carl DeMaio*
RE: Budget Priorities for FY 2012

In response to your memorandum of December 16, 2010, I am submitting my priorities for the Fiscal Year 2012 budget – which are outlined in my financial recovery plan for the City of San Diego, the “Roadmap to Recovery.”

This plan proposes specific budget balancing actions for the FY 2012 budget, and also provides reform solutions for the City’s most pressing financial liabilities, namely pension and retiree health care.

Excluding proposed mid-year cuts, my plan proposes General Fund budget balancing actions totaling \$84 million for FY 2012 and confronts the City’s pension and retiree health care liabilities head-on, producing a projected pension savings of more than \$700 million over five years.

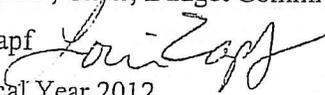
Please refer to the “Roadmap to Recovery” for all specific budget balancing proposals.

cc: City Councilmembers
Andrea Tevlin, Independent Budget Analyst



COUNCILMEMBER LORIE ZAPF
COUNCIL DISTRICT SIX

MEMORANDUM

DATE: January 6, 2010
TO: Councilmember Todd Gloria, Chair, Budget Committee
FROM: Councilmember Lorie Zapf 
SUBJECT: Budget Priorities for Fiscal Year 2012

As we are planning for the next year, I think that the Budget Committee should be looking at all possible solutions for closing the City's budget deficit. In fact, I would request that the Budget Committee consider combining with a special Council meeting to allow all eight Councilmembers to be able to weigh in earlier in the process.

As the Council begins the budget process for Fiscal Year 2012, I think that the Budget Committee should revisit and pursue some of the major reforms available to us which will save taxpayer dollars and close the budget gap. Managed competition and pension reform will provide major savings for the City and are reforms that we can start almost immediately. Additionally, supporting small businesses, encouraging and allowing volunteers to take on some City duties that are currently restricted to pensioned employees, and identifying mandated City services are other priorities which will, I believe, help towards balancing the budget. I look forward to working with my colleagues on the Council, as well as the Mayor's office, to approve a budget which will decrease costs and continue to provide quality core services.

Managed Competition

I was proud to support managed competition for publishing services during my first week on the Council, and I look forward to expanding it to fleet services and additional operations in the future. I think that the Budget Committee should look for opportunities to expedite managed competition and outsourcing in order to get more programs into the pipeline.

Pension Reform

The problems of increasing pension costs for City employees may be the single most important issue we tackle as our City moves forward. With the City's defined benefit pension payments expected to surpass \$230 million this year, up from \$154 million last year, it is clear that we are

in a crisis.¹ Increasing pension costs are unsustainable, and it should be one of the top priorities of the Budget Committee to explore ways to get these ballooning payments under control. Topics of discussion should include: immediate pension reform for new hires, including the creation of a 401(k)-style plan, reforms for existing employees, including a discussion of the “substantially equal” language of the City Charter, ensuring that pensions are based on the average salary during the last three years of an employee’s time at the City and requiring employees to pay their fair share into their own retirement. I also think the committee should explore a program to give employees the option to take a smaller pension in return for more take-home pay.

Encourage Small Business Growth

There are more than 70,000 small businesses in the City of San Diego, which make up 92 percent of all businesses in the City.² For these reasons, it is imperative that we do everything we can to help and encourage small business growth. The City should strongly consider the creation of a small-business liaison position within DSD to help small business owners to expand, improve, and grow their businesses. Larger, more profitable small businesses within the City will generate tax revenue and help the City move toward closing the budget gap. Additionally, the committee should host a discussion on ways to automate and move online permit processing and other DSD functions in order to create a more small business friendly structure and make the process streamlined, efficient, and less costly.

Allow Volunteers to Handle Some City Operations

There are countless people throughout the City who are willing to volunteer at their local library, help with neighborhood improvements, and take care of other City functions who are currently not allowed to because of collective bargaining agreements. I think the committee should explore how labor barriers might be removed to allow volunteers to take on some of these duties, which will not only decrease costs, but will potentially allow libraries and other facilities to stay open longer and will increase civic pride and a sense of community.

Identifying Mandated City Services

Because budgetary reductions and the need to cut expenditures have become a yearly occurrence for the City Council, there is always a discussion about the need to protect core City services as money becomes tighter. Surprisingly, the City has never actually identified which services are truly “core services,” or services legally required to be provided by the City. I support the recent request by the City’s Independent Budget Analyst to the City Attorney requesting that mandated City services be identified. This will allow the Council to make better-informed budgetary decisions in the future.

Cc: City Councilmembers
Andrea Tevlin, Independent Budget Analyst

¹SDCERS Actuarial Valuation: City of San Diego Projected Financial Trends Presentation. June 30, 2009. Page 3.

²City of San Diego Economic Development Department. Small Business Assistance website.
www.sandiego.gov/economic-development/business-assistance/small-business/



**City Of San Diego
COUNCILMEMBER MARTI EMERALD
DISTRICT SEVEN**

M E M O R A N D U M

REF: M-11-01-02

DATE: January 7, 2011
TO: Honorable Councilmember Todd Gloria
FROM: Councilmember Marti Emerald
SUBJECT: Budget Priorities for Fiscal Year 2012

Pursuant to your memo dated December 16, 2010 regarding Budget Priorities for Fiscal Year 2012, I have briefly outlined immediate priorities, they include:

- Restore the closed fire engines and reduced lifeguard services
- Prevent any further reductions of public safety service levels
- Direct Risk Management to develop a comprehensive risk & liability management plan
- Enact Cost Recovery for alarm permits, ambulance services, police & fire services outside of San Diego and business tax collection
- Enact paid parking at beaches and regional parks
- Expand the use of volunteers to enhance quality of life in City neighborhoods
- Expand the use of marketing partnerships in public spaces

I look forward to working with the report from the Citizens Revenue Review and Economic Competitiveness Commission and implementing best practices and budget recommendations. In addition, I look forward to seeing Mayor Sander's budget proposal and working with our Council colleagues in approving a 2012 budget focused on providing essential City services.

ME: de



COUNCILMEMBER DAVID ALVAREZ

**City of San Diego
Eighth District**

MEMORANDUM

DATE: January 12, 2011
TO: Todd Gloria, Chair, Budget & Finance Committee
FROM: Councilmember David Alvarez 
SUBJECT: Budget Priorities for Fiscal Year 2012

For the purpose of discussion during the City Council's upcoming budget review process, below is a list of my priorities for the next budget year:

- **Civilian Positions in the Police Department:** Cutting civilian positions within the Police Department has a direct impact on sworn police officers' ability to be actively patrolling our neighborhoods. Police support staff are vital and need to be retained so that our sworn officers are free to have a greater presence in our communities.
- **Rolling Brown-Outs:** The rolling brown-out plan implemented by the city should be reviewed to the maximum extent possible to determine if other funding is available to allow fire-life safety services to be fully restored.
- **City Auditor Staff Positions:** It is important that we continue to increase the staff resources of the City Auditors Office. The City Auditor's ability to conduct comprehensive audits on various city departments and functions is vital in promoting accountability, efficiency and transparency in our city government.
- **Neighborhood Parks and Recreation Centers Prioritization:** Neighborhood parks and recreation centers throughout the city provide safe areas for recreation and family activities. The community parks that receive the most use, and therefore require higher levels of upkeep and maintenance, should be prioritized in the budget.

- **Reinstitution of the Lifeguard Training Program and Relief Staffing:** In recent years the Lifeguard Training Program and Lifeguard relief staffing have been either cut or reduced. These functions are vital to preserving public safety at our beaches and need to be restored in the upcoming budget.
- **Community Plan Update Funding:** Continuing to update our community plans throughout the city is vital in providing a clear vision for the development preferences of each community. Allowing a process that brings all stakeholders to the table can only result in better planning within our communities. Funding for community plan updates needs to be retained to the fullest extent possible in order to allow our communities to properly plan for development and community amenities.