

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

SUBJECT: BUDGET POLICIES

POLICY NO.: 000-02

EFFECTIVE DATE: October 8, 2019

INTRODUCTION:

The following policies outline the City of San Diego's (City) guidelines for budgetary decision making and set standards for sound budgetary practices and fiscal performance.

An adopted set of budget policies that are consistently followed will assist the City in achieving its current and future goals in a fiscally responsible and sustainable manner. These policies establish guidelines 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). This document shall be reviewed on an annual basis to reflect the highest standards of fiscal management and the City's budgetary goals.

OBJECTIVES:

According to the GFOA and the NACSLB, the budget policies should establish guidelines for the following components:

- Operating and Capital Improvement Projects
- Budget Execution and Controls
- Revenues and Expenditures

This document addresses each of these elements, and provides a comprehensive foundation for the establishment, execution, and monitoring of the City's annual budget.

BACKGROUND:

The City of San Diego's budget is developed annually for each fiscal year, which is July 1 through June 30. Under the strong mayor form of government, the budget is proposed by the Mayor with input from City Council (Council) and the public. The budget may be revised by Council and is adopted by Council subject to mayoral line-item veto. The Council by supermajority vote of at least six of the current nine members may override the Mayor's veto to establish the annual budget.

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The City uses strategic planning to map its goals and manage the resources necessary for achieving them. The City Strategic Plan provides a framework for the strategies and activities of City departments. The budget process is structured each year to achieve the fiscal and policy goals for the upcoming fiscal year while adhering to the timeline defined by the City Charter (Charter). The budget process is composed of the following phases: budget development, budget review, budget adoption, and budget monitoring.

Budget Development

The development of the Five-Year Financial Outlook (Outlook) is the first step in the annual budget process. The Outlook outlines the priorities, consistent with the City Strategic Plan, for the next five years and forecasts anticipated revenues and expenditures. It also provides a comprehensive, long-range analysis of the City's General Fund by incorporating economic assumptions and newly-prioritized or mandated expenditures. The information presented in the Outlook serves as the basis for determining the coming year's operating budget allocations.

The annual Capital Improvements Program (CIP) budget development process also uses the information from the Outlook, but initially begins with the identification and prioritization of capital improvement projects by the asset-owning City departments. The City's Five-Year Capital Infrastructure Planning Outlook (CIP Outlook) provides a five-year citywide assessment of infrastructure needs and will outline the proposed capital priorities in compliance with the Charter.¹

The Public Utilities Department also prepares a Five-Year Financial Outlook (PUD Outlook) to guide long-range planning and serve as the framework for the development of the next year's Proposed Budget for the Water and Sewer Enterprise Funds.

Policy decisions and strategies are made using the information contained in the Outlook, the capital project recommendations from the Capital Improvements Program Review and Advisory Committee (CIPRAC) review and the CIP Outlook. General Fund revenues and expenditures are determined and balanced through the budgeting process and included in the Mayor's Proposed Budget (Proposed Budget), along with changes to the non-general funds and capital improvement projects. The budget document is presented by the Mayor to the Council and the public by April 15 in compliance with the Charter.² The Proposed Budget is posted on the City's website for public review.

After the release of the Proposed Budget, the Independent Budget Analyst (IBA) issues a report that analyzes the Proposed Budget.

A key component of the operating budget process that does not coincide with the budget development timeline is the adoption of the Salary Ordinance, which fixes the salaries of all officers and employees of the City. In accordance with the Charter,³ the Salary Ordinance must

¹ Charter, Article VII, Section 71.

² Charter, Article VII, Section 69, Item (c).

³ Charter, Article XV, Section 290.

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be introduced no later than April 15 and adopted no later than May 30 of each year as mandated by the Charter.⁴ Any changes resulting from the adoption of the Salary Ordinance are incorporated into the Mayor's May Revision to the Proposed Budget (May Revision), which is described in the following section.

⁴ Charter, Article III, Section 11.1.

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Budget Review

The Mayor's release and presentation of the Proposed Budget in April is followed by public review and discussion. This phase includes the Council holding at least one public hearing where additional community priorities and recommended changes to the Proposed Budget are identified. The Council, convening as the Budget Review Committee, may also hold a series of public hearings to review and discuss the changes proposed for the operating and capital budgets.

Based on the most recent information that may not have been available during the development of the Proposed Budget, the Mayor issues the May Revision. This document contains the Mayor's recommended changes to the budget based on revised current year revenue and expenditure projections, changes to salaries adopted in the Salary Ordinance, public input, Councilmember priorities, and adjustments to capital improvement projects. Based on the Proposed Budget, the May Revision, and Councilmembers' budget priority memoranda, the IBA issues a report of recommended final budget modifications to the Council.

Budget Adoption

The Proposed Budget with modifications included in the May Revision and the IBA recommendations may be reviewed by the Budget and Government Efficiency Committee or be directly docketed for Council review during the month of June. On or before June 15, the Council approves the budget by resolution.⁵ Within five business days of receipt of Council's approved budget, the Mayor has the discretion to line-item veto any budget items approved by Council. In turn, the Council, also within five business days and by supermajority, may override the Mayor's veto.

In June, the Department of Finance documents the final changes made to the Proposed Budget throughout the process in a budget Change Letter. The Annual Appropriation Ordinance (AO), which enacts the budget into law, is then presented to the Budget and Government Efficiency Committee and the Council for review and adoption no later than June 30.⁶ At the time the AO is presented to Council or shortly thereafter, the IBA will present to the Council the annual Statement of Budgetary Principles (Principles), which are adopted by resolution. The Principles are intended to: (1) facilitate better communication on fiscal matters between the Council and the Mayor, (2) establish a framework for the Mayor's administration of each year's adopted budget in light of the respective duties of the Mayor as Chief Executive Officer and Chief Budget Officer of the City, and the duties of the Council as the legislative and policy setting body of the City, and (3) assist the Mayor and Councilmembers in upholding their obligation as public officials to keep the public apprised of the conduct of the City's financial affairs. The adopted budget is published in August and made available to the public on the City's website.

⁵ Charter, Article VII, Section 69, Item (f).

⁶ Charter, Article VII, Section 69, Item (k).

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Budget Monitoring

The Department of Finance monitors the City's annual operating budget throughout the fiscal year. Quarterly reports are produced and presented to the Budget and Government Efficiency Committee and Council to forecast year-end results and aid in adjusting the budget throughout the year to address changes in revenues and expenditures. The IBA reviews these quarterly reports and provides recommendations for Council consideration. Financial performance reports, known as Charter 39 Reports, are produced on a monthly basis and submitted by the Chief Financial Officer (CFO) to the Mayor and Council. Charter 39 Reports provide a summary statement of revenues and expenses for the preceding accounting period and the status of appropriations in comparison to actuals, in order to detail the financial condition of the City.⁷

BUDGET POLICIES:

OPERATING AND CAPITAL IMPROVEMENT PROJECTS

Balanced Budget

The City shall adopt and maintain a balanced annual operating budget and an integrated capital budget by the end of each fiscal year.⁸ For each fund, annual expenditures shall not exceed annual revenues plus available unrestricted fund balances. Any budgeted use of fund balance resources should not cause the City to drop below the established reserve target, unless proposed by the Mayor and approved by the Council in accordance with the Council's Reserve Policy (No. 100-20). It shall be a goal of the City to achieve a long-term structurally balanced budget, where ongoing expenditures are supported by ongoing revenues.

A structurally balanced budget shall be achieved through efficiencies, permanent reductions to the expenditure base, and/or ongoing revenue enhancements, and will not rely on reserves or the use of one-time revenues for ongoing expenditures.

Public Involvement

Public involvement shall be encouraged in the annual budget decision-making process through public hearings, public outreach, and the dissemination of accessible information. Public participation efforts will allow the City to improve performance by identifying public needs, priorities and service delivery expectations. Increased public involvement will allow the City to be more responsive to community needs, thereby increasing the value that the public receives from City government.

⁷ Charter, Article V, Section 39 and Article VII, Section 89.

⁸ Charter, Article VII, Section 69.

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Council Role

Council shall adopt an annual legislative budget calendar and key dates that establish the time frame for each phase of the budget process.⁰⁹ Councilmembers shall also communicate their budget priorities to the IBA, who will analyze and consolidate the priorities into a proposed Council budget priorities resolution drafted by the Office of the City Attorney. The Council will adopt the budget priorities resolution and present it to the Mayor in advance of the release of the Proposed Budget. After the May Revision is presented, Councilmembers' final budget priorities memoranda shall be provided to the IBA. These memoranda will be used by the IBA to develop Council final budget modification recommendations.

Five-Year Financial Outlooks

A multi-year financial outlook shall be prepared for the General Fund that projects revenues and expenditures over a five-year period. The Five-Year Financial Outlook (Outlook) shall be the guiding document for the City's long-range fiscal planning and serve as the framework for the development of the annual budget. The Outlook shall be presented to the Council no later than November every year and updated as needed to accommodate changing national, regional, and local economic conditions, as well as the State budgetary policies and actions that affect the City's major revenues and departmental revenues.

Concurrently, the Public Utilities Department will prepare the PUD Outlook to project revenues and expenditures over a five-year period. The PUD Outlook will guide long-range planning and serve as the framework for the development of the next year's Proposed Budget for the Water and Sewer Enterprise Funds.

Annual updates to the Outlooks shall be based on the most recent information available and built upon a baseline of the current year's balanced operating budget trended forward using well supported economic growth assumptions for major revenues. The Outlooks shall also include projections for committed expenditures which are defined as the operational costs for new facilities, contractual obligations, federal and State legal mandates, and adopted Council policies.

The revenue and expenditure projections for the General Fund and PUD Enterprise Funds shall be based on a series of assumptions if applicable, including:

- projected inflation and employment rates, tourism and housing sales trends, water purchases and sales trends, water and sewer rate case scenarios, and consumer confidence;
- salary and fringe cost increases and assumptions based on existing labor agreements;
- pension and retiree health funding obligations based on actuarial reports and existing labor agreements;

⁰⁹ Charter, Article VII, Section 69.

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- most recent actuarial analysis on the City’s long-term liabilities, including workers’ compensation, public liability, and long-term disability;
- most recent condition assessments of General Fund and Water and Sewer Enterprise Funds infrastructure assets such as streets, facilities, water and sewer pipelines, storm water and parks to address deferred capital and maintenance and repair needs;
- operating, maintenance, and debt service commitments stemming from Council approved capital projects; and
- other priority capital needs.

The Outlooks may include additional major revenue scenarios using alternative economic and policy assumptions. Additionally, the Outlooks may include a discussion of risks or uncertainties affecting revenues or expenditures that could significantly impact the General Fund or Water and Sewer Enterprise Funds. The IBA will review and analyze the Outlooks and issue related reports to the Council.

Operating Budget

The operating budget development process shall begin with the preparation of the Outlook, which shall be developed prior to the Proposed Budget. The operating budget shall contain the expected revenue and expenditure appropriations, staffing levels, and summary tactical plans for each department. Tactical plan information featured in the budget shall include the departments’ mission, strategic goals and objectives, and key performance indicators. Tactical Plans shall be updated annually to ensure departments’ priorities support the City Strategic Plan and performance measures and targets are aligned with the budget.

Capital Improvements Program Plan and Budget

The City shall develop a Five-Year CIP Outlook which shall provide a citywide assessment of infrastructure needs.⁰⁰ The CIP Outlook shall include the critical inputs needed to develop a comprehensive approach to addressing the City’s capital needs and the subsequent identification of resources for those needs. Critical inputs include infrastructure condition assessments, service level evaluations, asset management information, and review of available funding sources. The CIP Outlook shall be the basis for the development of the annual CIP budget.

The annual CIP budget shall be developed in conjunction with the operating budget to ensure effective utilization of the City's overall resources to operate and maintain facilities. The annual CIP budget shall include projects that span multiple fiscal years and result in capitalized assets. The CIP budget may include other projects of a capital nature that may not result in an asset and that span multiple fiscal years and have significant cost estimates. Annual allocation projects shall provide for smaller projects that are expected to be completed in a short timeframe. The annual CIP budget shall reflect total estimated project costs for Council approved projects by including all prior and current year expenditures and appropriations, future year project costs, and any future funding needs through project completion.

⁰⁰ Charter, Article VII, Section 71.

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CIP projects shall only be established with partial funding if there is a reasonable expectation that the remaining funding will be identified to complete the project within a reasonable timeframe for the type of project. Project budgets may be based upon revenues anticipated to be received during the fiscal year; however, the project shall not be released nor shall expenditures be incurred until cash is available to support the budget. Appropriations for CIP projects that are not completed within the fiscal year shall continue until the project is completed or abandoned.⁰¹ CIP projects, however, shall be reviewed periodically to identify projects that are not progressing and funds available for reprogramming.

The development of the annual CIP budget shall be based upon the adopted General Plan, community plans, service level priorities of City departments, condition assessments, and community input. Furthermore, the annual CIP budget shall comply with Council's Prioritizing CIP Projects Policy (No. 800-14), which requires that project ranking be used to make funding recommendations; Council's CIP Transparency Policy (No. 000-31), which requires that information related to the execution of the CIP remains transparent and easily accessible to stakeholders and members of the public; and Council's Neighborhood Input on Infrastructure Needs and Priorities Policy (No. 000-32), which describes the process for neighborhood input on infrastructure needs. Finally, estimated future impacts on operating budgets shall be provided for all capital improvement projects seeking approval by Council and shall be included in the Five-Year Financial Outlook.

Basis of Budgeting

The City's budgets for Governmental Funds, such as the General Fund, Debt Service Funds, Special Revenue Funds, and Capital Project Funds, shall be prepared based on the modified accrual basis of accounting (revenues are recognized in the accounting period in which they become available and measurable, and expenditures are recognized in the accounting period in which the liability is incurred), except that the increase/decrease in reserve for advances and deposits to other funds and agencies shall be considered as additions/deductions of expenditures.

The budget for the City's Proprietary Funds, which are comprised of Enterprise Funds and Internal Service Funds, shall be prepared on the full accrual basis of accounting for all operating revenues and most operating expenses (revenues are recognized when they are earned and expenses are recognized when the liability is incurred). Certain expenses for long-term liabilities, such as net-pension liability, are budgeted on the modified accrual basis of accounting.

The City's budget shall exclude unrealized gains or losses resulting from the change in fair value of investments. These calculations are performed solely for financial statement reporting purposes to be in compliance with Generally Accepted Accounting Principles (GAAP).

⁰¹ Charter, Article VII, Section 84.

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Inclusion and Disclosure of Budgeted Funds

The City's budget shall be detailed in a comprehensive document that includes all General Fund activities and projects. The budget document shall include the General Fund, as well as Enterprise, Debt Service, Internal Service, Capital Project, and Special Revenue Funds with budgeted positions, and the Capital Improvements Program so that the resources of the City can be viewed comprehensively for decision making.

Departments or funds included in the budget document shall budget at the funds center, the lowest level of the organizational structure.

BUDGET EXECUTION AND CONTROLS

Budgetary Control

Budgetary control is established at the highest level by the Charter. The Council may authorize the transfer of all or part of an unencumbered balance of an appropriation in those cases where the funding for a current year's programmatic activity has proved to be insufficient. The Council may not, however, exercise authority to transfer salary account funding to any other purpose, except in the event of a public emergency where such a transfer would ensure the safety of the lives and property of the residents of the City of San Diego.⁰² The Charter requires that any unencumbered balance of an appropriation at the close of the fiscal year, except retirement and certain trust funds, revert to the fund from which it was appropriated; however, appropriations for expenditures for improvements or other work which will not be completed within the year, such as capital improvement projects, shall be continued until the purpose for which the appropriation was made has been accomplished or abandoned.⁰³

Budgetary control is further defined by the Council in the AO. The AO shall include the necessary budget delegation to the Mayor in order to carry out the business of the City. No department, fund or project, regardless of funding source, shall expend an amount in excess of its appropriations unless revised as authorized in the AO or through an adopted Council Resolution as stated in the AO. The Council approves amendments to the budget throughout the fiscal year through actions brought to the Council at the request or recommendation of the Mayor or independent department heads, as required by the Charter.⁰⁴ Revenues received in excess of the original amount estimated as part of the adopted budget shall not be expended without prior approval granted through the AO or an adopted Council Resolution. In accordance with the requirements of the Charter, the AO shall detail the operating appropriations in two categories: (1) salaries and wages and (2) fringe benefits and non-personnel expenses (NPE). It also shall detail the CIP appropriations at the project level. The level of detail shall be presented in the following ways depending on funding type:

- General Fund appropriations are summarized by department
- Non-general fund appropriations are displayed by fund and grouped by fund type

⁰² Charter, Article VII, Section 73.

⁰³ Charter, Article VII, Section 84.

⁰⁴ Charter, Article VII, Section 73 and Article XV, Section 275.

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- Capital Improvements Program (CIP) appropriations are displayed by project

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Financial Reporting and Monitoring

On a monthly basis, the CFO shall submit to the Mayor and Council the Charter 39 Reports.

The Department of Finance shall oversee the City's budget and execute its budget monitoring responsibilities through the analysis of revenues and expenditures for operating funds included in the annual AO. This analysis shall identify any significant variances between budgeted and projected revenues and expenditures and provide relevant information to maintain budgetary control and balance. Departmental revenue and expenditure activity shall be monitored at least quarterly and presented to the Budget and Government Efficiency Committee and Council at least three times a year. The IBA shall review these quarterly reports and may provide recommendations for Council consideration.

The Department of Finance shall prepare quarterly reports that include forecasts of annual revenues and expenditures based on actual results and knowledge of spending trends and operations. These reports shall explain significant revenue and expenditure variances and indicate trends that may require remediation.

The Mid-Year Budget Monitoring Report shall present year-end projections of revenues and expenditures incorporating five to six months of actual results and anticipated spending trends for the remaining months of the fiscal year. Accompanying the Mid-Year Budget Monitoring report shall be a budget amendment resolution as further described in the *Current Year Budget Variance Monitoring* section. The Third-Quarter Budget Monitoring Report shall be released to the Council in late May in order to incorporate nine months of actual results in the analysis. The Third-Quarter Budget Monitoring Report shall be released to the Council in advance of or on the same day as the Council's first public hearing on final budget decisions for the upcoming fiscal year. This will allow the Council to have the most recent information regarding current fiscal year revenues and expenditures compared to the City's budget prior to making final decisions on the budget for the upcoming fiscal year.

Current Year Budget Variance Monitoring

The Department of Finance's quarterly budget monitoring process shall identify and address any projected budget variances. Unanticipated changes in revenue and/or expenditures may result in revenue and/or expenditures variances in the current year budget. As such, revenue and expenditure projections shall be conducted throughout the fiscal year in order to identify surpluses or any potential deficits that may require mitigation efforts authorized by Council. Should these projections forecast a year-end deficit due to a decline in revenues and/or an increase in expenditures, alternative funding sources, budget reductions, or reallocations of funds among departments shall be identified to support the ongoing activities of the City. If departments are projected to exceed budget, the Department of Finance, in conjunction with the departments, shall develop remediation plans to reduce expenditures, including the deferral of hiring and major expenses for goods and services prior to seeking a budget amendment from

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Council to expend unrestricted fund balance and/or reserves. If mitigations cannot be identified to offset the projected deficit, contingency plans that propose the use of the City's unrestricted fund balance and/or reserves consistent with the Council's Reserve Policy (No. 100-20) shall be developed and presented to Council as a means of maintaining the funding levels necessary for department operations.

The Mayor must identify any mid-year surplus or deficit that exists and provide Council with a recommendation to address the reported surplus or deficit.⁰⁵ If the Mid-Year Budget Monitoring Report projects a surplus relative to the adopted General Fund budget, the Mayor may recommend budgeting all, none, or any portion of such surplus. Council may modify any mid-year budget amendment in whole or in part, up to the total amount recommended by the Mayor. Approval of any budget amendment will be in accordance with the process outlined in the Charter.⁰⁶ When a deficit is projected in the Third-Quarter Budget Monitoring Report, the report shall include recommendations for addressing the projected variance from the current budget for Council consideration. Further, when a surplus is projected, the Council's Reserve Policy outlines the process for any use of surplus defined as spendable and unrestricted fund balance (Excess Equity).

Performance Reporting and Monitoring

Each fiscal year, both the proposed and adopted budget documents shall contain performance data for prior year actual results, current year projected (current year actual for the adopted budget), and targets for the upcoming year. The Performance and Analytics Department shall manage the activities related to performance monitoring and reporting. Explanations shall be given for performance measures not meeting or trending toward performance targets.

Budget Actions

All budgetary adjustments shall be consistent with the authority provided in the AO. In addition, the Department of Finance shall monitor the budget throughout the fiscal year through the review of requests for Council and Mayoral Actions that affect either the operating or CIP budgets. Additionally, during the course of the fiscal year, it may be necessary to execute budgetary reprogramming in order to balance expenditures against the appropriate revenues. This shall be achieved through Council-approved Ordinances or Resolutions and may result from recommendations made in the quarterly monitoring reports and/or other departmental requests for Council action. The IBA may review any Council actions and quarterly monitoring reports and provide an independent recommendation to Council.

Encumbrances

Operating departments shall only encumber funds that will be spent in the current fiscal year. Departments shall review encumbrances throughout the year and request to close all operating encumbrances prior to the end of the fiscal year.

⁰⁵ San Diego Municipal Code section 22.0229.

⁰⁶ Charter, Article XV, Section 290, Item (b).

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Exceptions to this policy shall be considered at year-end for encumbrances related to major, non-recurring projects or contractual obligations such as consultant services or studies for which work has begun and the project or deliverable remains a priority but will not be completed until a subsequent fiscal year. In these cases, the operating departments shall work with the Department of Finance to ensure that encumbrances are funded with the upcoming fiscal year's budget.

Encumbrances remaining in capital improvement projects at year-end shall be carried forward into subsequent fiscal years until project completion or cancellation.

REVENUE POLICIES

General Revenue Policies

General Fund revenues shall not be earmarked for any particular purpose, unless required by law or GAAP. Revenues shall be deposited in the General Fund and appropriated during the budget process or by a separate Council action. All revenue forecasts shall be well supported by objective external research and internal forecasting methods. All of the City's Enterprise Funds such as Water, Sewer, Development Services, Airports, Golf Course, Refuse Disposal, and Recycling shall be fully self-supporting from revenues generated by rates, fees, and charges.

One-Time Revenues

The City of San Diego shall use one-time revenues such as grants, tax windfall, or unrestricted fund balances to pay for one-time expenditures. Furthermore, ongoing expenditures shall be funded by ongoing revenues. When new and ongoing program expenditures are added to the budget, an ongoing revenue source such as an increase in existing revenues or a new revenue source shall be identified to fully support the cost of the program.

User Fees

Revenues derived from user fees shall follow the guidelines laid out in the Council's User Fee Policy (No. 100-05).

Economic Indicators

The City of San Diego has four major sources of General Fund revenue—property tax, sales tax, transient occupancy tax, and franchise fees—all of which are affected by changes in the local, State, or national economies. Economic data shall be evaluated from multiple sources to analyze short- and long-term revenue trends. A variety of indicators shall be considered such as housing market trends, interest rates, tourism industry, retail sales, unemployment rates, consumer confidence measures, the Consumer Price Index (CPI), and others.

Short-Term Revenue Projections

The short-term revenue projections shall be based on the current economic conditions, legislation, and fiscal policy changes. The current economic indicators will assist in developing the growth rate for each major revenue category. Short-term revenue projections shall support budgetary and policy decisions for the current and upcoming fiscal year.

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Long-Term Revenue Projections

The City's long-term revenue forecasting used for the Outlook shall be based on the analysis of the historical revenue trends for each individual revenue source. The historical trend analysis shall include, at minimum, a ten-year performance history for each major revenue. In addition to the historical trend analysis and review of current economic conditions, the City shall consider potential legislative changes when forecasting the major revenue growth rates.

Legislative and Policy Analysis

The Department of Finance, in conjunction with the Office of the Mayor, shall monitor all relevant federal and State legislation and policies that may affect City revenues and adjust revenue projections as indicated to ensure that reasonable revenue projections are maintained.

EXPENDITURE POLICIES

General Expenditure Policies

The annual budget process shall weigh all competing requests for City resources within expected fiscal constraints. Requests for new operating expenditures made outside the annual budget process shall be discouraged. New initiatives shall be financed by reallocating existing City resources to programs and services with the highest priorities or through new revenue sources.

Pension Obligations

The City's budget shall include the amounts to fully fund the Actuarially Determined Contribution (ADC) as determined by the San Diego City Employees' Retirement System Board and the estimated expenses related to defined contribution requirements. The Governmental Accounting Standards Board (GASB) requires the disclosure of the actuarial information to determine if assets are sufficient to pay benefits when they become due. Budgeting the full ADC for the City's Retirement System is critical for the long-term fiscal health and stability of the City's pension system.

Retiree Healthcare Obligations

Funding of retiree health or Other Post-Employment Benefits (OPEB) shall be a priority of the City through the annual budget. Payment of the full OPEB ADC is not legally required; however, the City's Comprehensive Annual Financial Report includes the Net OPEB Liability, in accordance with GASB.⁰⁷ The City's budget shall include the amount required per existing labor agreements including the estimated expenses related to defined contribution requirements.

Budgeted Positions

All City positions shall be budgeted. Grant funded positions shall be budgeted as limited positions. Positions that are funded through grant resources are authorized as long as grant funding is available. Upon the termination of grant funding, the positions funded under the respective grant shall be eliminated from the budget.

⁰⁷ GASB Statement 75.

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A vacancy factor is applied against budgeted positions to account for the savings that routinely occur due to turnover, attrition and other causes of vacancies in a fiscal year. Accounting for vacancies is a GFOA best practice that ensures the budget is in line with actual expenditures. As part of the Mayor's Proposed Budget, a vacancy factor is developed that considers historical trends on a department by department basis.

Labor Agreements

The City's budget shall include compensation and benefit increases in accordance with the Memorandums of Understanding between the City and its respective collective bargaining units.

CONCLUSION:

These Budget Policies outline the City of San Diego's guidelines for budgetary decision-making and set a standard for sound budgetary practice and fiscal performance.

Adhering to an adopted set of Budget Policies provides a framework for consistent and transparent budgeting that is fiscally responsible. These policies were drafted to include recommended budget practices asserted by the GFOA and the NACSLB. These policies shall be reviewed annually to ensure that the policies reflect the highest standards of fiscal management and the City's budgetary goals.

The City of San Diego's Budget Policies set forth protocols and best practices regarding operating and capital budgets, budgetary controls, and revenue and expenditure policies that result in the legal establishment, timely execution, and effective monitoring of the City's budget.

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HISTORY:

“Public Attendance at Council Conference”

Adopted by Resolution R-169942 – 03/15/1962

Amended by Resolution R-192542 – 01/04/1968

Repealed by Ordinance O-11254 – 02/28/1974

“Budget Process”

Adopted by Resolution R-278661 – 09/16/1991

Retitled to “Budget Policy”

Amended by Resolution R-305348 – 11/12/2009
and Revised – 03/05/2010

Amended by Resolution R-306219 – 11/01/2010

Amended by Resolution R-309411 – 12/17/2014

Amended by Resolution R-310527 – 06/22/2016

Amended by Resolution R-311415 – 11/20/2017

Amended by Resolution R-312678 – 10/08/2019