



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: August 15, 2024

IBA Report Number: 24-23

Approved FY 2025 Statement of Budgetary Principles

The Statement of Budgetary Principles (Principles) is an annual agreement between the City Council and the Mayor that helps establish a framework for administration of the budget by the Mayor; ensures a fiscally responsible budget process; and facilitates better communication on fiscal matters between the Council and the Mayor. On July 29, 2024 the City Council approved the FY 2025 Principles, and the Mayor gave his final approval on August 5, 2024. This report documents the final approved FY 2025 Principles.

BACKGROUND

Our Office developed the initial proposed FY 2025 Principles based on the FY 2024 Statement of Budgetary Principles, obtaining review and input from the Department of Finance. Those proposed FY 2025 Principles were presented to the Budget and Government Efficiency (B&GE) Committee on July 10, 2024. The Committee forwarded the Principles to City Council for approval with one modification.¹ The resulting language was incorporated in the proposed FY 2025 Principles, in Attachment 1 of [IBA Report 24-17 REV](#). IBA Report 24-17 REV also includes background information on the Statement of Budgetary Principles; information on how the FY 2025 proposed Principles were developed; and a section titled “Considerations From July 10, 2024 B&GE Meeting”, which discusses comments made by Council President Pro Tem LaCava during the B&GE Committee meeting. We addressed the Council President Pro Tem’s comments by suggesting additional language for the Council to consider when reviewing and approving the FY 2025 Principles. Please refer to IBA Report 24-17 REV for details.

COUNCIL APPROVAL OF THE FY 2025 PRINCIPLES

On July 29, 2024, the proposed FY 2025 Principles (Attachment 1 of IBA Report 24-17 REV) were presented to City Council. The Council approved the Principles with revisions that incorporate our Office’s suggested language additions referenced above.

¹ This modification was an addition to principle A.4. that would require the B&GE Committee to agendize, for discussion, written notice of any significant reduction in service levels or planned elimination or delay of programs or services as represented and funded in the FY 2025 Adopted Budget.

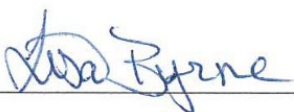
A. The Council’s revisions include acceptance of the following language changes as included in considerations 1 through 3 on page 4 of IBA Report 24-17 REV:

1. Under Section A.3. add “...and shall provide a recommendation to the City Council to address any projected deficit.”
2. Under Section C.1.d. add “...and consideration of insourcing services that are currently outsourced.”
3. Under Section C.1.i. add “When approving fees for City services, less than 100 percent cost recovery can be considered to achieve a policy objective, for compliance with regulatory requirements or statutes, or when the collection of fees is not cost-effective.”


B. The Council also approved the following revisions to address consideration 4 on page 4 of IBA Report 24-17 REV:

1. In the title for section C replace the word “Cooperative” with “Collaborative”.
2. Under section C.4. add “and collaborate” after “cooperate”.
3. Under section C.5. replace the word “cooperatively” with “collaboratively”.
4. Under section C.6. replace the word “cooperatively” with “collaboratively”.

The resulting Council-approved FY 2025 Principles appear in Attachment 1 of this report. Revisions from the FY 2024 Statement of Budgetary Principles document to the FY 2025 Principles are delineated in Attachment 2 to this report, which is the “redline” version of the Council-approved FY 2025 Principles. Note that the City Council’s July 29, 2024 revisions to the proposed FY 2025 Principles are further delineated as highlighted text within the redline version.



Lisa Byrne
Principal Fiscal and Policy Analyst



Sergio Alcalde
Associate Fiscal and Policy Analyst



Charles Modica
Independent Budget Analyst

- Attachments: 1. FY 2025 Statement of Budgetary Principles – Clean Copy
2. FY 2025 Statement of Budgetary Principles – Redline Copy

FY 2025 STATEMENT OF BUDGETARY PRINCIPLES

WHEREAS, pursuant to sections 69(c) and 265(b)(14) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April 12, 2024, the Mayor released the Fiscal Year 2025 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2025 Proposed Budget; and

WHEREAS, between April 12 and June 11, 2024 the City Council held more than one public hearing to consider the City's Fiscal Year 2025 Budget in accordance with City Charter section 69(d), and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year 2025 Budget; and

WHEREAS, on May 14, 2024, the Mayor, Chief Operating Officer, Chief Financial Officer, and Department of Finance Director and City Comptroller provided the City Council with their May Revision to the Fiscal Year 2025 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May 16, 2024, the May Revision was presented to the City Council sitting as the Budget Review Committee; and

WHEREAS, Councilmembers submitted their budget modification priorities to the Independent Budget Analyst on May 22, 2024 to assist with the development of final budget recommendations; and

WHEREAS, on June 4, 2024, the Independent Budget Analyst's final report and recommendations on the FY 2025 Budget (IBA Report 24-14, *Recommended City Council Modifications to the Mayor's Proposed FY 2025 Budget and Review of the May Revision*) was issued; and

WHEREAS, on June 11, 2024, the City Council approved the City's Fiscal Year 2025 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the IBA's final report and recommendations on the FY 2025 Budget, with revisions proposed by the City Council, and directed the City Clerk to return the same to the Mayor for his consideration under Charter section 69(f)(2); and

WHEREAS, on June 14, 2024, the Mayor signed Budget Resolution R-315627, which is the Fiscal Year 2025 Adopted Budget, in accordance with Charter section 69(g); and

WHEREAS, pursuant to Charter section 69(k), the Council is required to adopt an appropriation ordinance no later than June 30, to establish budgetary appropriations for the fiscal year, and for the Fiscal Year 2025 Budget the Appropriation Ordinance was adopted on June 25, 2024; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2025 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, in accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, the Mayor shall bring forward to the City Council a budget amendment resolution with any recommended mid-year budget adjustments to address any projected surplus or deficit, and the Mayor shall also notify the Council of significant reductions in programs or services; and

WHEREAS, in addition to preserving the intent of the Appropriation Ordinance as an appropriation setting document rather than a policy document, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor, to ensure a fiscally responsible budget process, and to establish a framework for the administration by the Mayor of the Fiscal Year 2025 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 in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs; and

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles during FY 2025:

A. Communication on Budgeted Programs and Services

1. The Mayor, or his designee, will provide written reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be presented in a public meeting and are intended to improve the flow of information between the Mayor, Council, and public.
2. The Council President will provide time on the Council's agenda for the Report of the Mayor.
3. In accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, the Mayor shall bring forward to the City Council, as part of the Mid-Year Budget Monitoring Report, a report of any projected deficit or surplus, with any accompanying budget amendment resolution to address the reported deficit or surplus. The Mayor may recommend budgeting all, none, or any portion of any projected surplus, and shall provide a recommendation to the City Council to address any projected deficit.

4. Also consistent with Chapter 2, Article 2, Division 2 of the Municipal Code, prior to any significant reduction in service levels or planned elimination or delay of programs or services as represented and funded in the FY 2025 Adopted Budget, the Mayor, or designee, shall provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service level impacts, including potential unintended consequences and/or burdens that create disproportionate inequity for Communities of Concern. In addition, when written notice of a program planned to be delayed, reduced, or eliminated has been provided, the Budget and Government Efficiency Committee must place such written notice on the Committee's next available meeting agenda for discussion.
5. Notwithstanding the foregoing, the Mayor need not provide prior written notice of any change or modification that results in a more efficient delivery of public services and that accomplishes the legislative intent. However, in these circumstances the Mayor is requested to provide the Council with an informational memo upon implementation.

B. Appropriation Ordinance

1. Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year 2025 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2025 Budget, including the appropriations reflected in the Fiscal Year 2025 Appropriation Ordinance. However, the Mayor has discretion to effectively and efficiently spend public monies and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes. It is the Council's intent that the services funded in the adopted Fiscal Year 2025 Budget be implemented equally and equitably: *equally* in that every resident should receive the same level of service no matter where they live or how they identify; and *equitably* by recognizing that each individual, family, neighborhood, and community has different circumstances, and applying an equity lens to eliminate institutional racism and systemic disparities.
3. The Council shall have no authority to make or adopt changes to the Fiscal Year 2025 Budget without first receiving a funding recommendation of the Mayor. The Mayor will provide such funding recommendation within 30 calendar days of the Council request, or such later period as contained in the request of the Council.

4. In accordance with Charter section 28, the Mayor has the authority to allocate Fiscal Year 2025 Budget appropriations within departments in order to best carry out the Council's legislative intent.
 5. The Appropriation Ordinance implements the Fiscal Year 2025 Budget, as approved by the Council. The Appropriation Ordinance specifies the spending authority by department and by fund, and all other conditions, authorizations, and requirements appropriate therefore. The Appropriation Ordinance includes necessary budget delegation to carry out the business of the City; the Appropriation Ordinance does not include policy directions.
 6. The Statement of Budgetary Principles applies to departments and programs that are under the direction and authority of the Mayor. These Principles shall also apply to those offices that are independent of the Mayor. This Statement of Budgetary Principles is subject in all respects to the provisions of the City Charter.
- C. Principles for an Effective, Collaborative, and Transparent Mayor-Council Form of Government: as Applicable to the City's Budget Process
1. The following principles should be followed to ensure a fiscally responsible budget process:
 - a. Establish a plan to eliminate any structural budget deficit via ongoing expenditure reductions and/or generation of ongoing revenues, including identifying new revenue sources.
 - b. Support ongoing expenditures with ongoing revenues, rather than one-time revenues; one-time revenues should only support one-time expenditures.
 - c. Prepare a Five-Year Financial Outlook (Outlook) in the fall of each year. The Mayor will present the Outlook to the Budget and Government Efficiency Committee and City Council and discuss alternative budget balancing options with the Committee, Council, and Independent Budget Analyst should the Outlook suggest an ongoing structural deficit.
 - d. Actively pursue alternative service delivery methods, including efficiency improvements, elimination of service duplications, process streamlining, and consideration of insourcing services that are currently outsourced.
 - e. Prioritize City service expenditures based on City Charter requirements, public input, benchmarking studies, departmental goals, performance data, and equitable provision of services

across all areas of the City.

- f. Identify ongoing operational expenses and supportive funding when deciding to construct new facilities or establish new programs.
- g. Adhere to the City's Reserve Policy, including budgeting for required contributions to reserves.
- h. Commit to only using the General Fund Stability Reserve as a one-time resource for critical needs. Per the City's Reserve Policy, in the event the Stability Reserve is reduced below the established policy amount, "the Mayor shall prepare a plan no later than one year from the reserve action to replenish the Stability Reserve balance to the policy level." Additionally, the Mayor should identify future ongoing resources to support any ongoing items funded through use of the Stability Reserve.
- i. Achieve 100 percent cost recovery for programs and services that are intended to be fully cost recoverable through fees. When approving fees for City services, less than 100 percent cost recovery can be considered to achieve a policy objective, for compliance with regulatory requirements or statutes, or when the collection of fees is not cost-effective.
- j. Maintain full funding of the Actuarially Determined Contribution (ADC) pension payment as required by City Charter section 143; and fund the City's retiree healthcare costs in a manner that meets the obligations related to eligible members while keeping the CalPERS Employer Retiree Benefit Trust solvent over the applicable benefit years.
- k. Develop a plan to fund deferred capital infrastructure and maintenance needs. The Mayor will address the City's deferred capital backlog by implementing funded projects in a timely and cost-effective manner and working with the Council to identify resources necessary to address remaining unfunded deferred capital as well as new infrastructure needs.
- l. Consider the debt service ratios established in the City's Debt Policy when planning for debt issuances and appropriations.

2. To mitigate the addition of programmatic supplemental positions¹ outside the Budget adoption process, the Mayor should recommend all new positions anticipated to be needed in the upcoming fiscal year in the Proposed Budget or the May Revision, or will otherwise recommend further anticipated positions to Council for consideration during Council's final actions to adopt the Budget. If programmatic supplemental positions are needed during the fiscal year, requests for those positions should only be initiated after the conclusion of the fiscal year's first quarter, except in the event that the need for supplemental positions was not known before Budget approval and waiting until the conclusion of the fiscal year's first quarter would restrict the City's ability to provide critical services to residents.
3. Key Performance Indicators will be reviewed and discussed at the Budget and Government Efficiency Committee (or other Committee as appropriate) during FY 2025. The Mayor includes such performance measure results and goals for City services as part of the Proposed Budget and final Adopted Budget.
4. The Mayor will cooperate and collaborate with the Council and the Office of Independent Budget Analyst, including but not limited to, supplying requested information concerning the budget process and fiscal condition of the City.
5. The Mayor will work collaboratively with the Independent Budget Analyst, City Attorney, Council Committees, and Council to efficiently carry out Council-initiated policy directives, services, including constituent services, and programs that have been included in the annual adopted budget.
6. The Mayor will work collaboratively with the Independent Budget Analyst, City Attorney, and Council to efficiently carry out the City's labor relations policies and duties under State and local law. The Mayor will propose an annual Salary Ordinance to the Council that is consistent with any existing Memoranda of Understanding between the City and its recognized employee organizations or otherwise in conformance with the Meyers-Milias-Brown Act (MMBA), City Council Policy 300-06, or any other legal requirements governing labor relations. Per City Charter section 290, the Salary Ordinance passed by the Council shall become a controlling document for the preparation of the annual Appropriation Ordinance for the ensuing fiscal year.

¹ Programmatic supplemental positions include permanent or (time) limited positions that are added to City operations for service enhancement purposes and should be used sparingly and for unanticipated critical needs. The limiting of these positions is not intended to limit supplemental positions used to address operational gaps that exist when employees on extended leave are unavailable to work or other administrative uses of supplemental positions.

FY ~~2024~~2025 STATEMENT OF BUDGETARY PRINCIPLES

WHEREAS, pursuant to sections 69(c) and 265(b)(14) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April ~~14, 2023~~12, 2024, the Mayor released the Fiscal Year ~~2024~~2025 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2024~~2025 Proposed Budget; and

WHEREAS, between April ~~14~~12 and June ~~12, 2023~~11, 2024 the City Council held more than one public hearing to consider the City's Fiscal Year ~~2024~~2025 Budget in accordance with City Charter section 69(d), and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year ~~2024~~2025 Budget; and

WHEREAS, on May ~~16, 2023~~14, 2024, the Mayor, Chief Operating Officer, Chief Financial Officer, and Department of Finance Director and City Comptroller provided the City Council with their May Revision to the Fiscal Year ~~2024~~2025 Proposed Budget (May Revision) in accordance with City Charter Section 69(e); and

WHEREAS, on May ~~18, 2023~~16, 2024, the May Revision was presented to the City Council sitting as the Budget Review Committee; and

WHEREAS, Councilmembers submitted their budget modification priorities to the Independent Budget Analyst on May ~~26, 2023~~22, 2024 to assist with the development of final budget recommendations; and

WHEREAS, on June ~~7, 2023~~4, 2024, the Independent Budget Analyst's ~~Final Report~~final report and ~~Recommendations~~recommendations on the FY ~~2024~~2025 Budget (IBA Report ~~23-12-REV~~24-14, *Recommended City Council Modifications to the Mayor's Proposed FY ~~2024~~2025 Budget and Review of the May Revision*) was issued; and

WHEREAS, on June ~~12, 2023~~11, 2024, the City Council approved the City's Fiscal Year ~~2024~~2025 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the IBA's ~~Final Report~~final report and ~~Recommendations~~recommendations on the FY ~~2024~~2025 Budget, with revisions proposed by the City Council, and directed the City Clerk to return the same to the Mayor for his consideration under Charter section 69(f)(2); and

WHEREAS, on June ~~15, 2023~~14, 2024, the Mayor signed Budget Resolution R-~~314971315627~~, which is the Fiscal Year ~~2024~~2025 Adopted Budget, in accordance with Charter section 69(g); and

WHEREAS, pursuant to Charter section 69(k), the Council is required to adopt an appropriation ordinance no later than June 30, to establish budgetary appropriations for the fiscal year, and for the Fiscal Year ~~2024~~2025 Budget the Appropriation Ordinance was adopted on June ~~27, 2023~~25, 2024; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year ~~2024~~2025 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, in accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, the Mayor shall bring forward to the City Council a budget amendment resolution with any recommended mid-year budget adjustments to address any projected surplus or deficit, and the Mayor shall also notify the Council of significant reductions in programs or services; and

~~WHEREAS~~WHEREAS, in addition to preserving the intent of the Appropriation Ordinance as an appropriation setting document rather than a policy document, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor, to ensure a fiscally responsible budget process, and to establish a framework for the administration by the Mayor of the Fiscal Year ~~2024~~2025 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 in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs; and

~~WHEREAS, the City Council adopted Resolution 307737 on October 15, 2012, subsequently signed by the Mayor, establishing ten fundamental principles for an effective, cooperative and transparent Mayor-Council form of government in the City of San Diego ("Ten Fundamental Principles").~~

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles ~~for the Fiscal Year 2024 Budget~~during FY 2025:

A. Fiscal Year 2024 Budget—Communication on Proposed Program/Service Changes Budgeted Programs and Services

1. The Mayor, or his designee, will provide written reports to the Council on a quarterly basis regarding the administration of the affairs of the City. -These reports can be given verbally presented in a public meeting and are intended to improve the flow of information between the Mayor, Council, and public.
2. The Council President will provide time on the Council's agenda for the Report of the Mayor.

3. ConsistentIn accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, the Mayor shall bring forward to the City Council, as part of the Mid-Year Budget Monitoring Report, a report of any projected deficit or surplus, with any accompanying budget amendment resolution to address the reported deficit or surplus. The Mayor may recommend budgeting all, none, or any portion of any projected surplus, and shall provide a recommendation to the City Council to address any projected deficit.

3.4. Also consistent with Chapter 2, Article 2, Division 2 of the Municipal Code, prior to any significant reduction in service levels or planned elimination or delay of programs or services as represented and funded in the FY 20242025 Adopted Budget, the Mayor, or designee, shall provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service level impacts, including potential unintended consequences and/or burdens that create disproportionate inequity for Communities of Concern. In addition, when written notice of a program planned to be delayed, reduced, or eliminated has been provided, the Budget and Government Efficiency Committee must place such written notice on the Committee's next available meeting agenda for discussion.

4.5. Notwithstanding the foregoing, the Mayor need not provide prior written notice of any change or modification that results in a more efficient delivery of public services and that accomplishes the legislative intent. However, in these circumstances the Mayor is requested to provide the Council with an informational memo upon implementation.

B. Fiscal Year 2024 Budget—Appropriation Ordinance

1. Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year 20242025 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 20242025 Budget, including the appropriations reflected in the Fiscal Year 20242025 Appropriation Ordinance. However, the Mayor has discretion to effectively and efficiently spend public monies and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes. It is the Council's intent that the services funded in the adopted Fiscal Year 20242025 Budget be implemented equally and equitably: *equally* in that every resident should receive the same level of service no matter where they live or how they identify; and *equitably* by recognizing that each individual, family, neighborhood, and community has different circumstances, and applying an equity lens to eliminate institutional racism and systemic disparities.

3. The Council shall have no authority to make or adopt changes to the Fiscal Year 20242025 Budget without first receiving a funding recommendation of the Mayor. The Mayor will provide such funding recommendation within 30 calendar days of the Council request, or such later period as contained in the request of the Council.
4. In accordance with Charter section 28, the Mayor has the authority to allocate Fiscal Year 20242025 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 20242025 Budget, as approved by the Council. The Appropriation Ordinance specifies the spending authority by Departmentdepartment and by Fundfund, and all other conditions, authorizations, and requirements appropriate therefore. The Appropriation Ordinance includes necessary budget delegation to carry out the business of the City; the Appropriation Ordinance does not include Policypolicy directions.
6. The Statement of Budgetary Principles applies to departments and programs that are under the direction and authority of the Mayor. These Principles shall also apply to those offices that are independent of the Mayor. This Statement of Budgetary Principles is subject in all respects to the provisions of the City Charter.

C. Fiscal Year 2024 Budget — ~~“Budget Related Fundamental Principles for an Effective, CooperativeCollaborative, and Transparent Mayor-Council Form of Government” applying: as Applicable to budget implementation~~ the City's Budget Process

- ~~1. — The “Structural Budget Deficit Principles” adopted by Council on February 22, 2010 and outlined in Resolution 305615 should be continually adhered to ensuring a structurally balanced budget.~~
1. The Mayor will update the City's The following principles should be followed to ensure a fiscally responsible budget process:
 - a. Establish a plan to eliminate any structural budget deficit via ongoing expenditure reductions and/or generation of ongoing revenues, including identifying new revenue sources.
 - b. Support ongoing expenditures with ongoing revenues, rather than one-time revenues; one-time revenues should only support one-time expenditures.
 - c. Prepare a Five-Year Financial Outlook (Outlook) in November 2023 and the fall of each year. The Mayor will present the results Outlook

to the Budget and Government Efficiency Committee and City Council and discuss alternative budget balancing options with the Committee, Council, and Independent Budget Analyst should the Outlook suggest an ongoing structural deficit.

- d. Actively pursue alternative service delivery methods, including efficiency improvements, elimination of service duplications, and process streamlining, and consideration of insourcing services that are currently outsourced.
- e. Prioritize City service expenditures based on City Charter requirements, public input, benchmarking studies, departmental goals, performance data, and equitable provision of services across all areas of the City.
- f. Identify ongoing operational expenses and supportive funding when deciding to construct new facilities or establish new programs.
- g. Adhere to the City's Reserve Policy, including budgeting for required contributions to reserves.
- h. Commit to only using the General Fund Stability Reserve as a one-time resource for critical needs. Per the City's Reserve Policy, in the event the Stability Reserve is reduced below the established policy amount, "the Mayor shall prepare a plan no later than one year from the reserve action to replenish the Stability Reserve balance to the policy level." Additionally, the Mayor should identify future ongoing resources to support any ongoing items funded through use of the Stability Reserve.
- i. Achieve 100 percent cost recovery for programs and services that are intended to be fully cost recoverable through fees. When approving fees for City services, less than 100 percent cost recovery can be considered to achieve a policy objective, for compliance with regulatory requirements or statutes, or when the collection of fees is not cost-effective.
- j. Maintain full funding of the Actuarially Determined Contribution (ADC) pension payment as required by City Charter section 143; and fund the City's retiree healthcare costs in a manner that meets the obligations related to eligible members while keeping the CalPERS Employer Retiree Benefit Trust solvent over the applicable benefit years.
- k. Develop a plan to fund deferred capital infrastructure and maintenance needs. The Mayor will address the City's deferred

capital backlog by implementing funded projects in a timely and cost-effective manner and working with the Council to identify resources necessary to address remaining unfunded deferred capital as well as new infrastructure needs.

2.1. Consider the debt service ratios established in the City's Debt Policy when planning for debt issuances and appropriations.

3.2. To mitigate the addition of programmatic supplemental positions¹ outside the Budget adoption process, the Mayor should recommend all new positions anticipated to be needed in the upcoming fiscal year in the Proposed Budget or the May Revision, or will otherwise recommend further anticipated positions to Council for consideration during Council's final actions to adopt the Budget. If programmatic supplemental positions are needed during the fiscal year, requests for those positions should only be initiated after the conclusion of the fiscal year's first quarter, except in the event that the need for supplemental positions was not known before Budget approval and waiting until the conclusion of the fiscal year's first quarter would restrict the City's ability to provide critical services to residents.

~~4.1. In FY 2024, the City's Strategic Plan Dashboard will display metrics that demonstrate progress towards achieving outcomes in the Strategic Plan. The performance measure data available as part of the performance dashboard Key Performance Indicators will be reviewed and discussed and reviewed by at the Budget and Government Efficiency Committee by the end of the first quarter of FY 2024. The data will be evaluated for updates regularly in FY 2024. Additional performance measures may be evaluated and added to the performance dashboard in FY 2024. (or other Committee as appropriate) during FY 2025. The~~

~~5.3. The Mayor will address the City's deferred capital backlog by implementing funded projects in a timely includes such performance measure results and goals for City services as part of the Proposed Budget and cost-effective manner and working with the Council to identify resources necessary to address remaining unfunded deferred capital as well as new infrastructure needs final Adopted Budget.~~

4. The Mayor will cooperate and collaborate with the Council and the Office of Independent Budget Analyst, including but not limited to, supplying requested information concerning the budget process and fiscal condition of the City.

¹ Programmatic supplemental positions include permanent or (time) limited positions that are added to City operations for service enhancement purposes and should be used sparingly and for unanticipated critical needs. The limiting of these positions is not intended to limit supplemental positions used to address operational gaps that exist when employees on extended leave are unavailable to work or other administrative uses of supplemental positions.

5. The Mayor will work ~~cooperatively~~collaboratively with the Independent Budget Analyst, City Attorney, Council Committees, and Council to efficiently carry out Council-initiated policy directives, services, including constituent services, and programs that have been included in the annual adopted budget.
6. The Mayor will work ~~cooperatively~~collaboratively with the Independent Budget Analyst, City Attorney, and Council to efficiently carry out the City's labor relations policies and duties under State and local law. The Mayor will propose an annual Salary Ordinance to the Council that is consistent with any existing Memoranda of Understanding between the City and its recognized employee organizations or otherwise in conformance with the Meyers-Miliias-Brown Act (MMBA), City Council Policy 300-06, or any other legal requirements governing labor relations. Per City Charter section 290, the Salary Ordinance passed by the Council shall become a controlling document for the preparation of the annual Appropriation Ordinance for the ensuing fiscal year.