

Recommended City Council Modifications to the Mayor's Proposed FY 2025 Budget and Review of the May Revision

City Council

June 11, 2024

Item 331



Office of the Independent Budget Analyst



IBA Report 24-14: Released June 4th

Report includes IBA recommended budget modifications and May Revise Review

- This is the first year that the Budget Review Committee (BRC) reviewed the IBA's recommended Council budget modifications prior to Council approval.
 - The item before the June 7 BRC was informational; thus, no action was taken.
 - City Council approval is scheduled for June 11, 2024.
- Recommended modifications are based on Review of Councilmembers' budget priority memoranda (received May 22).
- Attachment 1 to the report reviews the May Revision.



May Revision Review

General Fund (GF) Revenue and Expenditures (\$ in millions)

GF Resources	
Item Description	Amount
One-time Resources	\$9.58
<i>Increased Use of Excess Equity to Balance the Budget</i>	13.45
<i>Transaction Fee: Sale of Hilton Torrey Pines La Jolla</i>	3.30
<i>Civil Penalty Fund Transfer to Support Code Enforcement</i>	1.20
<i>Monsanto Class Action Settlement</i>	(7.70)
<i>Other One-Time Resources</i>	(0.67)
Ongoing Resources	3.95
<i>TOT Fund Transfer: Tourism-Related Expenses</i>	2.90
<i>Sales Tax Revenue</i>	0.77
<i>Property Tax Revenue</i>	0.45
<i>Development Impact Fee Revenue</i>	0.35
<i>TOT Revenue</i>	(1.31)
<i>Other Ongoing Resources</i>	0.80
Total GF Resources	\$13.53

GF Expenditure Adjustments		
Item Description	FTEs	Amount
Mitigating Adjustments	-	\$(1.95)
Equity Restorations	11.53	2.83
<i>Eviction Prevention Program</i>	-	0.96
<i>SD Access 4 All</i>	-	0.78
<i>After School and Teen Center Programs</i>	11.53	0.76
<i>No Shots Fired Program</i>	-	0.25
<i>Come Play Outside Program</i>	-	0.08
Other Restorations	20.55	4.19
<i>Substation Front Counters</i>	7.00	1.60
<i>Juvenile Services Team</i>	8.00	1.58
<i>Swim Teams and Water Polo Teams</i>	5.55	0.42
<i>Library Donation Match</i>	-	0.30
<i>Reading and Education Program</i>	-	0.25
<i>Restored Budget Reduction Target for Ethics Commission</i>	-	0.03
Other Adjustments That Include Staffing	19.70	2.16
Other Adjustments	-	6.30
Total GF Expenditure Adjustments	51.78	\$13.53

IBA Recommended Budget Modifications

Resources are largely one-time; recommended expenditure modifications are largely for capital projects

- A majority of Councilmembers budget modification memos supported \$24.6m additional expenditures.
 - However, several memos' support for new expenditures was *conditioned on identification of additional resources*.
 - The total cost of all majority-supported modifications exceeds available resources.
- IBA-recommended expenditure additions include:
 - Three operating budget additions (one-time basis) that were majority-supported without being conditioned on identification of resources; and
 - Four capital items for which we identified otherwise restricted resources.



IBA Recommended Budget Modifications

Operating and Capital Expenditures – \$9.7m total (\$ in millions)

Operating Expenditures (one-time)	# CMs Support	Amount
<i>General Fund</i>		
Small Business Enhancement Program	5	\$1.06
City Council: CPPS	8	0.90
Subtotal General Fund		1.96
<i>Non-General Fund</i>		
City Council: ACCF	8	0.45
Subtotal Non-General Fund		0.45
Total Operating Expenditures		\$2.41

Capital Projects (one-time)	# CMs Support	Amount
<i>Non-General Fund</i>		
Climate Equity Fund Eligible Projects	5	\$5.92
Fix Most Dangerous Intersections	7	0.79
Southcrest Recreation Center	5	0.50
North PB Lifeguard Station	6	0.12
Subtotal Non-General Fund		7.32
Total Capital Expenditures		\$7.32

IBA-Identified Resources

GF and Non-GF Resources - \$12.9m total (\$ in millions)

GF Resources	Amount
One-Time Resources	\$4.08
<i>New Parks & Recreation Positions: Fleet Savings</i>	1.50
<i>Parks & Recreation Water Adjustment</i>	0.72
<i>Residual RPTTF</i>	0.59
<i>Additional Transfer from TransNet Maintenance Fund Balance</i>	0.37
<i>Excess Equity</i>	0.33
<i>Offset HSSD GF Budget with HOME-ARP Remaining Fund Balance</i>	0.24
<i>Additional General Fund Interest Earnings</i>	0.20
<i>Additional Transfer from Civil Penalty Fund Balance</i>	0.12
<i>Elections Refund</i>	TBD
Ongoing Residual RPTTF	1.00
Total GF Resources	\$5.08
IBA Recommended Use of GF Resources	(1.96)
Total GF Resources Remaining	\$3.12

Non-GF Resources	Amount
One-Time Resources	\$7.77
<i>Debt Financing - for Climate Equity Fund Capital Projects</i>	5.92
<i>Infrastructure Fund (after RMRA swap) - for fixing most dangerous intersections</i>	0.79
<i>Infrastructure Fund (after Citywide Park DIF swap) - for Southcrest Recreation Center</i>	0.50
<i>TOT Fund Balance - for ACCF</i>	0.45
<i>Citywide Fire DIF - for North PB Lifeguard Station</i>	0.12
Total Non-GF Resources	\$7.77
IBA Recommended Use of Non-GF Resources	(7.77)
Total Non-GF Resources Remaining	\$-

Remaining Council Priorities

Majority supported programmatic modifications conditioned on identified resources – \$14.9m total

Operating Budget Items (\$ in millions)	# CMs Support	FTEs	Amount
Restore/Backfill SDHC Funding	5	-	\$8.00
Community Equity Fund (Flood Victim Recovery Program)	6	-	3.09
Housing Instability Prevention Program*	5	-	2.58
Youth Care and Development Program	7	-	1.00
Cannabis Social Equity and Economic Development Program	5	3.00	0.21
Total Conditionally Supported Operating Modifications		3.00	\$14.88

**Could be funded at lower amount (\$1.2m)*

Remaining Council Priorities *(con't)*

Restore/Backfill SDHC Funding

- If planned CDBG funds are not needed for the Kettner and Vine proposal, those funds fall to the Bridge to Home NOFA, per the proposed FY 2025 Action Plan for HUD.
 - Council may wish to modify this contingency to allocate up to \$8.0m in CDBG funds to the FY 2025 SDHC affordable housing NOFA, in the event that the Kettner and Vine proposal does not proceed or the full amount is not required for TIs.

Remaining Council Priorities *(con't)*

Housing Instability Prevention Program (HIPP)

- If Council wishes to provide additional funding for HIPP, we recommend providing \$1.2m, due to limited resources.
 - Reduced amount would prevent program from sunseting in FY 2025.

HIPP Service Levels	May Revise \$3.0m	SDHC Recommended \$5.6m	IBA Alternative \$4.2m
<i>Additional Funding Needed</i>	\$-	\$2.6m	\$1.2m
Funded Program Participation	260 households	300 households	300 households
New Enrollment Allowed?	No; slots are not backfilled as current participants exit program	Yes	Yes
Monthly Subsidy Tiers	Keep current tiers: \$250/\$500/\$750	Increase tiers: \$550/\$800/\$1,050	Keep current tiers: \$250/\$500/\$750
Option to Extend Program Benefits?	No	Yes	No

Remaining Council Priorities *(con't)*

Youth Care and Development Program

- If Council wishes to fund the program, it could be through Race & Equity's budget OR Council Administration's budget.
 - If funded through Council Administration's budget, a non-profit agreement could be awarded, consistent with Race & Equity's approach in FY 2024.
 - We recommend staff work with Council Offices 4 and 9.
- If funded, we recommend Council request staff provide quarterly updates on program execution, expenditure of funds, and program outcomes/lessons learned.



Additional Resource Options

FY 2025 Options for Budget Modifications – \$17.8m total (\$ in millions)

General Fund Options	FTE	Exp
New Safe Parking Delay	-	\$2,500,000
1,000 New Shelter Bed Delay	-	1,915,000
Delay additions for New Open Space Areas	9.00	1,851,000
Shelter Contract Compensation Increases Delay	-	1,049,000
Mill and Pave Team Delay	10.00	895,000
Delay Addition of SD River Park Rangers	3.00	466,000
Expanded Family Shelter Delay	-	450,000
Rent Payments for Proposed New Lease for DSD	-	156,000
Contractual Services for Downtown Office Space Analysis	-	150,000

General Fund Options (con't)	FTE	Exp
Reduce Half-time Youth Service Librarians and correct May Revision error	1.00	138,000
Air Pollution Control District (APCD) Tree Planting Delay	-	114,000
Delay addition of New Programming for Memorial Senior Center	2.50	103,000
Reduce Library Donation Matching Funds	-	100,000
PLA Monitoring Program: Vacancy Savings	-	85,000
Zero Emission Vehicle Position Expected Savings	-	30,000
General Fund Totals	25.50	\$ 10,002,000

Non-General Fund Options	Resources
Remaining Debt Capacity	\$7,484,000
FY 2025 HUD Plan - Restore Full CDBG Homeless Set-Aside	318,000
Non-General Fund Totals	\$7,802,000

Final Budget Recommendations

City Council is being asked to approve final budget actions

1. Approve the Mayor's FY 2025 Proposed Budget, as modified by the Mayor's May Revision.
2. Approve the IBA's recommended final budget expenditure as supported by recommended resources.
3. Allocate the remaining \$3.1 million in identified resources to selected budget modifications.
4. To effectuate actions 2 and 3, transfer \$367,000 and \$124,000 from TransNet Maintenance Fund and Civil Penalty Fund, respectively.

Final Budget Recommendations

City Council is being asked to approve final budget actions *(con't)*

5. To effectuate action 3:

- a. Transfer \$785,000 Infrastructure Fund revenue supporting Slurry Seal Group 2521 to Vision Zero Projects.
 - Support for Slurry Seal Group 2521 will be replaced by \$785,000 from Road Maintenance and Rehabilitation Account (RMRA) Fund balance.
- b. Transfer \$500,000 Infrastructure Fund revenue supporting Chollas Triangle Park Project to create the Southcrest Rec Center and Park Drainage Improvements project.
 - Support for Chollas Triangle Park will be replaced by \$500,000 from Citywide Park DIF (for use in park deficient communities of concern).

Final Budget Recommendations

Additional Options and Considerations:

1. Backfilling SDHC Funding

- Council may wish to modify this contingency to allocate up to \$8.0m in CDBG funds to the FY 2025 SDHC affordable housing NOFA, if Kettner & Vine does not proceed or the full amount is not required for TIs.

2. Funding the Youth Care and Development Program

- Should Council fund this program, it could be budgeted in Race & Equity or Council Administration's budget to enhance Council's control over the funding of the program.
- We recommend Council require staff to work with Council Offices 4 & 9 and provide program updates.