



COUNCILMEMBER DAVID ALVAREZ

City of San Diego
Eighth District

MEMORANDUM

DATE: March 29, 2011

TO: Honorable City Councilmembers
Honorable Mayor Jerry Sanders

FROM: Councilmember David Alvarez

SUBJECT: \$47 Million in Budget Savings

Over the past months, the City Council has seen a multitude of ideas that could alleviate the anticipated Fiscal Year 2012 budget deficit. These ideas have come forward in several different forms including the City Council's "Menu of Budget Options" (MBO), the Citizens Revenue Review and Economic Competiveness Commission Final Report, Councilmember DeMaio's "Roadmap to Recovery" (RM) and the Citizens Fiscal Sustainability Task Force's Analysis of the FY 2012 Budget Deficit (CFSTF). After examining each of these plans I have determined that the following package of budget proposals can realize nearly \$47 million in savings for Fiscal Year 2012. These solutions do not rely on any items that require meet and confer sessions with the recognized employee bargaining units, and can be implemented through City Council and Mayoral action. Many of the proposed budget solutions savings will lower subsequent deficits and have the ability to create a surplus in FY 2015. Furthermore, incorporating these items into the FY 2012 budget will result in no significant reductions to the public.

The following proposal is split into five areas of significant savings: Underutilized Budget Surpluses, Budget Cuts, New Revenue, Redevelopment Budget Reform and Managed Competition and Outsourcing. Each area results in both immediate and multi-year budget savings.

I. Underutilized Budget Surpluses:

Elimination of 125 Vacant Positions:

Taking this action will curb City department spending and free up funds set aside for these vacancies. This action would save \$8 million and would not impact services as the City is not expected to drastically expand its workforce in the near future. (CFSTF)

Implement Recovery Auditing:

Implementing a Recovery Auditing Program would create a process to efficiently review City accounts and identify when there are overpayments or when the City is owed payments that have not been properly received or recovered. This could result in a savings of \$500,000 for FY 2012, and although it is difficult to pinpoint savings in future years, it is reasonable to believe that this program will continue to save money on an ongoing basis. (MBO)

Releasing Unclaimed Funds:

The City Auditor's recommendation that unclaimed funds in the General Fund should be reclaimed and transferred back to the City after being held for one year rather than the current three year hold is prudent. This action will immediately free up \$780,000 and would also make the receipt of unclaimed funds faster and more efficient for the future. (MBO)

Transfer of Fund Balances to General Fund:

The COO informed the IBA that \$2.6 million in Mayoral department fund balances may be available for use in the FY 2012 budget. These unused department funds should be used to balance the FY 2012 deficit. (MBO)

Anticipated Year-End Budget Surplus:

The Fiscal Year 2011 Mid-Year Budget Monitoring Report indicated that the net impact of the General Fund year-end projections is \$5.1 million of revenue in excess of expenditures. Financial Management prudently recommended no immediate use of the projected surplus, but it is reasonable to begin factoring it into the FY 2012 budget. Assuming this surplus still exists at year-end, it should be applied to the FY 2012 budget.

II. Budget Cuts:

Elimination of City Cell Phones for Non-Emergency Personnel:

The IBA has estimated that the City could realize \$700,000 in savings if funding for cell phones was eliminated in all non-emergency related General Fund departments. Given the large budget deficit projected for the next year, it is reasonable to eliminate funding for non-emergency personnel cell phones. This would result in an annual savings of \$700,000. (MBO)

Consolidation of Public Information Officers (PIO):

The City has a multitude of PIO and media communications related positions. City administration outreach to the media and public is important, but need to be done with greater efficiency. These positions could be consolidated and merged with the Office of Community and Legislative Services. Councilmember DeMaio's "Roadmap to Recovery" recommends

eliminating three PIO positions, which gives the City an opportunity to eliminate redundant positions and save \$180,000 on a going forward basis. (RM)

7% Cut to Supplies and Contracts:

Considerable savings of \$9.24 million could be realized on an annual basis from a 7% cut to discretionary accounts of the General Fund in supplies and outside contracts. (MBO)

Elimination of Ten Management Analyst Positions:

The consolidation of ten management analyst positions would result in \$750,000 in savings going forward. (RM)

9th Council District Budget Neutrality:

We must address the funding of the new 9th Council District. In light of our current fiscal obligations, the new district office must be made “budget neutral” by reallocating funds to cover this new expense. It is reasonable, given that the Mayor’s office was previously the 9th Council seat and that the new district is required by the strong-mayor form of governance, that the Mayor’s office absorb these costs. Under the strong-mayor form of governance the Mayor manages thousands of employees directly under his control, therefore I propose that funds be reallocated from Community and Legislative Services to this new seat, thus saving the City approximately \$900,000 for FY 2012. (CFSTF)

III. New Revenue:

Sale of Underutilized Real Estate Assets:

The sale of City assets must be used for the acquisition, construction and completion of permanent public services. The IBA has identified \$6.1 million in bond principal that is currently paid through the General Fund. I propose that the City target the sale of \$6.1 million worth of underutilized real estate assets in FY 2012 and apply those proceeds to the identified bond debt. (MBO)

False Alarm Fee for Fire-Rescue:

The IBA has estimated that the cost of the Fire-Rescue Department responding to nearly 6,300 false alarms carries an annual cost of \$542,000. It is reasonable and fair to expect that when emergency personnel spend time responding to false alarms that those costs be recovered through a fee to the entity initiating the false alarm. This will result in an annual cost recovery of \$542,000. (MBO)

Enhanced Marketing Partnerships:

Greater revenues can be achieved through enhanced marketing partnerships. It is clear that the current consultant contract the City has for this service is underperforming and I look forward to seeing the results of a new RFI for a consultant to assist in producing greater revenue from marketing partnerships. The CFO has indicated that potential partnerships currently in process could result in a total value ranging from \$50,000 to \$5 million. As the City moves forward in this area, it is reasonable to expect a minimum of \$1 million in revenues annually from this program. (MBO)

High Rise Inspection Fee:

The City Auditor found that more than \$545,000 in high-rise inspection fees were not recovered in FY 2010, and possibly again in FY 2011. The Fire-Rescue Department should resume and retroactively bill for high-rise inspections. This will produce an approximate \$1.5 million impact for the FY 2012 budget and \$500,000 in future years. (MBO)

Parking Meter Utilization Plan:

Approximately \$900,000 could be found by expanding the operating hours and adjusting the hourly costs of parking meters. A community oriented process should be initiated as soon as possible to consider the rates and hours for parking meters in affected communities. (CFSTF)

IV. Redevelopment Budget Reform:

Convention Center Debt Transfer:

Transferring the Convention Center Phase II Expansion bond debt payments to the Centre City Development Corporation (CCDC) has been raised by the City Council a number of times over the past year. The Council will consider taking this action at today's Council meeting. Transferring the responsibility for this debt is appropriate because the Convention Center has a direct impact on CCDC's planning area. A clear nexus exists between the continued improvement and expansion of the Convention Center and the well being of the project area. Events held at the Convention Center bring millions of dollars in revenue to the downtown area. Continued payments on these bonds are a direct benefit to this project area, as the continued influx of visitors and an increased number of events at the convention center will result in greater revenues flowing into downtown, assisting in the elimination of remaining blighting conditions. Further, given the City's current and projected budget deficit, the use of tax increment funds generated by the downtown area is the most reasonable means of financing the remaining debt service. Taking this action will increase revenue to the City and help fund many services that are impacted by the current budget deficit. The current item before the Council will result in a savings of \$2 million in FY 2012 and increase by \$500,000 each year until the total CCDC payment is \$9 million annually through the end of the debt service schedule. (MBO)

Accelerated Repayment of General Fund Debt by Redevelopment Agency:

The IBA estimated that the Redevelopment Agency would be able to repay between \$1-2 million in General Fund debt to the City in FY 2012. I believe it is reasonable that \$1.5 million be repaid annually from FY 2012 through FY 2016. (MBO)

V. Managed Competition and Outsourcing:

Managed Competition for Fleet Services:

Anticipated savings for the managed competition of Fleet Services totals \$5.4 million annually. Assuming only half of the potential savings are realized in FY 2012, \$2.72 million should be included in the budget. \$5.43 million in savings needs to be incorporated for future Fiscal Years. (RM)

Managed Competition for Publishing Services:

The projected savings for the managed competition of Publishing Services is \$1 million. This amount needs to be reflected in the Five Year Outlook and mid-year savings of \$500,000 should be incorporated into the FY 2012 budget. (RM)

Sale of City Street Lights:

Numerous municipalities, including the City of Long Beach, do not own or operate street lights. The sale of City street lights can produce significant General Fund savings for FY 2012 and beyond. Beginning in FY 2012, \$2 million could be saved annually by selling City street lights and transferring the maintenance of existing lights and construction of future street lights to a private operator. Such a proposal not only saves money, but the City could also require that the backlog of needed street lights be built within a specified timeframe. Additionally, selling our street lights could result in a one-time up-front payment by a private operator to the City.

I strongly urge the City Council and Mayor to include these budget saving proposals in the Fiscal Year 2012 budget. If all these budget solutions are included in the Fiscal Year 2012 budget and the Five Year Outlook, the City can realize significant savings now and into the future, resulting in a potential budget surplus by Fiscal Year 2015.

Please see the attached line item matrix showing each proposal and associated savings projected over five years.

CC: Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst

Source	Description	FY 12 savings (millions)	FY13	FY14	FY15	FY16
<i>I. Underutilized Budget Surpluses</i>						
CFSTF 2	Eliminate 125 vacant positions	8.00	8.00	8.00	8.00	8.00
MBO 14	Implement recovery auditing	0.50	0.00	0.00	0.00	0.00
MBO 47	Releasing unclaimed funds after 1 year	0.78	0.00	0.00	0.00	0.00
MBO 18	Transfer of fund balances to general fund	2.60	0.00	0.00	0.00	0.00
	Anticipated FY11 budget surplus	5.10	0.00	0.00	0.00	0.00
	<i>Subtotal</i>	16.98	8.00	8.00	8.00	8.00
<i>II. Budget Cuts</i>						
MBO 61	Eliminate non-emergency city cell phones	0.70	0.70	0.70	0.70	0.70
RM 1.6	Consolidation of public information officers	0.18	0.18	0.18	0.18	0.18
MBO 189	7% cut to supplies and outside contracts	9.24	9.24	9.24	9.24	9.24
CFSTF 5	Eliminate commercial trash pickup	0.38	0.38	0.38	0.38	0.38
RM 1.5	Eliminate 10 management analyst positions	0.75	0.75	0.75	0.75	0.75
CFSTF 8	9th council district budget neutrality	0.90	1.50	1.50	1.50	1.50
	<i>Subtotal</i>	12.15	12.75	12.75	12.75	12.75
<i>III. New Revenue</i>						
MBO 142	Sale of underutilized assets to pay down debt	6.10	0.00	0.00	0.00	0.00
MBO 145	False fire alarm fee	0.54	0.54	0.54	0.54	0.54
MBO 123	Enhanced marketing partnerships	1.00	1.00	1.00	1.00	1.00
MBO 47	High Rise fire inspection fee	1.00	0.55	0.55	0.55	0.55
CFSTF 11	Parking meter utilization plan	0.90	0.90	0.90	0.90	0.90
	<i>Subtotal</i>	9.54	2.99	2.99	2.99	2.99
<i>IV. Redevelopment</i>						
MBO 200	Transfer Conv Center Phase 2 payments to CCDC	2.00	2.50	3.00	3.50	4.00
MBO 202	Accelerated payment of GF debt by RDA	1.50	1.50	1.50	1.50	1.50
	<i>Subtotal</i>	3.50	4.00	4.50	5.00	5.50
<i>V. Managed Competition and outsourcing</i>						
RM 6.2	Managed competition for fleet services	2.72	5.43	5.43	5.43	5.43
RM 6.2	Managed competition for publishing	0.05	0.10	0.10	0.10	0.10
	Sale of city streetlights	2.00	2.00	2.00	2.00	2.00
	<i>Subtotal</i>	4.77	7.53	7.53	7.53	7.53
TOTAL SAVINGS		46.94	35.27	35.77	36.27	36.77
Remaining Deficit/Surplus based on IBA 5 year		-9.76	-26.63	-7.83	14.47	34.27