

EXECUTIVE SUMMARY

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 5, 2013

IBA Report Number: 13-23

City Council Docket Date: June 10, 2013

Item Number: 200

Review of the FY 2014 May Revise and Recommended Revisions to the Mayor's FY 2014 Budget

This report presents our final FY 2014 budget review and recommendations which are based on the following: our analyses of the FY 2014 May Revise, the FY 2013 Year-End Monitoring Report and the FY 2014 Proposed Budget; review and consideration of outstanding budget issues communicated by Councilmembers in their May 31st budget priority memos; and consideration of feedback from the public, City staff and City Council members during the budget hearings. Detailed information regarding recommendations presented below are included in the full report.

SUMMARY OF IBA RECOMMENDATIONS

The IBA recommends Council consideration of the following actions:

1. Approval of the Mayor's FY 2014 Proposed Budget as issued on April 15, 2013 and as amended by the Mayor's May Revise issued on May 21, 2013;
2. Approval of the IBA recommended FY 2014 budget revisions for ongoing and one-time expenditures and resources as depicted in the chart:

IBA RECOMMENDED REVISIONS FOR ONGOING AND ONE-TIME EXPENDITURES AND RESOURCES			
ONE-TIME		ONGOING	
A. Expenditure Additions		C. Expenditure Additions	
1. Funding for Police retention program	2,000,000	1. Increase hours at New Central Library from 49 to 52	200,000
2. Sidewalk condition and needs assessment	1,000,000	2. Increase service hours at all branch libraries from 44 to 48	2,900,000
		3. Increase number of recruits in each of the 4 Police academies from 34 to 36 and provide funding flexibility	712,000
		4. Restore funding for Mission Trails Regional Park & Improvements to the Visitor's Center	200,000*
	<i>Total</i> \$3,000,000	<i>Total</i>	\$4,012,000
B. Funding Source		D. Funding Sources	
1. Release \$3.0 million from \$6.9 million set aside for future CAD system costs	3,000,000	1. TEMPORARILY utilize portion of projected FY 2014 General Fund reserve/fund balance ** OR a combination of reserves and expenditure reductions identified in Attachment C	Up to \$4,012,000
	<i>Total</i> \$3,000,000	<i>Total</i>	Up to \$4,012,000

* \$60,000 is one-time funding for improvements to Visitor's Center

**An equal amount will be replaced with savings from reduced ARC payments from Five-Year Labor Agreements; if savings do not result related expenditures should be cancelled unless alternative funding sources are identified

3. Approval of the Policy/Program Recommendations discussed in this report and identified below:

RECOMMENDATION #1 – Sidewalk Condition Assessment

We recommend that the City assess and revise its policy on sidewalk repairs in consultation with the City Attorney's Office and one-time funding be identified for conducting the sidewalk condition assessment so it can be initiated as soon as possible.

RECOMMENDATION #2 – M&R Funding

We recommend that M&R funding needs, required to prevent further deterioration of assets, be reassessed to reflect new information, such as the new sustainability model for facilities, and be brought to the Infrastructure Committee in conjunction with updates to the Five-Year Deferred Capital Funding Plan. This will provide a more accurate, transparent view of M&R funding deficiencies and a more solid target for future funding. This is also important so that accurate M&R funding needs can be included in the Multi-Year Capital Improvements Plan which the City is beginning to develop.

RECOMMENDATION #3 – Future Bond Issuances

We recommend that discussion of the IBA’s “Catch-Up” Plan for the Five-Year Enhanced Option Plan B be brought to the Infrastructure Committee and City Council well in advance of the Mayor releasing his next Five-Year Outlook which is scheduled for November 2013. It is important for the Council to provide policy direction to the Mayor regarding future bond issuances prior to the development of the Five-Year Outlook in November 2013 to ensure that five-year annual debt service requirements will match Council policy.

RECOMMENDATION #4 – Increase Academy Size from 34 to 36 Recruits, Implement Officer Retention Program

In our final budget recommendations, we are recommending that ongoing funding be provided in order to increase academy size from the 34 recruits to 36 recruits. This funding will also provide a small amount of flexibility for the Academy budget in the event attrition is lower than assumed. Based on a majority of Council priority memos, we have also recommended one-time funding of \$2.0 million to develop and implement a new officer retention program.

RECOMMENDATION #5- Fire-Rescue Personnel Budget, Fire Rescue Revenue Decline May Require Mid-Year Adjustments

We recommend these two issues be discussed at the Public Safety and Neighborhood Services Committee in advance of the Mid-Year Report to determine whether a budget problem exists that will require Mid-Year funding and potentially require adjustments in FY 2015.

RECOMMENDATION #6 – Reporting Fiscal Impacts of Five-Year Labor Agreements

We recommend Council request the Mayor to bring to Council in early July, or as soon as available, the final impact on the FY 2014 budget as well as the Five-Year Outlook of five-year labor agreements, including an updated status of the FY 2014 General Fund Reserve.

RECOMMENDATION #7 – Council Review of “Budget” and “Reserve” Policies

We recommend that both the Budget Policy and the Reserves Policy be brought to the Budget and Finance Committee for review and discussion in early Fall.

RECOMMENDATION #8 – Council Involvement in Mayor’s Update of City’s Strategic Plan

We request that the Mayor’s Office continue to work with our office and the Budget and Finance Committee to ensure that the City’s Strategic Plan and performance measures represent the policies and funding priorities of the legislative branch and the community.

RECOMMENDATION #9 – Managed Competition Evaluation Status/New Efficiencies and Innovations Program

We recommend that the Mayor develop a replacement program for Managed Competition if it his intent to not move forward with Managed Competition. If this is the case, the Mayor should bring forward to Council a plan for carrying out a new efficiencies and innovations program that lays out his staffing plan; involvement of employee groups; proposals for use of consultant(s); the functions or activities that will be the focus of the initial program; and the estimated timetable for carrying this out.

Also, several months ago the Mayor initiated a comprehensive review of the Managed Competition Program, to be undertaken by the ACOO’s Office which was expected to be completed by July 2013. If the Mayor plans to revive the Managed Competition program, we recommend he bring forward to the Budget and Finance Committee the results of the Business Office evaluation as soon as they are available.