

# FINANCIAL PERFORMANCE REPORT FISCAL YEAR 2008

PERIOD 4



Department of Finance  
City Comptroller's Office  
10/19/07

## ***Performance at a Glance***

General Fund Revenues  
General Fund Expenditures  
Water Department Revenues  
Water Department Expenses  
Sewer Funds Revenue  
Sewer Funds Expenses

	<i>Period Performance</i>	<i>Year-to-Date Performance</i>	<i>See Page Number</i>
General Fund Revenues	▲	▼	5
General Fund Expenditures	▲	▲	7
Water Department Revenues	▲	▲	10
Water Department Expenses	▲	▲	10
Sewer Funds Revenue	▲	▲	10
Sewer Funds Expenses	▼	▼	10

## ***Purpose and Scope***

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This report is designed to provide city management with the financial information necessary to assess the current financial position of the City of San Diego. Information is also provided to assist in the evaluation of departmental performance. However, we note that the analysis of budgetary performance, and the review of the achievement of departmental objectives, is traditionally the role of the Financial Management division of the Department of Finance.

The General Fund is the primary focus of this report, although other budgeted funds are also included. However, it does not contain the operating results of numerous special revenue funds, debt service funds, or fiduciary funds; the results of component units; or capital project funds.

The attached statements were not prepared in accordance with Generally Accepted Accounting Principles (GAAP) for external financial reporting. Financial information contained in this report is unaudited, and should not be used as the basis for investment decisions. Likewise, this report is not a replacement for the City of San Diego's Comprehensive Annual Financial Report (CAFR). The most recently released CAFR, as well as other financial reports, can be accessed via the internet at: <http://www.sandiego.gov/auditor/reports/index.shtml>.

In both the body of this report and its supporting schedules the primary analysis tool is a comparison of current year activity against the previous year's activity. This provides a variance of two definite values, rather than between one definite value and an estimate. Comparisons against departmental estimates, also referred to as Period-to-Date Budgets, continue to be important, and we include them in the supporting schedules for the General Fund as an informational item. In the General Fund Revenue and General Fund Expenditure sections of this report we also include a summary table of the top five variances between departmental period-to-date estimates and actual balances.

## ***The General Fund***

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### **GENERAL FUND SUMMARY**

General Fund revenues through Period 4 of Fiscal Year 2008 totaled \$123.9 million. This is \$5.0 million less than the \$128.9 million received through Period 4 of Fiscal Year 2007. Through this point last year the General Fund had received 12% of the total year's receipts. As of Period 4 Fiscal Year 2008, receipts represent 11% of total budgeted General Fund Revenues. While individual revenue categories may vary, General Fund total receipts through Period 4 appear to be consistent with what was experienced in Fiscal Year 2007.

Additional information on revenues is contained in the General Fund Revenues section of this report (see page 5).

Expenditures for the General Fund totaled \$313.7 million through Period 4 Fiscal Year 2008. This is a \$27.4 million increase from the \$286.3 million incurred through Period 4 of Fiscal Year 2007; this marks an increase of almost 10% from last fiscal year. For both Fiscal Year 2007 and 2008, General Fund expenditures and encumbrances represented 31% of the Revised Budget through Period 4. This suggests that despite an increase in the actual amount expended, the trend is consistent with that experienced last fiscal year. Additional information on expenditures is contained in the General Fund Expenditures section (see page 7).

Total expenditures, along with \$26.5 million of encumbrances, exceed revenue by \$216.3 million. This relationship is demonstrated on the table below, as well as more thoroughly in the General Fund Summary table on page 4.

<b>General Fund Status Summary</b>			
	Adopted Budget	Revised Budget	Year-to-Date Actuals
Total Revenues	\$ 1,111,439,952	\$ 1,111,439,952	\$ 123,911,050
Total Expenditures	\$ 1,111,439,952	\$ 1,111,439,952	313,711,290
	-	-	(189,800,240)
Total Encumbrances			26,468,957
Net Impact			<u>\$ (216,269,197)</u>

As stated in previous reports, the trend of expenditures exceeding revenue is a regular occurrence early in the fiscal year. It will continue until the first major Property Tax receipts are received, which is anticipated to occur in Period 6. It is typical for a municipality's major revenue streams to occur late in the fiscal year. The timing of these revenues makes the issuance of Tax and Revenue Anticipation Notes (TRANS) a necessity for most municipalities. These notes allow a city to perform services throughout the year, rather than timing them to coincide with actual receipts.

Through Period 4 Fiscal Year 2008, the General Fund revenue budget and the General Fund expenditure budget contain no revisions, and remain in balance. Two actions directing the appropriation from General Fund reserves were passed prior to the end of Period 4, but were not transacted until after the period end date. These actions include an ordinance for "audit services rendered by Macias, Gini, & O'Connell" (O-19660, \$668,000) and "to pay an arbitration settlement with the San Diego Chargers" (O-19672, \$1.98 million). Both of these transactions will be included in the balances presented in the following edition of this report.

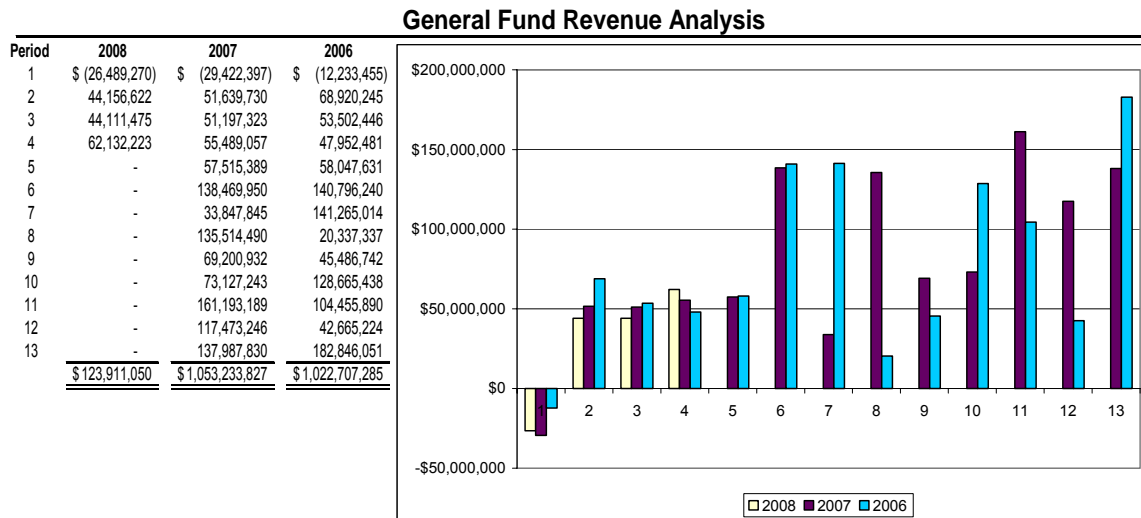
### General Fund Summary

	Adopted Budget	Revised Budget	Current Year-to- Date Actuals	% of Revised Budget	CY/PY Change	Prior Year-to- Date Actuals	FY07 Year-End Totals	% of FY07 Year- End Total
<b>Revenues</b>								
Property Tax	\$ 385,688,853	\$ 385,688,853	\$ 14,213,032	4%	\$ 502,245	\$ 13,710,787	\$ 360,400,407	4%
Safety Sales Tax	8,401,528	8,401,528	2,021,626	24%	(61,624)	2,083,250	7,940,313	26%
Sales Tax	239,485,958	239,485,958	28,845,810	12%	1,959,823	26,885,987	225,841,450	12%
General Fund TOT	85,184,936	85,184,936	19,921,580	23%	2,587,973	17,333,607	80,702,830	21%
Property Transfer Taxes	7,570,860	7,570,860	2,193,802	29%	656,976	1,536,826	9,307,713	17%
Licenses and Permits	34,456,484	34,456,484	8,996,541	26%	1,166,292	7,830,249	31,478,210	25%
Fines and Forfeitures	34,769,264	34,769,264	6,575,837	19%	655,728	5,920,109	36,452,196	16%
Interest & Dividends	10,437,122	10,437,122	2,674,133	26%	1,117,766	1,556,367	10,151,728	15%
Franchises	69,585,776	69,585,776	746,349	1%	(1,250,328)	1,996,677	64,633,832	3%
Rents & Concessions	38,405,313	38,405,313	10,125,590	26%	(233,048)	10,358,638	35,270,989	29%
Motor Vehicle License Fees	7,938,333	7,938,333	2,023,519	25%	(1,356,268)	3,379,787	8,101,184	42%
Revenues From Other Agencies	7,203,056	7,203,056	755,635	10%	(1,955,962)	2,711,597	11,644,797	23%
Charges for Current Services	28,850,177	28,850,177	11,378,104	39%	2,029,419	9,348,685	32,308,468	29%
Services and Transfers	151,243,445	151,243,445	12,502,360	8%	(10,987,694)	23,490,054	135,963,520	17%
Miscellaneous Revenues	2,218,847	2,218,847	937,132	42%	176,039	761,093	3,036,190	25%
<b>Total General Fund Revenue</b>	<b>\$ 1,111,439,952</b>	<b>\$ 1,111,439,952</b>	<b>\$ 123,911,050</b>	<b>11%</b>	<b>\$ (4,992,663)</b>	<b>\$ 128,903,713</b>	<b>\$ 1,053,233,827</b>	<b>12%</b>
<b>Expenditures</b>								
Personnel Services	\$ 499,182,982	\$ 499,191,888	\$ 147,347,427	30%	\$ 2,268,929	\$ 145,078,498	\$ 461,211,470	31%
<b>Total PE</b>	<b>499,182,982</b>	<b>499,191,888</b>	<b>147,347,427</b>	<b>30%</b>	<b>2,268,929</b>	<b>145,078,498</b>	<b>461,211,470</b>	<b>31%</b>
Fringe Benefits	271,654,326	271,645,420	80,264,963	30%	2,576,429	77,688,534	254,201,849	31%
Supplies / Services	267,000,178	266,797,154	68,075,720	26%	22,125,243	45,950,477	195,302,910	24%
Data Processing	37,185,579	37,189,493	9,630,433	26%	1,635,138	7,995,295	29,328,720	27%
Energy	25,655,302	25,791,406	7,647,820	30%	14,649	7,633,171	29,425,581	26%
Outlay	10,761,585	10,824,591	744,927	7%	(1,212,562)	1,957,489	13,195,796	15%
<b>Total NPE</b>	<b>612,256,970</b>	<b>612,248,064</b>	<b>166,363,863</b>	<b>27%</b>	<b>25,138,897</b>	<b>141,224,966</b>	<b>521,454,856</b>	<b>27%</b>
<b>Total General Fund Expenditures</b>	<b>\$ 1,111,439,952</b>	<b>\$ 1,111,439,952</b>	<b>\$ 313,711,290</b>	<b>28%</b>	<b>\$ 27,407,826</b>	<b>\$ 286,303,464</b>	<b>\$ 982,666,326</b>	<b>29%</b>
<b>General Fund Encumbrances</b>			26,468,957		(8,626,982)	35,095,939	28,636,895	
<b>Net Impact</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (216,269,197)</b>		<b>\$ (23,773,507)</b>	<b>\$ (192,495,690)</b>	<b>\$ 41,930,606</b>	

## GENERAL FUND REVENUES

As stated in the General Fund Summary section of this report, General Fund revenues totaled \$123.9 million through Period 4 of Fiscal Year 2008. This is \$5.0 million less than the \$128.9 million received through Period 4 of Fiscal Year 2007.

Revenue balances in the early periods of a fiscal year are usually lower than the amounts anticipated in later periods. As of Period 4, it appears that General Fund receipts follow this pattern, similar to previous years. (This is demonstrated in the General Fund Revenue Analysis below.)



As of Period 4 Fiscal Year 2008, General Fund Sales Tax receipts totaled \$28.8 million. This represents a \$2.0 million increase from Period 4 of last fiscal year (\$26.8 million), and is \$1.0 million more than the period-to-date estimate for this category.

Transient Occupancy Tax (TOT) revenue totaled \$19.9 million as of Period 4 Fiscal Year 2008. This is \$2.6 million more than the \$17.3 million received during the same period in Fiscal Year 2007. Despite the increase from last fiscal year, this category is \$5.4 million less than the period-to-date budget due to delays in transacting the allocation to the General Fund.

Fines and Forfeiture revenue totaled \$6.6 million, which is \$655,728 more than what was received through Period 4 Fiscal Year 2007 (\$5.9 million). While this year-to-year change is not significant, the category as a whole is \$3.5 million less than period-to-date estimates. The majority of this variance is in Parking Citations which has received \$3.0 million less than period-to-date Budget.

General Fund Franchise revenue totaled \$746,349 through Period 4 of Fiscal Year 2008. This is \$1.3 million less than the \$2.0 million received through this point last year, and is \$1.8 million less than the period-to-date estimate. The

majority of this difference relates to Refuse Collection franchise fees, which appear to be a result of payments that were anticipated to be received in Period 4, but were posted three days after the period end date.

Revenues from Other Agencies totaled \$755,635 as of Period 4. In Fiscal Year 2007 the General Fund had received \$2.7 million through Period 4, marking a \$2.0 million decrease. This is due to reimbursements from Federal Agencies for Hurricane Katrina support received in early Fiscal Year 2007. When compared to the Period-to-Date Budget, the category is \$95,116 higher than estimated.

The Charges for Current Services revenue category is up \$2.0 million from Fiscal Year 2007 to \$11.4 million. This is also \$2.8 million higher than the period-to-date estimate. This increase is largely attributable to increased services related revenue generated by the San Diego Police Department and San Diego Fire and Rescue.

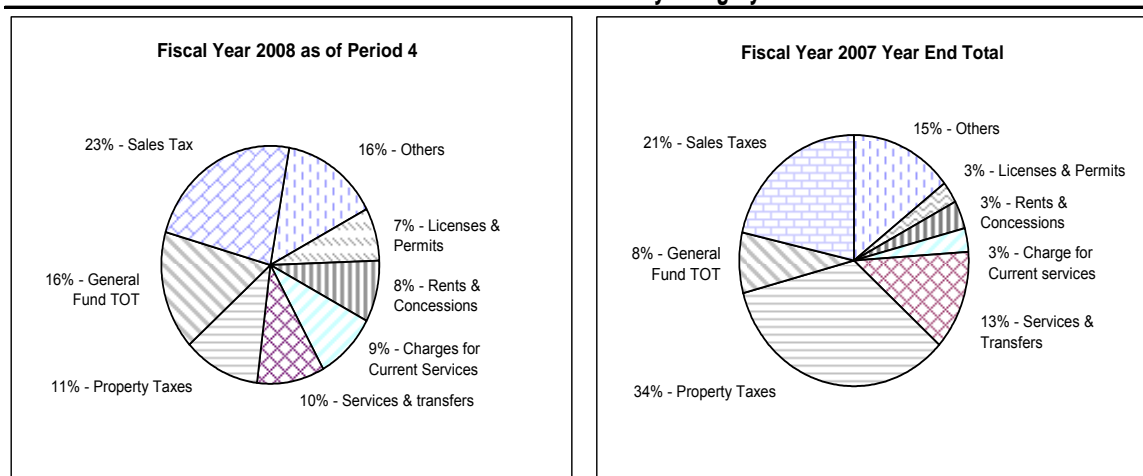
Revenue from Services and Transfers totaled \$12.5 million as of Period 4 Fiscal Year 2008; this is \$11.0 million lower than what was received as of Period 4 last fiscal year. This change is related to timing differences of budgeted transfers to the General Fund, and is also the reason that revenue in this category is lower than period-to-date budgets by \$24.6 million.

The following table shows how the actual receipt of revenue compares to period-to-date estimates. It contains the categories with the five largest variances, as well as the General Fund total.

<b>General Fund Revenue Period-to-Date Variance Analysis</b>				
	PTD	FY08		
	Budget	Actuals	Variance	%
Services & Transfers	\$ 37,103,094	\$ 12,502,360	\$ (24,600,734)	-66%
General Fund TOT	25,346,182	19,921,580	(5,424,602)	-21%
Fines & Forfeitures	10,036,391	6,575,837	(3,460,554)	-34%
Charges for Current Services	8,528,833	11,378,104	2,849,271	33%
Franchises	2,551,250	746,349	(1,804,901)	-71%
Remaining Revenue Categories	73,627,949	72,786,820	(841,129)	-1%
<b>Total General Fund Revenues</b>	<b>\$ 157,193,699</b>	<b>\$ 123,911,050</b>	<b>\$ (33,282,649)</b>	<b>-21%</b>

The charts on the following page illustrate how General Fund revenues are broken down by revenue category. One demonstrates Fiscal Year 2008 revenues received through Period 4, and the other illustrates Fiscal Year 2007 totals. This distribution is not consistent throughout the year and is included only to demonstrate the weight each category carries at a specific point in time.

### General Fund Revenue by Category



Additional details of General Fund revenues can be found on Schedule 1- General Fund Revenue Status Report.

### GENERAL FUND EXPENDITURES

General Fund expenditures totaled \$313.7 million through Period 4 of Fiscal Year 2008. This is \$27.4 million more than the \$286.3 million incurred through Period 4 of Fiscal Year 2007.

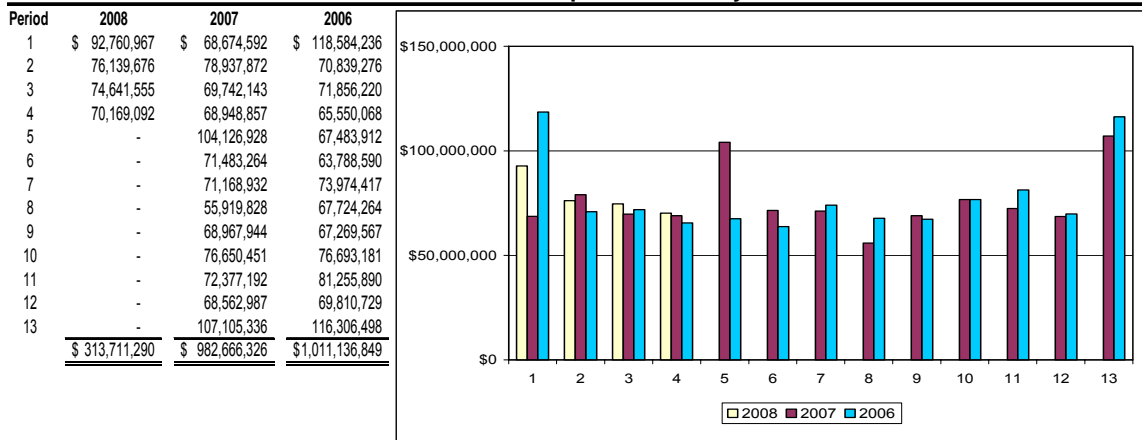
The majority of this difference is the Supplies and Services expenditure category. Expenditures in this category are \$22.1 million higher than this point last year. The majority of this is due to a larger budgeted transfer to the Public Liability Fund from the Citywide Programs department than Fiscal Year 2007. The remainder of the increase is spread throughout the General Fund. Additional expenditure category detail can be found in the table below and on the General Fund Summary table on page 4.

#### General Fund Expenditures by Category

Category	Revised Budget	Current Year-to-Date Actuals	Prior Year-to-Date Actuals	Change	%
Personnel Services	\$ 499,191,888	\$ 147,347,427	\$ 145,078,498	\$ 2,268,929	2%
Fringe Benefits	271,645,420	80,264,963	77,688,534	2,576,429	3%
Supplies / Services	266,797,154	68,075,720	45,950,477	22,125,243	48%
Data Processing	37,189,493	9,630,433	7,995,295	1,635,138	20%
Energy	25,791,406	7,647,820	7,633,171	14,649	-
Outlay	10,824,591	744,927	1,957,489	(1,212,562)	-62%
<b>Total Expenditures</b>	<b>\$ 1,111,439,952</b>	<b>\$ 313,711,290</b>	<b>\$ 286,303,464</b>	<b>\$ 27,407,826</b>	<b>10%</b>

As one can see in the following exhibit, expenditures occur more regularly during the course of the year than the receipt of revenues.

### General Fund Expenditure Analysis



Citywide Program expenditures totaled \$23.0 million through Period 4 of Fiscal Year 2008. This is \$9.1 million higher than the \$13.9 million incurred through this point in Fiscal Year 2007. The primary cause of this increase is a larger budgeted transfer to the Public Liability Fund in Fiscal Year 2008. In Fiscal Year 2007 this initial transfer was \$10.0 million, while Fiscal Year 2008’s budgeted transfer totaled \$18.0 million.

Expenditures for the Office of the Chief Information Officer totaled \$8.2 million. This is \$6.7 million higher than the \$1.5 million incurred through Period 4 of Fiscal Year 2007. This is primarily due to increased centralization of data processing costs; these are offset by decreases in data processing expenditures in other General Fund departments.

City Treasurer expenditures totaled \$3.3 million through Period 4 of Fiscal Year 2008. While this is only \$325,392 more than Fiscal Year 2007’s Period 4 totals, it is \$872,061 higher than period-to-date estimates.

The Police Department incurred expenditures totaling \$109.5 million through Period 4 of Fiscal Year 2008. This is \$5.0 million higher than the \$104.5 million incurred through the same point last year. The majority of this increase is in the Supplies and Services category. Despite this increase, the department’s expenditures are \$5.9 million less than the period-to-date estimate.

San Diego Fire and Rescue expenditures totaled \$58.6 million as of Period 4. This marks a \$4.3 million increase from this point in Fiscal Year 2007 when expenditures totaled \$54.3 million, and yields an unfavorable variance of \$1.2 million when compared to period-to-date estimates. Most of this increase is in the Supplies and Services expenditure category.

Engineering and Capital Projects expenditures through Period 4 totaled \$9.9 million. This is \$390,676 more than what was expended through the same point in Fiscal Year 2007, but is \$916,381 less than period-to-date estimates.



Environmental Services expenditures total \$12.9 million through Period 4 of Fiscal Year 2008. This is an increase of \$1.1 million from this point last year. This increase is largely attributable to increased personnel related expenditures.

The General Services department expenditures through Period 4 Fiscal Year 2008 total \$17.5 million. This is only \$256,942 more than through Period 4 of Fiscal Year 2007, but yields a variance of \$9.8 million when compared to period-to-date estimates. This is primarily due to the delay in bringing forward contracts intended to be awarded by Period 4, which have been reprioritized due to the Mt. Soledad landslide.

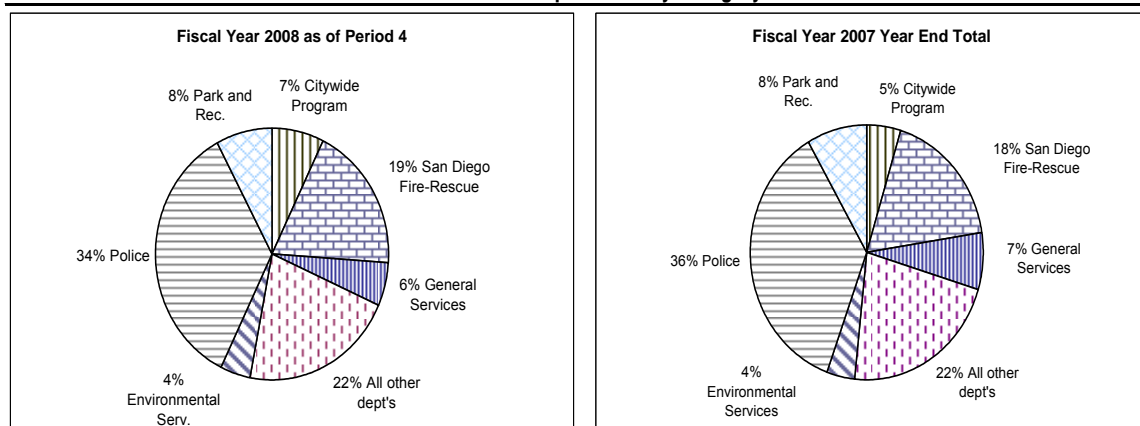
The following table shows how actual expenditures compare to period-to-date estimates. It contains the departments with the five largest variances.

**General Fund Expenditure Period-to-Date Variance Analysis**

	PTD Budget	FY08 Actuals	Variance	%
General Services	\$ 27,285,431	\$ 17,452,994	\$ 9,832,437	36%
Police	115,397,562	109,468,007	5,929,555	5%
San Diego Fire-Rescue	57,385,062	58,623,185	(1,238,123)	-2%
Engineering and Capital Projects	10,766,985	9,850,604	916,381	9%
City Treasurer	4,128,345	3,256,284	872,061	21%
Remaining Departments	120,208,744	115,060,216	5,148,528	4%
<b>Total General Fund Expenditures</b>	<b>\$ 335,172,129</b>	<b>\$ 313,711,290</b>	<b>\$ 21,460,839</b>	<b>6%</b>

The chart below illustrates how General Fund expenditures are broken down by department. One demonstrates Fiscal Year 2008 expenditures through Period 4, and the other illustrates Fiscal Year 2007 totals. Because there are many departments in the General Fund, we focus on only the departments with the largest expenditures. This exhibit is included as an approximation of the types of programs on which the General Fund budget is spent.

**General Fund Expenditure by Category**



Additional details of General Fund expenditures can be found on Schedule 2- General Fund Expenditure Status Report.

### ***Other Budgeted Funds***

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#### **WATER DEPARTMENT**

For Period 4 Fiscal Year 2008, the Water Department realized total revenues of \$119.2 million. Compared to last fiscal year's Period 4 total of \$102.7 million, the result is a \$16.5 million increase.

For the same period, Water Department operating expenses totaled \$87.9 million. Compared to Period 4 of last fiscal year, when operating expenses totaled \$82.2 million, the result is an increase of \$5.7 million. As the table below indicates, revenues have exceeded expenses by \$31.3 million through Period 4. Once operation related encumbrances are taken into account, the difference is \$22.5 million.

The Water Department Fund's adopted revenue budget (\$462.2 million) exceeds the adopted operating expense budget (\$357.0 million) by \$105.2 million. The difference is due to the effect of the excluding CIP related activity from expense totals, as well as the use of fund equity to finance appropriations.

<b>Water Department Fund</b>			
	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Year-to-Date Actuals</u>
Total Revenues	\$ 462,174,462	\$ 462,174,462	\$ 119,192,783
Operating Expenses	<u>356,966,131</u>	<u>357,006,133</u>	<u>87,923,650</u>
	\$ 105,208,331	\$ 105,168,329	\$ 31,269,133
Operating Encumbrances			8,734,793
<b>Net Impact</b>			<b><u><u>\$ 22,534,340</u></u></b>

#### **SEWER FUNDS**

For Period 4 Fiscal Year 2008, the Sewer Funds realized total revenues of \$129.3 million. As of the same point in Fiscal Year 2007, Sewer Funds had realized total revenues of \$97.5 million; this represents an increase of \$31.8 million.

The Sewer Funds incurred operating expenses of \$53.2 million as of Period 4 Fiscal Year 2008. Last year's Period 3 operating expenses totaled \$54.1 million, resulting in a \$928,963 decrease. As the table below indicates, revenues have exceeded expenses by \$76.2 million through Period 4, but once operating encumbrances are considered, the difference falls to \$72.2 million.

The Sewer Funds' adopted operating expense budget (\$369.8 million) exceeds the adopted revenue budget (\$354.0 million) by \$15.7 million. The Sewer Funds are required to include in its annual budget a contingency reserve to enhance its bond creditworthiness profile. This year's contingency reserve was budgeted at \$31.7 million which is the primary cause of the difference between revenue and expense budgets.

<b>Sewer Funds</b>			
	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Year-to-Date Actuals</u>
Total Revenues	\$ 354,030,423	\$ 354,030,423	\$ 129,347,134
Operating Expenses	369,767,582	369,767,582	53,182,533
	<u>\$ (15,737,159)</u>	<u>\$ (15,737,159)</u>	<u>\$ 76,164,601</u>
Operating Encumbrances			3,976,365
<b>Net Impact</b>			<b><u>\$ 72,188,236</u></b>

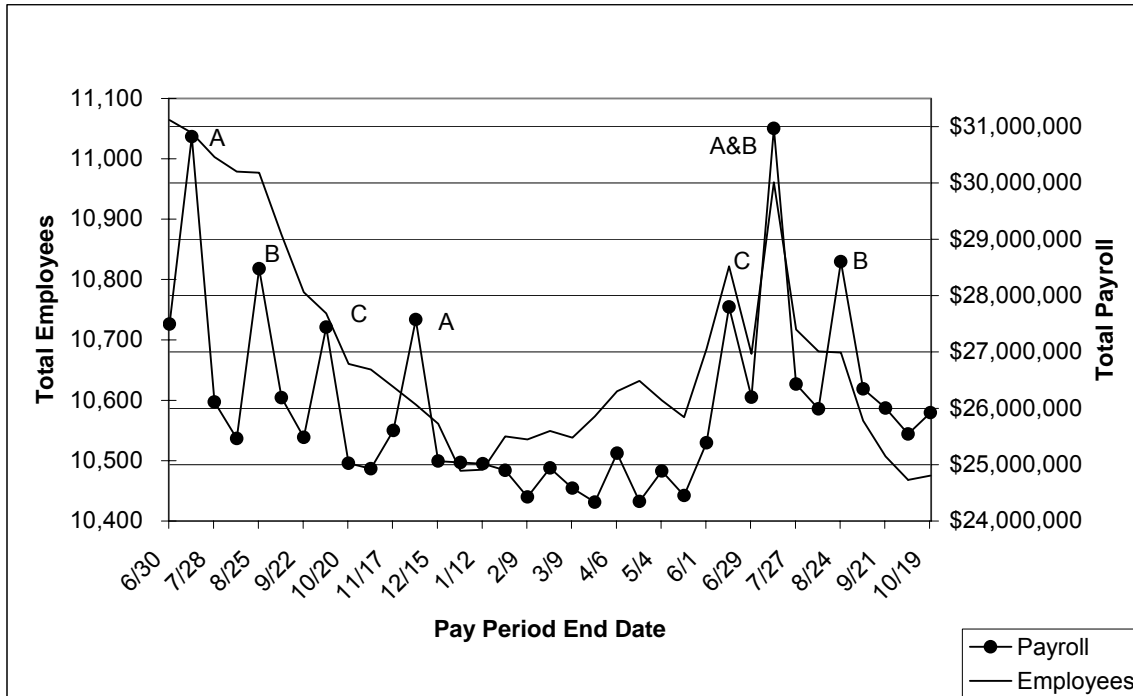
### ***Additional Items of Interest***

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#### **SUMMARY OF PAYROLL ACTIVITY**

One of the significant functions of the City Comptroller's Office is the distribution of the City of San Diego's bi-weekly payroll. The graph on the following page represents the trend of total number of employees and total dollar amount of bi-weekly pay over the past several months. While non-recurring activity, such as larger Terminal Leave payouts and the cashing out of accumulated annual leave, may distort individual distributions, the trends described below are a reasonable indicator of City staffing levels and payroll obligations.

## Payroll Trend Analysis



- A) These spikes in payroll related expenditures are from the cash pay out of unused flexible benefits.
- B) This spike in payroll related expenditures represents the payment of annual uniform allowances.
- C) This spike in payroll related expenditures is from Bid-to-Goal expenses.

The table below shows the changes of selected payroll related statistics from Period 3 to Period 4 of Fiscal Year 2008.

### Summary of Significant Payroll Statistics

	PPE 09/21/07	PPE 10/19/07	Increase / (Decrease)
Total Payroll	\$ 26,001,129	\$ 25,921,185	\$ (79,944)
Accrued Comp Time	\$ 4,905,551	\$ 4,834,615	\$ (70,936)
Accrued Annual Leave	\$ 83,463,861	\$ 83,631,380	\$ 167,519
Accrued Old Sick Leave	\$ 710,734	\$ 701,553	\$ (9,181)
Total Employees	10,507	10,475	(32)

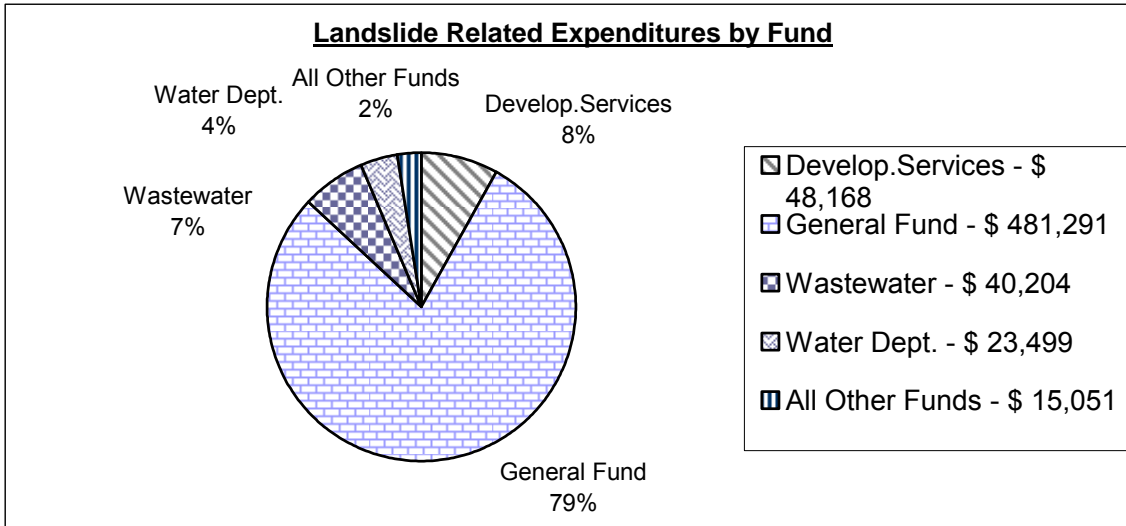
### MT. SOLEDAD LANDSLIDE

On Wednesday, October 3, a landslide occurred on Mt. Soledad prompting the closure of Soledad Mountain Road between Desert View Drive and Palomino Circle. A Preliminary Damage Assessment Summary was filed on October 5 with the Federal Emergency Management Agency which estimated total costs of \$26.0 million.

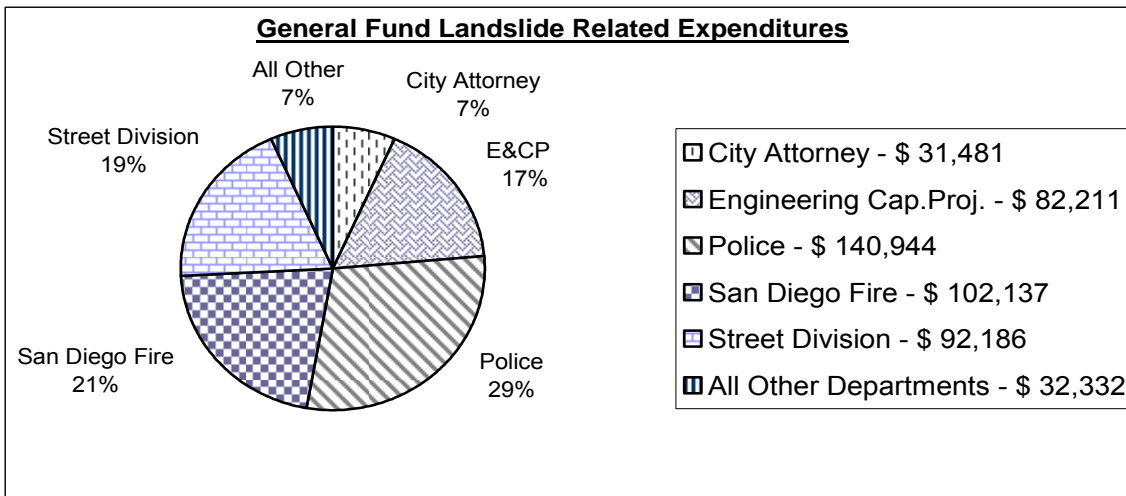
While the total costs of this event are difficult to accurately estimate at this early stage, we have included the operating costs incurred through Period 4 in this report. The primary source for the following amounts is departmental expenditures charged to the job-order prepared specifically for this event. During

an emergency of this nature, it should be expected that some related charges were billed incorrectly. Therefore, it should be understood that these numbers will change as time progresses, and updates will be provided in later editions of this report.

The chart below illustrates Mt. Soledad related operating expenditures by Fund. As of Period 4, which ended October 19, operating expenditures totaled \$608,213. The majority of which was incurred by the General Fund.



The following chart breaks down the General Fund landslide related operating costs through Period 4 by department.



The preceding information does not include any Capital Project costs, which will be presented to Council via a Request for Council Action being prepared by the Engineering and Capital Projects department.

**WILDFIRES**

On Sunday, October 21, the County of San Diego was besieged by numerous wildfires. This report contains balances through Period 4, ended October 19, and does not reflect expenditures related to these fires. The next edition of this report will contain fire related expenditures incurred through that reporting period.

As of writing, the Office of Homeland Security estimates fire related costs at \$31.2 million.