



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: February 25, 2013 REPORT NO: 13-16  
ATTENTION: Budget and Finance Committee  
Agenda of February 27, 2013  
SUBJECT: Fiscal Year 2013 Mid-Year Budget Monitoring Report  
REFERENCE: Fiscal Year 2013 First Quarter Budget Monitoring Report, #12-139

REQUESTED ACTION:

Accept the Fiscal Year 2013 Mid-Year Budget Monitoring Report and approve the requested appropriation adjustments.

STAFF RECOMMENDATION:

Accept the report and approve the recommended appropriation adjustments.

SUMMARY:

The following report presents projections of year-end revenues and expenditures for the General Fund and other funds with budgeted personnel. Projections were developed using actual (unaudited) data from July 2012 through December 2012, which provides six accounting periods of activity and departments' projected spending trends for the remainder of Fiscal Year 2013. This report includes discussion of year-end revenue and expenditure projections that vary from the Fiscal Year 2013 current budget by \$0.5 million or more.

The General Fund is projecting \$7.7 million of expenditures in excess of revenues at fiscal year-end. However, the Fiscal Year 2013 current budget includes an anticipated \$13.2 million of expenditures in excess of revenues due to the use of \$12.7 million in fund balance and a \$0.5 million advance to Civic San Diego per the Council approved Fiscal Year 2013 Civic San Diego administrative budget. The current \$7.7 million projection of expenditures over revenues represents a \$5.5 million budgetary surplus.

In accordance with the Reserve Policy (Council Policy 100-20), the status of the General Fund Reserve is also included in this report. Based on the revenue and expenditure projections referenced above, the General Fund Reserve is projecting to reach \$159.2 million at fiscal year-end, representing 13.7 percent of projected General Fund revenues.

In accordance with Municipal Code Section 22.0229: Mid-Year Amendments to the Adopted General Fund Budget, a recommendation is included in this report regarding the use of the projected budgetary surplus. It is anticipated that \$1.9 million of the projected \$5.5 million budgetary surplus will need to be re-budgeted in Fiscal Year 2014 for the re-appropriation of

unspent City Council Office budgets and community plan update funding. Of the remaining \$3.6 million projected budgetary surplus, \$3.3 million is recommended to be applied to critical expenditures this fiscal year and the remaining \$0.3 million held in reserve. Approval of these actions will reduce the Fiscal Year 2013 projected General Fund ending reserve balance to \$155.9 million, representing 13.4 percent of projected General Fund revenues. Note, \$1.9 million of the \$155.9 million projected reserve balance will be re-budgeted in Fiscal Year 2014.

FISCAL CONSIDERATIONS:

Appropriation increases are requested for General Fund departments to provide spending authority for the increased expenses. These increases are supported by additional revenues or expenditure decreases in other areas. In addition to the General Fund adjustments, funding adjustments are needed for the Fleet Services Operating Fund, Fire/EMS Transportation Program Fund, and the OneSD Support Fund. Projected revenues are available to cover a portion of the increased expenditures in these three non-general funds. Fund balances will provide the remaining resources needed in all three instances.

Incorporating the appropriation adjustments requested above, the Fiscal Year 2013 Mid-Year Budget Monitoring Report projects a General Fund budgetary surplus of \$5.5 million by fiscal year-end. However, \$1.9 million of the projected surplus is due to unspent City Council Office budgets which will be re-appropriated in Fiscal Year 2014 as Council Community Projects, Programs and Services, and unspent community plan update funding. Pursuant to Municipal Code Section 22.0229: Mid-Year Amendments to the Adopted General Fund Budget, \$3.3 million of the remaining \$3.6 million projected budgetary surplus is recommended to be applied to critical expenditures this fiscal year and the remaining \$0.3 million held in reserve.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None

signature on file  
Mark Leonard  
Financial Management Director

signature on file  
Irina Kumits  
Deputy Director

signature on file  
Jay M. Goldstone  
Chief Operating Officer

Attachment: Fiscal Year 2013 Mid-Year Budget Monitoring Report

# **Fiscal Year 2013 Mid-Year Budget Monitoring Report**



**City of San Diego  
Financial Management Department  
February 2013**



## GENERAL FUND

The General Fund is projecting to end the year with \$7.7 million of expenditures in excess of revenues as reflected in Table 1: Summary of FY 2013 General Fund Projections. This represents a \$5.5 million improvement from the Fiscal Year 2013 current budget that includes the use of \$13.2 million of Fiscal Year 2012 Fund Balance. The \$13.2 million budgeted use of fund balance included \$8.3 million for deferred capital projects, \$1.5 million for Council Community Projects, Programs and Services, \$1.4 million for Kinder Morgan litigation, \$0.9 for community plan updates, and \$0.8 million in the General Fund Appropriated Reserve. In addition, the City Council approved \$0.5 million for an advance payment to Civic San Diego, bringing the total budgeted use of fund balance to \$13.2 million.

<b>Summary of FY 2013 General Fund Projections</b>				
<i>Table 1</i>				<i>in millions</i>
<b>Revenue/Expenditures</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
Projected Revenue				
General Fund Major Revenues	\$ 846.1	\$ 857.1	\$ 11.0	1.3%
Departmental Revenue	309.6	309.5	(0.1)	0.0%
Total	\$ 1,155.7	\$ 1,166.6	\$ 10.9	0.9%
Projected Expenditures				
Personnel	\$ 832.6	\$ 832.4	\$ (0.2)	0.0%
Non-Personnel	336.3	341.9	\$ 5.6	1.7%
Total	\$ 1,168.9	\$ 1,174.3	\$ 5.3	0.5%
<b>Net Year-End Projection</b>	<b>\$ (13.2)</b> <sup>1</sup>	<b>\$ (7.7)</b>	<b>\$ 5.5</b>	

<sup>1</sup> The Current Budget reflects \$13.2 million use of the Fiscal Year 2012 General Fund ending balance. \$12.7 million was included in the FY 2013 Adopted Budget and the additional \$0.5 million is the result of an advance to Civic San Diego for land-use permitting and planning expenses per the Council approved FY 2013 Civic San Diego Administrative Budget.

General Fund revenues are projecting to exceed budget by \$10.9 million. Of this amount, General Fund major revenues are projecting to exceed budget by \$11.0 million primarily due to increased property tax and transient occupancy tax (TOT) revenues. These increases are partially offset by a projected reduction in franchise fees due to lower natural gas costs experienced by San Diego Gas and Electric (SDG&E). Department revenues are projecting to be under budget by \$0.1 million.

General Fund expenditures are projecting to exceed budget by \$5.3 million. The Police Department is projecting to exceed budget by \$7.0 million primarily due to helicopter maintenance, fuel, and other related air support expenditures originally budgeted in the Seized Assets Funds. The Police Department is also experiencing over budget fringe and vehicle maintenance costs. The Fire-Rescue Department is projecting to exceed budget by \$3.6 million due to increased vehicle maintenance costs and personnel expenditures for overtime and termination pay. Citywide Program Expenditures is projecting to be \$5.9 million over budget mainly due to the transfer of \$6.9 million to the Capital Improvements Program (CIP) to help fund the cost of replacing the Police Department Computer Aided Dispatch (CAD) system.

These over budget expenditures are partially offset by savings in other General Fund departments such as Transportation and Storm Water (\$3.1 million) and Development Services (\$1.1 million) and projected unspent Appropriated Reserve (\$2.7 million). More detailed information about departmental projections is included in this report.

As reflected in Table 2: Comparison of FY 2013 General Fund Projections, the current projection presents a change since the Fiscal Year 2013 First Quarter Budget Monitoring Report, #12-139 (First Quarter Report), of \$10.4 million in additional revenue and \$2.3 million in additional expenditures. This results in a net improvement of \$8.1 million since the First Quarter Report.

<b>Revenue/Expenditures</b>	<b>First Quarter Report</b>	<b>Mid-Year Report</b>	<b>Change Amount</b>	<b>Change %</b>
Projected Revenue	\$ 1,156.2	\$ 1,166.6	\$ 10.4	0.9%
Projected Expenditures	1,169.7	1,174.3	4.6	0.4%
Potential Additional Expenses <sup>1</sup>	2.3	-	(2.3)	-100.0%
<b>Net Year-End Projection</b>	<b>\$ (15.8)</b>	<b>\$ (7.7)</b>	<b>\$ 8.1</b>	

<sup>1</sup> The First Quarter Report identified potential additional expenses due to unrealized Fleet managed competition savings. The unrealized savings have been included in the projected expenditures in the Mid-Year Report.

The \$10.4 million increase in General Fund revenues since the First Quarter Report is primarily due to increases in property tax and TOT revenues. The increased property tax revenue projection is mainly due to additional property tax revenue resulting from Redevelopment Agency (RDA) dissolution and a property tax administration fee reimbursement from the County, while the increased TOT revenue projection is due to continued strong tourism activity.

The expenditure increase of \$2.3 million since the First Quarter Report is primarily due to increases in Police, Fire-Rescue and Citywide Program Expenditures which are partially offset by decreases in Transportation and Storm Water, Development Services and the Appropriated Reserve, as previously discussed in conjunction with Table 1. In the First Quarter Report, the Appropriated Reserve was projected to be fully expended, however the current projection assumes the Appropriated Reserve will not be spent.

## **GENERAL FUND RESERVES**

The audited Fiscal Year 2012 ending fund balance for the General Fund was \$166.9 million. If no additional actions are taken, the projected General Fund reserve balance for the end of Fiscal Year 2013 would be \$159.2 million. This is based on the current revenue and expenditure projections, resulting in a net decrease of \$7.7 million to reserves at fiscal year-end. However, the current budget assumes the use of \$13.2 million in Fiscal Year 2012 ending fund balance, which was anticipated to result in a decrease of \$13.2 million to the Fiscal Year 2013 ending

balance. The projected \$7.7 million decrease to reserves is an improvement of \$5.5 million from what was anticipated in the budget.

Of the \$5.5 million budgetary surplus \$3.3 million is recommended to be used this fiscal year, reducing the Fiscal Year 2013 projected ending balance, as displayed in Table 3: FY 2013 General Fund Reserve Estimates. The revised projected ending balance is \$155.9 million, representing 13.4 percent of Fiscal Year 2013 projected revenue and exceeds the reserve target by \$62.6 million.

<b>FY 2013 General Fund Reserve Estimates</b>	
<i>Table 3</i>	<i>in millions</i>
<b>Description</b>	<b>Amount</b>
FY 2012 Ending Balance	
Unassigned Balance	\$ 108.4
Emergency Reserve	58.5
Subtotal	\$ 166.9
FY 2013 Projected Activity	
Projected Revenue	\$ 1,166.6
Projected Expenditures <sup>1</sup>	(1,174.3)
Subtotal	\$ (7.7)
<b>FY 2013 Projected Ending Balance</b>	<b>\$ 159.2</b>
Recommended Use of FY 2013 Projected Surplus	\$ (3.3)
<b>FY 2013 Revised Projected Ending Balance<sup>2</sup></b>	<b>\$ 155.9</b>

<sup>1</sup>Includes \$13.2 million use of the Fiscal Year 2012 General Fund ending balance as reflected in the Adopted Budget and the adjustment for the Council approved Civic San Diego Budget.

<sup>2</sup>The FY 2013 revised projected ending balance of \$155.9 million includes the \$1.9 million anticipated to be re-budgeted in FY 2014.

## GENERAL FUND REVENUES

The current General Fund revenue budget for Fiscal Year 2013 is \$1.2 billion. Revenues are projecting to be over budget by \$10.9 million, or 0.9 percent, at year-end. This is a \$10.4 million increase from the projection in the First Quarter Report, of which, \$12.0 million is a result of the improved General Fund major revenues. General Fund major revenues are projecting to conclude the fiscal year at \$11.0 million, or 1.3 percent, over budget, primarily in property tax and TOT revenues offset by a loss in sales tax and franchise fee revenue.

Department revenues are projecting to be under budget by \$0.1 million. Over budget department revenues of \$0.8 million in the Park and Recreation Department revenue primarily from TOT reimbursements and \$1.0 million from Mission Bay leases in Real Estate Assets Department are offset by a \$1.8 million decrease in the Transportation and Storm Water Department as a result of reduced parking citation revenue received and the cancellation of the red light photo enforcement program. The lost red light photo enforcement revenue is partially offset by decreased photo enforcement contractual expenditures, however, it is anticipated that a portion of

the decreased red light photo enforcement revenue may be offset by red light violation revenue as a result of increased enforcement efforts by the Police Department.

The following sections discuss the variances between revenue projections and the current budget for both major and department revenues. Table 4: FY 2013 General Fund Revenue Projections summarizes these revenue variances, which are also detailed in Attachment I: General Fund Projected Revenues.

<b>Revenue Source</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
General Fund Major Revenues	\$ 846.1	\$ 857.1	\$ 11.0	1.3%
Departmental Revenue	309.6	309.5	(0.1)	0.0%
<b>Total</b>	<b>\$ 1,155.7</b>	<b>\$ 1,166.6</b>	<b>\$ 10.9</b>	<b>0.9%</b>

## Major Revenues

The year-end projection for the General Fund major revenues is \$857.1 million, which is a 1.3 percent or \$11.0 million positive variance from the current budget, as reflected in Table 5: FY 2013 General Fund Major Revenue Projections. This year-end projection reflects an increase of \$12.0 million from the First Quarter Report mainly due to an increase in projected receipts within the property tax category.

<b>Revenue Source</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
Property Tax	\$ 387.1	\$ 401.8	\$ 14.6	3.8%
Sales Tax	236.3	234.4	(1.9)	-0.8%
Transient Occupancy Tax <sup>1</sup>	81.7	83.6	1.9	2.4%
Franchise Fees <sup>2</sup>	70.0	66.3	(3.7)	-5.3%
Property Transfer Tax	6.4	6.6	0.2	3.7%
Motor Vehicle License Fees	-	0.7	0.7	100.0%
Other Major Revenue	64.7	63.7	(0.9)	-1.4%
<b>Total</b>	<b>\$ 846.1</b>	<b>\$ 857.1</b>	<b>\$ 11.0</b>	<b>1.3%</b>

<sup>1</sup> Total City FY 2013 current revenue budget for transient occupancy tax is \$156.0 million and the projection is \$159.7 million. The balance is budgeted in the Transient Occupancy Tax Fund.

<sup>2</sup> Total City FY 2013 current revenue budget for franchise fees is \$133.2 million and the projection is \$127.3 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

The General Fund major revenue projections are based on the most recent economic information and revenue distributions to the City. The primary contributor to the positive variance is the property tax revenue category, which is projected to end the fiscal year over budget by \$14.6 million. The projected surplus within the property tax category is due to reduced property tax



refunds, property tax distributions as a result of the dissolution of redevelopment agencies and the reimbursement of property tax administration fees from the County of San Diego. TOT revenue is also contributing to the projected surplus as this category is anticipated to be over budget by \$1.9 million at the end of the fiscal year due to an increase in receipts through the first half of the fiscal year. The projected overages in property tax and TOT are partially offset by projected decreases in franchise fees of \$3.7 million and sales tax of \$1.9 million. Additionally, motor vehicle license fees are projecting to be \$0.7 million over budget while the other major revenue category is projecting to be under budget by \$0.9 million.

When the Fiscal Year 2013 Adopted Budget for the General Fund major revenues was developed, it incorporated a projection of continuing improvement in the local, State and national economies for the fiscal year. While some of the General Fund major revenue categories are currently projecting to end the fiscal year under budget, the positive signs shown by local economic indicators during development of the budget have continued through the first half of the fiscal year as reflected in Table 6: Local Economic Indicators.

**Local Economic Indicators**  
*Table 6*

When compared to December 2011, the unemployment rate in the City of San Diego for December 2012 has dropped by 0.9 percent, while the total number of unemployed has decreased by 9.8 percent. There have also been significant decreases in foreclosures and notices of default when comparing the

<b>Economic Indicator</b>	<b>December 2011</b>	<b>December 2012</b>	<b>% Change</b>
City of San Diego Unemployment	9.0%	8.1%	-0.9%
City of San Diego Number of Unemployed	64,400	58,100	-9.8%
USD Index of Leading Econ. Indicators <sup>1</sup>	116.9	122.8	5.0%
San Diego County Home Sales	3,306	3,773	14.1%
San Diego County Median Home Price	\$325,718	\$378,919	16.3%
San Diego County Foreclosures	889	445	-49.9%
San Diego County Notices of Default	1,585	978	-38.3%

Source: California Employment Development Department, DataQuick Information Systems, USD Index of Leading Economic Indicators, San Diego County

<sup>1</sup>At the time of this report the December 2012 amount was not available. The amount reflected is as of November 2012, the most recent figure available.

same time periods. In addition to local employment and real estate indicators showing improvement, the University of San Diego's (USD) Index of Leading Economic Indicators also reflects a positive change. This index provides a broader picture of the local economy, as it summarizes data across several areas, including building permits, unemployment, stock prices, consumer confidence, help wanted advertising and the national economy.

With the current year-end projection for the General Fund major revenues slightly above budget, it remains evident that the local economy is continuing to slowly improve, as displayed by local economic indicators in the table above. Although it is anticipated that this improvement in the local economy will continue through the remainder of Fiscal Year 2013, economic indicators will be closely monitored for potential impacts on the General Fund major revenues.

**Property Tax**

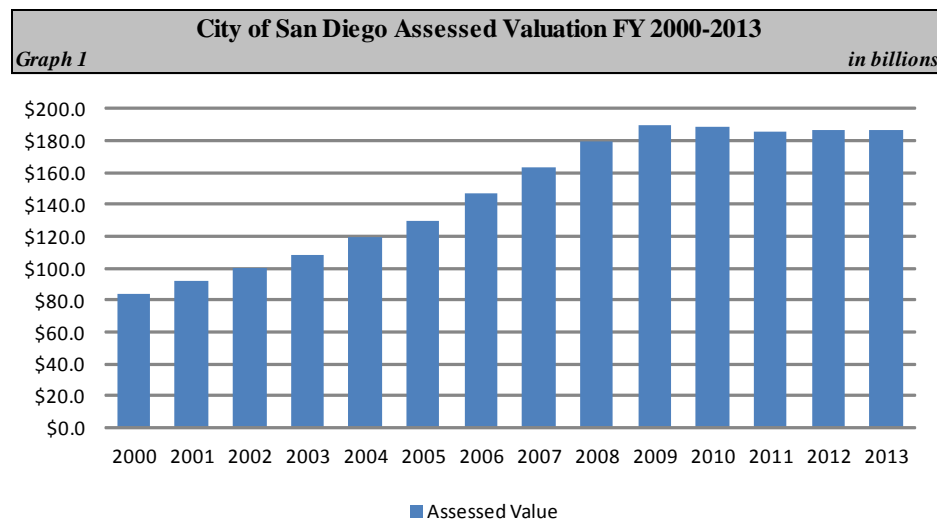
The year-end projection for property tax revenue is \$401.8 million, which is a 3.8 percent or \$14.6 million increase from the current budget. This projection reflects an \$11.1 million increase from the projection in the First Quarter Report due to property tax distributions as a result of the dissolution of redevelopment agencies and the reimbursement of property tax administration fees (PTAF) from the County of San Diego which are offset by a reduction in

property tax refunds. The 1.0 percent property tax year-end projection varies from the current budget due to a lower than projected assessed valuation (AV) for the City for Fiscal Year 2013 which has resulted in a decrease of \$0.1 million in projected property tax receipts. This mid-year projection includes a \$1.0 million reduction in projected refunds, a \$7.8 million increase in projected property tax distributions as a result of the dissolution of redevelopment agencies and \$6.9 million in reimbursements of PTAF from the County of San Diego. The reimbursed PTAF will be applied to the cost of replacing the Police Department’s CAD system. All of these components in the property tax projection result in a net projected surplus of \$14.6 million as displayed below in Table 7: FY 2013 Property Tax Revenue Projections.

<b>FY 2013 Property Tax Revenue Projections</b>				
<i>Table 7</i>	<i>in millions</i>			
<b>Revenue Source</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
1.0% Property Tax	\$ 387.1	\$ 387.0	\$ (0.1)	0.0%
RPTTF Tax Sharing Pass-Through Payments <sup>1</sup>	-	2.6	2.6	100.0%
RPTTF Residual Property Tax	-	5.2	5.2	100.0%
PTAF Reimbursement	-	6.9	6.9	100.0%
<b>Total</b>	<b>\$ 387.1</b>	<b>\$ 401.8</b>	<b>\$ 14.6</b>	<b>3.8%</b>

<sup>1</sup>FY 2013 Adopted Budget includes \$2.5 million within the transfers in revenue category, however as a result of the dissolution of the RDA this revenue is now being received from the Redevelopment Property Tax Trust Fund (RPTTF) and recognized as Property Tax.

The assessed valuation information was released by the County Assessor’s Office in June 2012, after the preparation of the Fiscal Year 2013 Adopted Budget. While there are some signs of improvement in the local real estate market, a lag time of approximately eighteen months exists between the time the assessed valuation is set by the County Assessor’s Office and property tax revenue is received by the City. Fiscal Year 2013 property tax receipts reflect housing market



activity from calendar year 2011. The median home price for calendar year 2011 decreased 4.0 percent over the calendar year 2010 median home price and was the main contributor to the decrease in the City’s assessed valuation. However, current market trends are promising with home sales increasing 14.1

Source: San Diego County Assessor's Office

percent in December 2012 over December 2011 and median home prices increasing 16.3 percent over the same time frame. These recent trends should have a positive impact on the City’s

assessed valuation and property tax receipts in future years. Graph 1: City of San Diego Assessed Valuation FY 2000-2013, above, displays the City of San Diego’s AV for Fiscal Years 2000 through 2013.

Approved assessed valuation appeals result in property tax refunds paid to the applying property owner and negatively impact the total projected property tax revenue to be received by the City. In Fiscal Year 2012, actual property tax refunds totaled \$5.5 million, a 25.2 percent decrease over the Fiscal Year 2011 property tax refunds of \$7.4 million. The Fiscal Year 2013 Adopted Budget for property tax assumed the same amount of refunds as in Fiscal Year 2012. Reassessment refunds as reported by the County Assessor have been monitored through the first half of the fiscal year. As a result, the Fiscal Year 2013 year-end property tax projection includes a decrease of \$1.0 million in projected refunds, lowering the projected property tax refunds from \$5.5 million to \$4.5 million and thus increasing the total projected property tax receipts.

The Fiscal Year 2013 Adopted Budget included a \$2.5 million tax sharing pass-through payment within the transfers in revenue category. However, as a result of the dissolution of the Redevelopment Agency (RDA), the tax sharing pass-through payment will be received as part of the Recognized Obligations Payment Schedule (ROPS) and will be recognized as property tax revenue. The Fiscal Year 2013 year-end property tax projection includes a total tax sharing pass-through payment of \$2.6 million from the former RDA based on previously approved ROPS. In addition to the tax sharing pass-through payment, the year-end projection also includes an anticipated residual property tax payment of \$5.2 million. The residual property tax payment is the City’s proportionate share of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after ROPS requirements have been met. The City will monitor future ROPS and adjust the projected pass-through and residual property tax payments as necessary.

**Sales Tax**

The year-end projection for sales tax is \$234.4 million, which is a \$1.9 million decrease from the current budget of \$236.3 million. This decreased projection is primarily due to the State Board of Equalization’s estimated Fiscal Year 2013 triple-flip<sup>1</sup> payment to the City being lower than anticipated in the current budget. However, the sales tax mid-year projection reflects a \$1.7 million increase from the First Quarter Report attributed to favorable receipts from taxable sales in the third quarter of calendar year 2012.

While a combination of these components results in a slightly lower sales tax revenue projection when compared to the current budget, the City did experience positive growth in taxable sales throughout Fiscal Year 2012 and this trend in taxable sales has

<b>Quarterly Sales Tax Revenue</b>			
<i>Table 8</i>	<i>in millions</i>		
<b>Economic Category</b>	<b>3rd Quarter CY 2011</b>	<b>3rd Quarter CY 2012</b>	<b>Variance %</b>
General Retail	\$ 14.8	\$ 15.1	2.1%
Food Products	11.9	12.7	7.1%
Transportation	10.3	10.9	5.7%
Business to Business	8.7	9.1	5.3%
Construction	3.7	3.9	5.0%
<b>Total</b>	<b>\$ 49.3</b>	<b>\$ 51.6</b>	<b>4.8%</b>

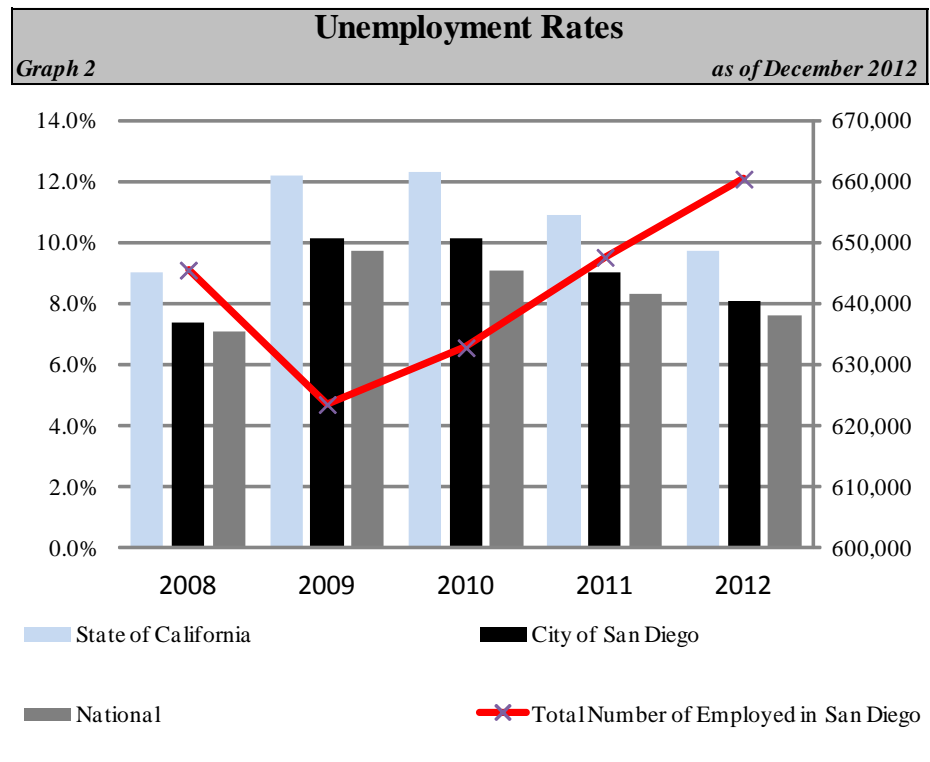
Source: MuniServices, LLC

<sup>1</sup> Triple-flip is the State legislation under which local governments are required to shift one-quarter of 1.0 cent of the Sales and Use Tax to the State in exchange for an equivalent amount of property tax.

continued through the second quarter of Fiscal Year 2013. When comparing taxable sales from the third quarter of calendar year 2012 with the same period from 2011, a net gain of 4.8 percent is reported across all economic sectors, as shown in Table 8: Quarterly Sales Tax Revenue, with the greatest increases coming in the food products and transportation categories.

According to the most recent (February 2013) forecast from the State Board of Equalization, State-wide taxable sales are forecasted to have an average growth of 5.1 percent in the remaining two quarters of Fiscal Year 2013. The City’s projected growth rate for the remainder of the fiscal year is unchanged from the First Quarter Report at 5.3 percent which is based on the analysis of

the most recently available sales tax receipts, and the current projected activity of key economic indicators. The unemployment rate for the City of San Diego has declined to 8.1 percent from 8.5 percent, while the State of California’s unemployment rate remains at 9.7 percent. Both the City and State unemployment rates remain above the national unemployment rate of 7.6 percent, as shown in Graph 2: Unemployment Rates. Looking ahead, information on holiday



Source: State of California, Employment Development Department

season taxable sales performance, which will become available in the next quarter, will provide further indication of economic growth and consumer confidence. Any potential increase or decrease in local taxable sales performance will directly impact the sales tax revenue projection.

**Transient Occupancy Tax (TOT)**

The total City TOT projection is \$159.7 million, of which \$83.6 million is received in the General Fund. This is a \$1.9 million or 2.4 percent positive variance from the current General Fund budget. While this projection reflects a slight \$0.1 million decrease in the General Fund projection from the First Quarter Report, the City continues to experience an increase in overnight visitors to the City of San Diego which has resulted in an increase in the Fiscal Year 2013 Adopted Budget growth rate of 5.5 percent to 6.0 percent for the remainder of the fiscal year.

The positive trend in tourism growth that began in Fiscal Year 2010 is expected to continue through Fiscal Year 2013, as projected in the December 2012 Quarterly Travel Forecast from the San Diego Tourism Authority (formerly known as the San Diego Convention and Visitors

Bureau). Overall, visitor growth in the San Diego region during calendar years 2012 and 2013 is projected at 3.6 percent and 2.1 percent, respectively, with overnight visitor growth of 2.8 percent and 1.1 percent during the same time frame. Growth in room demand is projected to be 3.6 percent and 1.7 percent for calendar years 2012 and 2013, respectively. The Average Daily Rate (ADR) dropped a few cents to \$131.23 for calendar year 2012 when compared to the \$131.72 rate from the First Quarter Report; however, this is an overall increase of 4.5 percent over calendar year 2011. In calendar year 2013, the ADR is projected to increase 3.3 percent to \$135.33 over calendar year 2012 projections. Table 9: San Diego County Visitor Industry provides statistics that are used to develop the TOT projection for the City.

<b>San Diego County Visitor Industry</b>				
<i>Table 9</i>	CY2010	CY2011	CY2012	CY2013 <sup>1</sup>
<b>Visitors</b>				
Total Visits (millions)	29.9	31.1	32.3	33.0
Overnight Visits (millions)	15.1	15.8	16.2	16.4
<b>Hotel Sector</b>				
Average Occupancy	66.5%	68.7%	71.1%	71.8%
Average Daily Rate	\$ 121.38	\$ 125.56	\$ 131.23	\$ 135.33
Revenue PAR <sup>2</sup>	\$ 80.59	\$ 86.27	\$ 93.31	\$ 97.22
Room Demand (growth)	6.7%	3.7%	3.6%	1.7%

Sources: San Diego Tourism Authority and Tourism Economics

<sup>1</sup> Forecast - Tourism Economics, December 2012

<sup>2</sup> Revenue Per Available Room (Average Occupancy multiplied by Average Daily Rate)

### Franchise Fees

The year-end projection for franchise fees is \$66.3 million, which is a 5.3 percent, or \$3.7 million, decrease from the current budget of \$70.0 million. This projection reflects a \$3.6 million decrease from the projection in the First Quarter Report, which is primarily due to less SDG&E franchise fee revenue anticipated as a result of decreased natural gas prices. Franchise fee revenue is generated from agreements with refuse haulers and private utility companies in exchange for the use of the City's rights-of-way. Currently, the City has franchise agreements with SDG&E, Cox Communications, Time Warner Cable, AT&T and refuse haulers. The revenue received from the agreements with SDG&E and the cable companies is based on a percentage of gross sales while the revenue received from refuse haulers is based on tonnage.

### Property Transfer Tax

The year-end projection for property transfer tax is \$6.6 million, which is a 3.7 percent or \$0.2 million increase from the current budget. This projection is nearly unchanged from the projection in the First Quarter Report and is based on actual receipts through the second quarter of Fiscal Year 2013. Additionally, this projection includes an increase in the Fiscal Year 2013 Adopted Budget growth rate of 7.0 percent to 12.0 percent for the remainder of the fiscal year. According to DataQuick Information Systems, the number of single family homes sold in San Diego County in December 2012 was 3,773, a 14.1 percent increase over the December 2011 home

sales volume of 3,306. Median home prices have also increased and as of December 2012, the median home price was \$378,919, a 16.3 percent increase over the December 2011 median home price of \$325,718. Notices of default and foreclosures have been declining from their record high levels during the recession. As of December 2012, there were 978 notices of default, a 38.3 percent decrease from December 2011 notices of default of 1,585. There were 445 foreclosures in December 2012, a 49.9 percent decrease from the December 2011 foreclosure count of 889. It is assumed that the declines in notices of default and foreclosures will continue through 2013.

Property transfer tax is levied on the sale of residential and commercial real estate property and is highly reflective of the activity in the housing market, making property transfer tax revenues generally more volatile to market changes than the 1.0 percent property tax levy. Accordingly, appreciation or depreciation in property values and sales volume in the local real estate market affect property transfer tax revenues and changes in the market place are reflected in the revenue received on a monthly basis.

### **Other Major Revenues**

Other major revenues include general governmental services billing (GGSB), which is a reimbursement from other City funds that utilize General Fund services; the one-cent TOT transfer into the General Fund; interest earnings attributable to the General Fund from the City investment pool; and refuse collector business tax. The combined projection for all other General Fund major revenues is \$63.7 million, which is 1.4 percent or \$0.9 million under the current budget. The projected shortfall is primarily the result of \$2.5 million in budgeted transfers in from RDA tax sharing payments being recognized as property tax revenue which is offset by an increase of \$1.3 million in disaster recovery reimbursement payments. It should be noted that this year-end projection does not include additional funds from the tobacco securitization revenues as a result of the recent settlement between Phillip Morris and the State of California; however, the City may receive an additional amount of revenue during the second half of the fiscal year. The revenue estimates from this recent settlement will be closely monitored and incorporated in future revenue projections as information becomes available.

### **Department Revenues**

Department revenues are projecting to be under budget by \$0.1 million. This projection is a \$1.6 million decrease since the First Quarter Report and is primarily due to reduced TOT revenue in the Park and Recreation Department. The Transportation and Storm Water Department's revenue projection has also decreased since the First Quarter Report as a result of the elimination of the red light photo enforcement program and less than anticipated reimbursement revenue from CIP projects. Table 10: FY 2013 Significant General Fund Revenue Variances by Department summarizes the current variances by department, which is also detailed in Attachment I: General Fund Revenue Projections.

**FY 2013 Significant General Fund Revenue Variances by Department***Table 10**in millions*

<b>Department</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
Transportation and Storm Water	\$ 48.4	\$ 46.6	\$ (1.8)	-3.7%
Real Estate Assets	41.0	42.1	1.0	2.4%
Police	42.9	43.6	0.8	1.8%
Park and Recreation	37.3	38.0	0.8	2.0%
Public Works - Engineering and Capital Projects	56.2	56.8	0.6	1.0%

### **Transportation and Storm Water**

The Transportation and Storm Water Department projects to end the fiscal year with revenues under budget by \$1.8 million, or 3.7 percent. The \$1.8 million under budget variance is primarily due to a decrease in parking citation revenue received and the cancellation of the red light photo enforcement program. It is anticipated that a portion of the decreased red light photo enforcement revenue may be offset by increased red light violation enforcement and revenue in the Police Department; however, the revenue impact is unknown at this time. Since the First Quarter Report, revenue projections have decreased by \$1.4 million due to lower than anticipated reimbursable revenue from CIP projects and the elimination of the red light photo enforcement program.

### **Real Estate Assets**

The Real Estate Assets Department projects to end the fiscal year with \$1.0 million, or 2.4 percent, of revenue over budget. The lease revenues from Mission Bay rents and concessions are projecting to be \$1.0 million higher than was budgeted; this is offset by an expenditure increase in Citywide Program Expenditures for the transfer of this revenue to the Mission Bay and Regional Park Improvements Funds. While Mission Bay lease revenue projections continue to exceed budget at the end of the fiscal year, this mid-year projection is decreased by \$0.2 million from the First Quarter Report, due to a slight decrease in actual receipts.

### **Police**

The Police Department projects revenues to exceed budget at year-end by \$0.8 million, or 1.8 percent. This is a favorable increase of \$0.2 million from the First Quarter report and is due to increased parking citation revenue projections of \$0.6 million. In Fiscal Year 2012 Financial Management reviewed parking citation revenue for the General Fund. As a result, parking citation revenue budgets were adjusted for the Fiscal Year 2013 Adopted Budget, properly aligning the actual activity with the budget in the corresponding General Fund departments. The current year-end projection illustrates that further alignment may be necessary for Fiscal Year 2014. While the Police Department is projecting a surplus of \$0.6 million in parking citation revenue, the Transportation and Storm Water and City Treasurer Departments are projecting to be under budget by \$0.2 million and \$0.1 million, respectively. Overall, the General Fund parking citation revenue is projecting to be over budget by \$0.3 million.

The remaining surplus is similar to the First Quarter Report and is primarily the result of unexpected reimbursements from various federal and local agencies for joint task force activity and unbudgeted grant revenue for the Stonegarden grant. These reimbursements and grant

revenues are projecting to be over budget \$2.7 million; however, they are partially offset by the \$2.5 million projected under budget revenue in licenses and permits, red light violations and charges for services such as Regional Vehicle Theft, Investigation Fees and Fingerprinting Fees.

### Park and Recreation

The Park and Recreation Department projects revenues to exceed budget at year-end by \$0.8 million, or 2.0 percent. The mid-year projection for TOT revenue to the General Fund has declined by \$1.0 million since the First Quarter report. This decline is offset by an increase of \$0.2 million in reimbursements for over budget costs associated with the opening of recreation centers outside of budgeted operating hours. The current year-end projection continues to be slightly over budget primarily due to \$0.5 million of the remaining over budget TOT revenue and \$0.2 million in recreation center rental revenue.

### Public Works – Engineering and Capital Projects

The Public Works - Engineering and Capital Projects Department projects to end the fiscal year with \$0.6 million, or 1.0 percent, of revenue over budget. The surplus is primarily the result of CIP streamlining efforts resulting in more timely and accurate billing to capital projects, increasing the reimbursement revenues. The mid-year projection increased by \$0.1 million from the First Quarter Report, primarily due to a one-time reimbursement from a billing error that occurred in Fiscal Year 2010.

## GENERAL FUND EXPENDITURES

The current Fiscal Year 2013 General Fund expenditure budget is \$1.2 billion. Year-end projections show over budget expenditures of \$5.3 million, or 0.5 percent as displayed in Table 11: FY 2013 General Fund Expenditure Projections Summary. This is a significant increase since the First Quarter Report and is primarily due to increased expenditures in Citywide Program Expenditures of \$6.9 million to partially fund the cost of replacing the Police Department’s CAD system. Another contributor to the increased expenditure projection is related to higher vehicle maintenance costs to City departments as a result of the delay in full implementation of the Fleet Services managed competition. While costs have increased for vehicle maintenance and the CAD system project, a decrease in the projected expenditures in the Appropriated Reserve of \$2.7 million is partially offsetting the increased expenditure projection.

The following sections discuss the significant variances between expenditure projections and the current budget by categories of expenditures and by department, as also detailed in Attachment II: General Fund Projected Expenditures.

<b>FY 2013 General Fund Expenditure Projections Summary</b>				
<i>Table 11</i>				
<i>in millions</i>				
<b>Expenditure Type</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
Personnel	\$ 832.6	\$ 832.4	\$ (0.2)	0.0%
Non-Personnel	336.3	341.9	5.6	1.7%
<b>Total</b>	<b>\$ 1,168.9</b>	<b>\$ 1,174.3</b>	<b>\$ 5.3</b>	<b>0.5%</b>



## Expenditures by Category

As noted above, the projected overages are primarily within non-personnel expenditures and can be found in Police, Fire-Rescue, Park and Recreation, and Citywide Program Expenditures. These projections are comprised of anticipated overages within the salaries and wages, supplies, energy and utilities, and transfers out categories while a surplus is projected in the Appropriated Reserve. These projections are displayed in Table 12: FY 2013 General Fund Expenditure Projections by Category. A detailed discussion of expenditure variances follows.

<b>FY 2013 General Fund Expenditure Projections by Category</b>					
<i>Table 12</i>		<i>in millions</i>			
<b>Expenditure Category</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>	
Salaries and Wages	\$ 511.5	\$ 512.1	\$ 0.5	0.1%	
Fringe Benefits	321.1	320.3	(0.8)	-0.2%	
Contracts	143.9	143.3	(0.6)	-0.4%	
Supplies	21.3	22.6	1.2	5.7%	
Information Technology	43.1	42.9	(0.1)	-0.3%	
Energy and Utilities	42.7	42.8	0.1	0.2%	
Transfers Out	67.9	76.0	8.1	11.9%	
Other	6.9	6.9	(0.0)	-0.5%	
Debt	5.8	5.6	(0.2)	-3.7%	
Capital Expenditures	2.0	1.8	(0.2)	-9.3%	
Appropriated Reserve <sup>1</sup>	2.7	-	(2.7)	-100.0%	
<b>Total</b>	<b>\$ 1,168.9</b>	<b>\$ 1,174.3</b>	<b>\$ 5.3</b>	<b>0.5%</b>	

<sup>1</sup>The current budget has been modified to reflect the transfer of \$257,000 in appropriations from the General Fund Appropriated Reserve to the Transportation and Storm Water Department as approved by City Council on January 29, 2013 (R-307976).

### Salaries and Wages

Salaries and wages are projected to be over budget by \$0.5 million, or 0.1 percent. Overall, departments are experiencing savings from a temporary hiring freeze implemented following voter approval of Proposition B pension reform. However, these savings are offset by projected increases in other types of wages, such as overtime, hourly wages, pay-in-lieu of annual leave, and termination pay. This expenditure projection has increased by \$0.2 million since the First Quarter Report primarily due to increased in pay-in-lieu of annual leave and termination pay expenditures.

### Fringe Benefits

General Fund fringe benefits are projected to end the fiscal year \$0.8 million, or 0.2 percent, under budget, which is a slight decrease since the First Quarter Report and is primarily due to the temporary hiring freeze as mentioned earlier. When the Fiscal Year 2013 Adopted Budget was developed, fixed fringe benefit expenses were distributed among City departments and funds based upon budgeted positions; however, actual expenditures to date combined with year-end projections reflect shifts in personnel activity from the budgeted amounts.

The total City requirement for the fixed or obligated fringe benefits for Fiscal Year 2013 is \$331.5 million, of which \$253.8 million is projected to be allocated to the General Fund. The fixed or obligated fringe benefits include: San Diego City Employees Retirement System (SDCERS) Annual Required Contribution (ARC), Retiree Healthcare Contribution (Pay-Go), Workers' Compensation, Other Post-Employment Benefits (OPEB), Risk Management Administration, Long-Term Disability, and Unemployment Insurance. Table 13: FY 2013 General Fund Fringe Benefits Projections includes the projection for both fixed and variable fringe benefit groups.

<b>FY 2013 General Fund Fringe Benefits Projections</b>				
<i>Table 13</i>	<i>in millions</i>			
<b>Fringe Benefits</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
Fixed	\$ 254.4	\$ 253.8	\$ (0.6)	-0.2%
Variable	66.7	66.5	(0.2)	-0.3%
<b>Total</b>	<b>\$ 321.1</b>	<b>\$ 320.3</b>	<b>\$ (0.8)</b>	<b>-0.2%</b>

While the fixed fringe benefit expenditures are adjusted to meet the targeted budget amounts by fiscal year-end, slight variances from the fixed targets are present. The variance projected for the fixed fringe benefit expenditures of \$0.6 million is less than 1 percent from the budgeted/fixed targeted amount and will be fully expended at year-end with a true-up expense based on actual staffing levels at the conclusion of the fiscal year. Collection rates for these fringe benefits are adjusted as necessary throughout the fiscal year to ensure full collection by fiscal year-end and appropriate allocation among City departments and funds. The variable fringe benefit expenditures also vary from budget due to variations in staffing levels. Additional variances are present this fiscal year due to changes in retirement expenditures for new employees as a result of Proposition B pension reform that were not known at the time the budget was developed.

### **Contracts**

The contracts category is projecting to be under budget by \$0.6 million, or 0.4 percent. The projected positive variance is a result of \$1.7 million in lower than anticipated costs related to citywide elections and property tax administration fees in the Citywide Program Expenditures Department. The Office of City Auditor also projects contract expenditures to be under budget by \$0.7 million due to lower than anticipated Fiscal Year 2012 and Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR) expenses and delays in the internal controls audit report process. Development Services projects contractual expenditures to be under by \$0.7 million due to the postponement of the Phyllis Place Project and the cost savings related to the Housing Element Update. Additionally, the Public Works – General Services Department is projecting to be under budget within the contracts category by \$0.5 million mainly due to the citywide elevator contract coming in lower than anticipated and to a decline in security expenses as a result of the sale of the Crabtree building. The projected savings within the contracts category are offset by an anticipated \$3.7 million in over budget expenses in the Police Department for helicopter maintenance, and other related air support expenses. The Police Department's air support program expenses were originally budgeted in the Seized Assets Funds however; these expenses are being re-directed to the General Fund as a result of the Seized Assets Funds underperforming in recent years and lacking sufficient funds to sustain the program. The Police

Department contracts category is also over budget due to the SDCERS settlement costs for canine and motors pensionable pay and increased costs to the County of San Diego for animal control services.

### **Supplies**

Supplies expenses are projected to end the fiscal year \$1.2 million, or 5.7 percent over budget. The largest projected over budget supply expense is a result of the Public Works - General Services Department experiencing increased costs for supplies and materials for facility repairs totaling a projected overage of \$0.5 million. The Police Department supplies expense overage of \$0.5 million is primarily for the Police Officers Association (POA) negotiated uniform allowance due to an increase in the number of recruits. Additionally, the City Treasurer anticipates a negative variance of \$0.2 million due to expenditures budgeted within the information technology and contractual categories being recognized in the supplies category.

### **Energy and Utilities**

The energy and utilities category is projected to be \$0.1 million, or 0.2 percent, over budget at year-end. The largest contributor to this over budget projection is the cost of diesel fuel for fire trucks and engines. The Police Department is also projecting to be over budget due to the movement of helicopter fuel costs to the General Fund as a result of insufficient funding in the Seized Assets Funds to support this cost. Additionally, the Park and Recreation Department is projecting over budget expenditures due to the under budgeting of water and sewer expenses. These overages are offset by projected savings in unleaded fuel expenses within the Environmental Services and Transportation and Storm Water Departments.

### **Transfers Out**

The transfers out category is projected to end the fiscal year \$8.1 million, or 11.9 percent, over budget. This increase is primarily due to the \$6.9 million reimbursement from the County of San Diego for property tax administration fee overpayments which is anticipated to partially fund the cost of replacing the Police Department CAD system CIP in the Citywide Program Expenditures Department. There is also a projected increase of \$1.0 million in anticipated revenues from the Mission Bay leases which results in an offsetting increase in the transfer out to the Mission Bay and Regional Park Improvement Funds. Additionally, Economic Development is projecting a \$0.3 million deficit due to grants for the Small Business Enhancement program being budgeted within the contracts category but expended from the transfers out category.

### **Other Expenditure Categories**

General Fund projections reflect spending in the areas of capital expenditures, information technology, debt and other expenditures to be slightly under the current budget.

### **Appropriated Reserve**

The Fiscal Year 2013 Mid-Year projection assumes the \$2.7 million remaining appropriated reserve will not be expended. At the time of this projection, \$1.3 million was previously allocated from this reserve, of which; \$1.0 million supported pre-construction contracts related to the Convention Center Expansion Phase III and an additional \$0.3 million supported tree maintenance within the public right-of-way. The General Fund will be reimbursed for the \$1.0 million Convention Center Expansion Phase III expense when the short-term note is issued.

## Department Expenditures

Table 14: FY 2013 Significant General Fund Expenditure Variances by Department displays the departments with expenditures projecting to be over or under budget by \$0.5 million or more. These variances are discussed following the table.

<b>FY 2013 Significant General Fund Expenditure Variances by Department</b>				
<i>Table 14</i>	<i>in millions</i>			
<b>Department</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
Police	\$ 406.6	\$ 413.6	\$ 7.0	1.7%
Citywide Program Expenditures	67.5	73.4	5.9	8.7%
Fire-Rescue	201.6	205.1	3.6	1.8%
Transportation and Storm Water <sup>1</sup>	92.7	89.5	(3.1)	-3.4%
Park and Recreation	86.2	87.6	1.4	1.6%
Development Services	14.2	13.2	(1.1)	-7.7%
City Auditor	3.8	3.0	(0.8)	-22.0%
City Treasurer	19.6	18.9	(0.7)	-3.7%
Economic Development	12.0	11.5	(0.5)	-4.4%

<sup>1</sup>The current budget has been modified to reflect the transfer of \$257,000 in appropriations from the General Fund Appropriated Reserve to the Transportation and Storm Water Department as approved by City Council on January 29, 2013 (R-307976).

### Police

The Police Department projects to end the fiscal year \$7.0 million, or 1.7 percent, over budget. A large portion of the deficit is due to \$2.5 million in helicopter maintenance, fuel, and other related air support expenses, which were originally budgeted in the Seized Assets Funds, being re-directed to the General Fund. The Seized Assets Funds have underperformed in recent years and currently lack sufficient funds to sustain the air support program. An additional \$1.9 million of the overall deficit is due to over budget fringe expenditures following the reallocation of these expenses. The Police Department also projects a \$0.8 million increase in vehicle maintenance costs due to delays in full implementation of the Fleet Services managed competition. Other contributors to the overall deficit are \$0.6 million in SDCERS settlement costs associated with canine and motors pensionable pay and \$0.5 million for ammunition, body armor vests, and the Police Officers Association (POA) negotiated uniform allowance.

### Citywide Program Expenditures

The Citywide Program Expenditures Department projects to end the fiscal year \$5.9 million, or 8.7 percent, over budget. This over budget projection is primarily the result of a \$6.9 million reimbursement of property tax administration fees from the County of San Diego which is anticipated to partially fund the cost of replacing the Police Department's CAD system and is projected to be expended in the Citywide Program Expenditures Department. Additionally, there is a projected increase of \$1.0 million in revenue from Mission Bay leases which results in increased transfers to the Mission Bay and Regional Park Improvement Funds from the Citywide Program Expenditures Department. The projected deficits are offset by an anticipated \$1.2 million in savings from lower than anticipated costs for citywide elections and \$1.0 million in

savings from reduced property tax administration fees for the current year. Overall, projections have increased by \$7.4 million from the First Quarter Report primarily due to the \$6.9 million to the Police Department CAD system and \$0.4 million in special election costs for the vacant seat in Council District 4.

### **Fire-Rescue**

The Fire-Rescue Department projects to end the fiscal year \$3.6 million, or 1.8 percent, over budget. This is an increase of \$1.0 million since the First Quarter Report and is primarily the result of increased vehicle maintenance, personnel, and information technology expenditures. Personnel expenditures are over budget by approximately \$2.8 million; this variance is primarily in overtime due to Strike Team deployments. Additional over budget personnel expenditures are projected in termination pay and pay-in-lieu of annual leave. The \$3.6 million deficit also includes a projected \$0.6 million in increased diesel fuel costs for fire trucks and engines, and \$0.5 million in over budget vehicle maintenance costs as a result of the delay in full implementation of Fleet Services managed competition.

### **Transportation and Storm Water**

The Transportation and Storm Water Department projects to end the fiscal year \$3.1 million, or 3.4 percent, under budget. The positive variance is primarily due to savings of \$1.7 million in personnel expenditures as a result of department-wide vacancies. The variance also includes savings of \$0.9 million in energy and utilities as a result of lower costs for unleaded fuel and energy-efficiency upgrades to street lights. Additionally, an anticipated \$0.3 million of cost savings is projected from the elimination of the red light photo enforcement contract. The Fiscal Year 2013 Adopted Budget incorporated \$0.7 million in savings as a result of the managed competition for Street Sweeping. However, full implementation of the managed competition for Street Sweeping was delayed one month which reduces the projected savings for the fiscal year by \$0.1 million. Overall, the Transportation and Storm Water Department's expenditure projections remain consistent with the First Quarter Report.

### **Park and Recreation**

The Park and Recreation Department projects to end the fiscal year \$1.4 million, or 1.6 percent over budget primarily in personnel expenditures, contracts, and energy and utilities. Personnel expenditures are anticipated to exceed budget by approximately \$0.7 million which is primarily due to requests for opening recreation centers outside of budgeted operating hours. The costs of the additional hours of operation are reimbursed by the requestors and reflected in the increased revenue projections. There are also over budget expenditures in the contracts and energy and utilities categories which are projecting to exceed budget by \$0.7 million. The over budget contracts are primarily due to increased vehicle maintenance costs as a result of the delay in full implementation of Fleet Services managed competition and unbudgeted brush management expenditures. Energy and utility costs increased due to a rise in demand for water resulting from dryer weather conditions. While the projection has remained similar to the First Quarter Report, savings related to a delay in the brush management contract are offset by the increased vehicle maintenance costs.

### **Development Services**

The Development Services Department projects to end the fiscal year \$1.1 million, or 7.7 percent under budget. The projected savings are primarily attributable to personnel and contractual expenditures. Personnel expenditures are projecting to be \$0.4 million under budget as a result of vacancies within the department. Contractual expenditures are projecting to be \$0.7 million under budget due to the postponement of the Phyllis Place Project and cost savings related to the Housing Element Update. The mid-year projection has decreased by \$0.2 million from the First Quarter Report as a result of the delays in contractual expenditures.

### **Office of the City Auditor**

The Office of the City Auditor projects to end the fiscal year \$0.8 million, or 22.0 percent, under budget. The positive variance is due to savings of \$0.7 million in contractual expenditures. These savings are primarily attributed to an internal controls audit report being delayed and lower than anticipated expenditures associated with the review of the City's Fiscal Year 2012 and Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR). In addition, there is a positive variance of \$0.1 million in personnel expenditures from vacancies experienced earlier in the fiscal year. Since the First Quarter Report, expenditure projections have decreased by \$0.9 million largely due to delays in contractual expenditures.

### **City Treasurer**

The City Treasurer Department projects to end the fiscal year \$0.7 million, or 3.7 percent, under budget. Personnel expenditures are anticipated to be under budget by approximately \$0.4 million which is primarily due to ongoing vacancies associated with the delay of the parking districts fully implementing the Parking Meter Utilization Program (PMUP). In addition, the supplies, contracts and information technology categories have a net savings of \$0.3 million primarily due to the on-line merchant card fee being passed on to the violator, and a delay in implementing system upgrades due to information technology resources being used for other project priorities. The current expenditure projection has decreased by \$0.3 million since the First Quarter Report. This is primarily due to a delay in filling vacant positions; less than anticipated banking service fees and savings in budgeted changeover costs as a result of the banking services contract for the City being awarded to the current vendor.

### **Economic Development**

The Economic Development Department projects to end the fiscal year \$0.5 million, or 4.4 percent, under budget. The savings are primarily attributable to personnel expenditures. Personnel expenditures are projecting to be \$0.5 million under budget as a result of vacancies within department. This year-end projection has decreased by \$0.2 million from the First Quarter Report due to an increase in the number of vacancies experienced during the second quarter of the fiscal year.

### **Library**

The Library Department projects to end the fiscal year \$0.3 million, or less than a percent, under budget. These savings are primarily due to decreased personnel expenditures as a result of vacancies caused by the temporary hiring freeze as mentioned earlier in this report. The current year-end projection assumes the hiring of four new employees for the remaining three months of the fiscal year to support the New Central Library. Although these personnel expenditures are

not budgeted in Fiscal Year 2013, the savings from vacancies experienced earlier in the fiscal year are sufficient to offset the additional expenditures.

## NON-GENERAL FUNDS

Projections based on the first six accounting periods of Fiscal Year 2013 are provided in Attachment III: Non-General Fund Projections for all non-general funds with personnel. This information addresses operating expenditures only. CIP expenditures are not included in the current budget or projections provided in this report. Those funds with significant budgetary variances in revenues or expenditures of \$0.5 million or more are displayed in Table 15: FY 2013 Significant Non-General Fund Variances and are discussed below.

<b>Fund</b>	<b>Revenue/Expenditure</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over/(Under) Budget</b>	<b>Variance %</b>
Central Stores	Rev	\$ 13.3	\$ 10.6	\$ (2.7)	-20.5%
	Exp	13.3	10.4	(3.0)	-22.3%
Development Services	Rev	45.6	48.7	3.1	6.8%
	Exp	44.1	43.4	(0.7)	-1.6%
OneSD Support	Rev	25.6	25.9	0.3	1.0%
	Exp	25.7	26.5	0.8	3.1%
Fire/EMS Transportation Program	Rev	10.8	10.8	0.1	0.7%
	Exp	15.0	15.8	0.8	5.6%
Fleet Services Operating	Rev	48.1	50.0	1.9	4.0%
	Exp	48.0	51.4	3.4	7.1%
Golf Course	Rev	16.6	18.1	1.5	9.2%
Information Technology	Exp	9.1	8.6	(0.5)	-5.7%
Publishing Services	Rev	3.8	3.0	(0.8)	-19.9%
	Exp	3.4	2.9	(0.5)	-14.2%
Recycling	Rev	18.8	20.8	2.0	10.7%
	Exp	23.3	21.8	(1.5)	-6.3%
Refuse Disposal	Rev	27.7	28.1	0.4	1.4%
	Exp	34.5	32.6	(1.9)	-5.6%
Sewer Utility	Rev	410.3	410.9	0.6	0.1%
	Exp	344.9	311.3	(33.6)	-9.7%
Transient Occupancy Tax	Rev	74.4	76.2	1.8	2.4%
	Exp	74.4	75.2	0.8	1.0%
Underground Surcharge	Rev	49.4	48.4	(1.1)	-2.2%
	Exp	49.4	48.4	(1.1)	-2.2%
Water Utility Operating	Rev	467.0	433.2	(33.8)	-7.2%
	Exp	436.9	416.5	(20.4)	-4.7%



### **Central Stores**

The Central Stores Fund is projecting to end the fiscal year with revenues under budget by \$2.7 million, or 20.5 percent, and expenditures under budget by \$3.0 million or 22.3 percent. Consistent with the First Quarter Report, these under budget projections are primarily due to decreased demand by City departments for storeroom supplies. The reduction in projected revenues and expenditures from the First Quarter Report is due to a further decrease in demand for storeroom supplies. In total, year-end revenues are projecting to exceed expenditures by \$0.2 million.

### **Development Services**

The Development Services Fund is projecting revenues to be over budget by \$3.1 million, or 6.8 percent, at year-end. The increased revenue projection is due to an increase in the demand for building permits as a result of the improving economy. The Fund is projecting under budget expenditures of \$0.7 million, or 1.6 percent, due to savings in contracts and information technology expenditures. Savings in the contracts category is primarily due to a decreased need for services from other City departments. The revenue projection has declined significantly from the \$5.2 million of over budget revenue projected in the First Quarter Report due to a decrease in the review of CIP projects, which results in a decrease in reimbursement revenue from other City departments. The expenditure projection has also declined significantly since the First Quarter Report primarily due to savings in personnel expenditures as a result of the temporary hiring freeze as mentioned previously in this report. The Fund projects to end the fiscal year with \$5.2 million of revenue in excess of expenditures.

### **OneSD Support**

The OneSD Support Fund is projecting expenditures to be \$0.8 million, or 3.1 percent, over budget. This is primarily due to \$0.5 million for additional SAP licenses the City was required to procure based on an audit by the San Diego Data Processing Center. Additionally, there was an unexpected cost of \$0.2 million related to preparing SAP for the new virtualized server model. These increased costs also account for the increase in the projection since the First Quarter Report. The Fund is projecting to end the fiscal year with \$0.6 million of expenditures in excess of revenues, which will be covered by fund balance.

### **Fire/EMS Transportation Program**

The Fire/Emergency Medical Services (EMS) Transportation Program Fund is projecting expenditures to be \$0.8 million, or 5.6 percent over budget. The year-end expenditure projection is over budget in personnel expenditures and contracts, which are offset by savings in capital expenditures. Personnel expenditures are over budget by \$0.4 million due to an under appropriation of EMS related specialty pays and an increase in overtime expenditures as a result of filling single-role paramedics with firefighter/paramedics. Other increases in personnel expenditures include termination pay and pay-in lieu of annual leave. The contracts expenditure group is over budget by \$0.4 million primarily due to increased overhead costs related to Rural/Metro San Diego, the City's EMS contractor. The expenditure projection for the Fund reflects an increase of \$0.9 million from the First Quarter Report due to increases in the personnel expenditures and contracts categories, offset by a lower projection in the supplies category. The Fund is projecting to end the fiscal year with \$5.0 million of expenditures in excess of revenues, which will be covered by fund balance.

### **Fleet Services Operating**

The Fleet Services Operating Fund is projecting expenditures to be \$3.4 million, or 7.1 percent, over budget. The projected deficit in expenditures is primarily due to the delay in full implementation of the Fleet Services managed competition. Since the First Quarter Report, expenditure projections have decreased by \$0.8 million due to reduced projections for contractual and fuel expenditures. The contractual expenditures are reduced due to the delay in full implementation of managed competition while fuel expenditure projections are reduced due to a decrease in consumption and costs of unleaded fuel. The increased expenditure projection will be partially offset by over budget revenues of \$1.9 million from increased vehicle maintenance costs passed on to City departments and funds. The Fund is projecting to end the fiscal year with \$1.4 million of expenditures in excess of revenues, which will be covered by fund balance.

### **Golf Course**

The Golf Course Fund is projecting revenue to be \$1.5 million, or 9.2 percent over budget. The fund is realizing increased revenue at all City golf courses because of improving economic conditions, favorable weather, and golf course enhancements. The Fund is projecting a deficit of \$0.2 million in the energy and utility category due to increased fuel consumption and increased demand for water due to dryer weather conditions. The Fund is projecting to end the fiscal year with revenues of \$3.1 million in excess of expenditures.

### **Department of Information Technology**

The Department of Information Technology Fund is projecting expenditures to be \$0.5 million, or 5.7 percent, under budget at the end of the fiscal year. The positive expenditure variance is due to the savings in the personnel expenditures category as a result of vacancies within the department. The year-end expenditure projection for the Fund has increased \$0.5 million from the First Quarter Report as a result of filling a portion of the vacancies during the second quarter of the fiscal year. The Fund is projecting to end the fiscal year with \$0.7 million of expenditures in excess of revenues, which will be covered by fund balance.

### **Publishing Services**

The Publishing Services Fund is projecting revenue to be \$0.8 million, or 19.9 percent under budget. The reduced revenue projection is due to the full implementation of the convenience copier contract and a decrease in print jobs being processed by the Publishing Services Department. The Fund is projecting to be \$0.5 million, or 14.2 percent under budget in expenditures primarily due to savings in the contracts category as a result of decreased demand for outsourced print jobs. The Fund projects to end the fiscal year with revenues of \$0.2 million in excess of expenditures.

### **Recycling**

The Recycling Fund is projecting year-end revenue to be over budget by \$2.0 million, or 10.7 percent. This surplus in revenue is mainly driven by an anticipated \$0.6 million of forfeited refundable construction and demolition (C&D) debris recycling deposits related to the C&D Diversion Ordinance and \$0.7 million from the State of California curbside recycling supplemental payment. In addition, there is a projected \$0.7 million increase from higher than anticipated AB939 fees and an increase in reimbursable revenue. The Fund is also projecting

expenditures to be \$1.5 million, or 6.3 percent, under budget. The major contributors to the \$1.5 million in savings are reduced personnel expenditures due to vacancies and reduced unleaded fuel and vehicle maintenance expenditures due to a smaller fleet of vehicles than assumed in the budget. Since the First Quarter Report was released revenue projections have increased by \$1.0 million while expenditure projections have remained consistent. The increase in the revenue projection is due to the State curbside supplemental payment, higher than anticipated AB939 fees collected, and increases in reimbursable revenue. The Fund is projecting to end the fiscal year with \$1.0 million of expenditures in excess of revenues, which will be covered by fund balance.

### **Refuse Disposal**

The Refuse Disposal Fund is projecting revenue to be over budget by \$0.4 million, or 1.4 percent at year-end. The projected surplus in revenue is primarily due to increased sales of greenery products at the Miramar Landfill, shared profit the City receives from the sale of converted landfill gases to renewable energy, and increased fees for disposal paid by City departments. The Refuse Disposal Fund is also projecting expenditures to be under budget by \$1.9 million, or 5.6 percent. The expenditure variance is primarily due to less tonnage being disposed of at the landfill resulting in a \$0.5 million reduction in regulatory fees paid to CalRecycle and the County of San Diego. Along with savings in regulatory fees, the fund anticipates savings of \$0.1 million in unleaded fuel and \$2.0 million in equipment rental as a result of reduced tonnage to be processed. Since the First Quarter Report, revenue and expenditure projections have increased by \$0.2 million and \$0.9 million, respectively. The Fund is projecting to end the fiscal year with \$4.5 million of expenditures in excess of revenues, which will be covered by fund balance.

### **Sewer Utility**

The Sewer Utility Funds are projecting revenues to be over budget by \$0.6 million, or less than a percent, while the expenditures are projected to be under budget by \$33.6 million, or 9.7 percent. A large component of the under budget expenditure projection is \$14.1 million savings in contractual expenditures and one-time maintenance and repairs to treatment facilities. The remainder of the surplus is made up of savings in debt service, personnel expenditures, chemical purchases, information technology, and electrical expenditures. This year-end projection represents a \$12.4 million decrease in projected expenditures since the First Quarter Report due to increased savings in contracts and debt service. The Funds project to end the fiscal year with \$99.6 million of revenue in excess of expenditures.

### **Transient Occupancy Tax (TOT)**

The TOT Fund is projecting revenues to exceed budget by \$1.8 million, or 2.4 percent. The total City TOT projection is \$159.7 million, of which \$76.2 million remains in the TOT Fund. As discussed in the General Fund major revenues section, the positive trend in tourism growth that began in Fiscal Year 2010 has continued through the first two quarters of Fiscal Year 2013 and is expected to continue through the remainder of the fiscal year. In the First Quarter Report, additional revenue of \$1.6 million was transferred from the one-cent of discretionary TOT funding to the Park and Recreation Department for the reimbursement of tourism related activities supported by the General Fund. Based on the most updated revenue receipts the transfer to the Park and Recreation Department was reduced by \$1.0 million since the First Quarter Report. While this projection reflects a slight decrease from the First Quarter Report, the City of San Diego continues to experience an increase in overnight visitors, which has resulted in

an increase in the Fiscal Year 2013 Adopted Budget growth rate of 5.5 percent to 6.0 percent for the remainder of the fiscal year. Finally, the Fund projects to end the fiscal year with revenues in excess of expenditures by \$1.0 million.

### **Underground Surcharge**

The Underground Surcharge Fund is projecting revenue to be under budget by \$1.1 million, or 2.2 percent. The under budget revenue variance is primarily due to lower than anticipated underground surcharge receipts from SDG&E. Similarly, the Underground Surcharge Fund projects expenditures to be under budget by \$1.1 million, or 2.2 percent. This under budget expenditure projection is attributed to lower than anticipated contractual expenditures related to the maintenance of the underground utilities lines. Since the First Quarter Report, revenue and expenditure projections have decreased by \$1.1 million largely due to lower than anticipated underground surcharge receipts. The Fund projects to end the fiscal year with revenue equal to expenditures by year-end.

### **Water Utility Operating**

The Water Utility Operating Fund is projecting revenues to be under budget by \$33.8 million, or 7.2 percent. This is primarily caused by a \$28.1 million reduction in the other revenue category caused by the finalization of the drawdown of bond proceeds from Public Facilities Financing Act (PFFA) Funds. A reduction of \$18.5 million is also projected in the charges for current services category due to lower receipts from water sales, partially offset by increases in capacity charges and reclaimed water sales. Additionally, a \$1.0 million reduction is projected in interest and dividends due to lower than anticipated returns on pooled investments. These projected reductions are partially offset by increases in other fines and forfeitures of \$1.5 million, rents and concessions of \$1.3 million, revenue from federal agencies of \$1.4 million, \$7.2 million from State Revolving Loan Funds for the Harbor Drive and Lindbergh Field pipeline replacement projects, and \$2.1 million in other grant funds. This revenue projection represents a decrease of \$37.5 million from the First Quarter Report due to decreases in bond proceeds and water sales.

Expenditures are projected to be under budget by \$20.4 million, or 4.7 percent. This under budget projection is primarily due to savings of \$8.3 million in budgeted reserves and \$4.3 million is due to the refinancing of bond obligations. The remaining balance is comprised of savings in supplies, contracts, and information technology due to decreased water purchases, and chemical costs and delays in various projects. This expenditure projection represents a decrease of \$5.3 million from the First Quarter Report primarily due to debt service savings related to the refinancing of bond obligations. The Fund projects to end the fiscal year with revenues of \$16.7 million in excess of expenditures.

## APPROPRIATION ADJUSTMENTS

The following sections discuss the requested appropriation changes that accompany this report. The first section, Budget Corrections, includes increases to departments and funds that have over budget projections and need budget increases in order to continue operations through the end of the fiscal year. The second section, Recommended Use of Projected Surplus, discusses the recommended use of the projected General Fund surplus, pursuant to Municipal Code Section 22.0229: Mid-Year Amendments to the Adopted General Fund Budget.

### BUDGET CORRECTIONS

Increases in expenditure appropriations are required for certain General Fund departments to support projected over budget expenditures. These increases are offset by a revenue increase in the General Fund major revenues. Adjustments for non-general funds are supported by additional revenues or fund balance. The requested changes are summarized in Table 16: FY 2013 Mid-Year Appropriation Adjustments.

<b>FY 2013 Mid-Year Appropriation Adjustments</b>			
<i>Table 16</i>			
<b>Fund/Department</b>	<b>Expenditures Increase/(Decrease)</b>	<b>Revenue</b>	<b>Net Impact<sup>1</sup></b>
<b>General Fund</b>			
Major General Fund Revenue	\$ -	\$ 4,070,000	\$ 4,070,000
Real Estate Assets	-	1,000,000	1,000,000
Police	7,100,000	770,000	(6,330,000)
Fire-Rescue	3,600,000	260,000	(3,340,000)
Park and Recreation	1,400,000	700,000	(700,000)
Transportation and Storm Water	(2,800,000)	-	2,800,000
Development Services	(1,000,000)	-	1,000,000
Citywide Program Expenditures	(1,000,000)	-	1,000,000
Economic Development	(500,000)	-	500,000
General Fund Total	\$ 6,800,000	\$ 6,800,000	\$ -
<b>Non-General Funds</b>			
Fleet Services Operating	\$ 3,450,000	\$ 1,900,000	\$ (1,550,000)
Fire/EMS Transportation Program	840,000	77,000	(763,000)
OneSD Support	810,000	267,000	(543,000)

<sup>1</sup> Remaining balances in non-general funds will be offset by available fund balance.

### General Fund Appropriation Adjustments

#### Major Revenues

The General Fund major revenues require a \$4.1 million increase in budgeted revenue to balance the expenditure appropriation increases in General Fund departments. This is supported by the

over budget revenue projections in property tax, TOT, property transfer tax and motor vehicle license fees.

### **Real Estate Assets**

The Real Estate Assets Department requires a \$1.0 million increase in budgeted revenue to balance the expenditure appropriation increases in General Fund departments. This is supported by the over budget revenue projections from Mission Bay lease revenue.

### **Police**

The Police Department requires a \$0.8 million increase in budgeted revenue, mainly due to increased parking citation receipts, partially mitigating the required \$7.1 million increase in expenditure appropriations. The increase in expenditure appropriations is primarily due to helicopter maintenance and related air support costs in addition to increased fringe and supply expenditures, as discussed earlier in this report.

### **Fire-Rescue**

The Fire-Rescue Department requires a \$0.3 million increase in budgeted revenue, due to reimbursements from Strike Team deployments, partially mitigating the required \$3.6 million increase in expenditure appropriations. The increase in expenditure appropriations will support the projected over budget vehicle maintenance costs, personnel expenditures and information technology costs, as discussed earlier in this report.

### **Park and Recreation**

The Park and Recreation Department requires a \$0.7 million increase in budgeted revenue, due to increased TOT transfers to reimburse tourism related expenditures, partially mitigating the required \$1.4 million increase in expenditure appropriations. The increase in expenditure appropriations is primarily due to higher than anticipated costs for personnel expenditures, contracts, and energy and utilities, as discussed earlier in this report.

### **Transportation and Storm Water**

The Transportation and Storm Water Department requires a decrease in expenditure appropriations of \$2.8 million due to savings in personnel expenditures and energy and utilities, as discussed earlier in this report.

### **Development Services**

The Development Services Department requires a decrease in expenditure appropriations of \$1.0 million due to savings in personnel and contractual expenditures, as discussed earlier in this report.

### **Citywide Program Expenditures**

The Citywide Program Expenditures Department requires a decrease in expenditure appropriations of \$1.0 million due to savings in election costs and property tax administration fees, as discussed earlier in this report. While the current year-end projection included in this report shows expenditures exceeding budget by \$5.9 million, a request to increase appropriations by \$6.9 million is anticipated to be docketed for City Council approval. This year-end projection includes the \$6.9 million expenditure in support of funding the Police Department's CAD system

replacement; therefore, this requested expenditure appropriation adjustment assumes City Council's approval of the pending action.

### **Economic Development**

The Economic Development Department requires a decrease in expenditure appropriations of \$0.5 million due to savings in personnel expenditures, as discussed earlier in this report.

## **Non-General Fund Appropriation Adjustments**

### **Fleet Services Operating Fund**

An increase of \$3.5 million is requested for the Fleet Services Operating Fund. This is primarily due to increased personnel and supply expenditures resulting from delays in full implementation of the Fleet Services managed competition, as discussed earlier in this report. The over budget expenditures will be partially offset by a \$1.9 million increase in the revenue budget with the remaining amount to be supported by fund balance.

### **Fire/EMS Transportation Program Fund**

The Fire/Emergency Medical Services (EMS) Transportation Program Fund requires an expenditure appropriation increase of \$0.8 million. This is primarily due to increased fringe and overtime expenses, as well as unanticipated overhead billed expenses, as discussed earlier in this report. The over budget expenditures will be partially offset by a \$0.1 million increase in revenue budget with the remaining amount supported by fund balance.

### **OneSD Support Fund**

The OneSD Support Fund requires an increase in expenditure appropriations of \$0.8 million. This increase will support projected over budget information technology expenses due to unexpected expense for additional SAP licenses the City was required to procure based on an audit by San Diego Data Processing Center. The over budget expenditures will be partially offset by a \$0.3 million increase in revenue budget with the remaining amount supported by fund balance.

## **RECOMMENDED USE OF PROJECTED GENERAL FUND SURPLUS**

As required by Municipal Code Section 22.0229: Mid-Year Amendments to the Adopted General Fund Budget, the following discussion and accompanying table describe the Mayor's recommended use of a portion of the projected General Fund surplus.

The total projected budgetary surplus is \$5.5 million. However, part of this surplus is due to \$1.9 million in savings in the current fiscal year that will be re-budgeted in Fiscal Year 2014. The year-end projections for the administration of the Council Offices reflect savings of \$1.4 million. In accordance with Council Policy 100-06, the estimated savings from this fiscal year are to serve as the basis for the next fiscal year's Community Projects, Programs and Services allocations. Also, delays in General Fund expenditures for community plan updates have resulted in projected savings of \$0.5 million this fiscal year that will need to be added to the Fiscal Year 2014 Proposed Budget.

As a result of these adjustments, the remaining surplus available for programming in Fiscal Year 2013 is \$3.6 million as shown in Table 17: Recommended Use of FY 2013 Projected Surplus.

<b>Recommended Use of FY 2013 Projected Surplus</b>	
<i>Table 17</i>	<i>in millions</i>
<b>Description</b>	<b>Amount</b>
Calculation of Projected Surplus	
Projected FY 2013 Deficit	\$ (7.7)
Budgeted Use of Reserves <sup>1</sup>	(13.2)
Projected FY 2013 Budgetary Surplus	\$ 5.5
Re-Budget for FY 2014	
FY 2014 Council Community Projects, Prog. & Svcs	\$ (1.4)
Community Plan Updates	(0.5)
	\$ (1.9)
<b>Available Projected Surplus</b>	
	<b>\$ 3.6</b>
Recommended for FY 2013 Use	
Police Equipment Replacement	\$ (1.1)
Fire-Rescue - Lifeguard Cliff Rescue Vehicle Replacement	(0.5)
Balboa Park Traffic Management Plan	(0.5)
Downtown Public Restrooms	(0.4)
Balboa Park Centennial Celebration	(0.3)
Emergency Winter Homeless Shelter	(0.3)
Mission Trails Regional Park - Kumeyaay Campground & Visitors Center	(0.2)
Subtotal	\$ (3.3)
<b>Remaining Projected Surplus</b>	
	<b>\$ 0.3</b>

<sup>1</sup> The Current Budget reflects \$13.2 million use of the Fiscal Year 2012 General Fund ending balance. \$12.7 million was included in the FY 2013 Adopted Budget and the additional \$0.5 million is the result of an advance to Civic San Diego for land-use permitting and planning expenses per the Council approved FY 2013 Civic San Diego Administrative Budget.

The available surplus of \$3.6 million provides an opportunity to fund critical needs, several of which are anticipated to be Fiscal Year 2014 budget requests. It is recommended to budget \$3.3 million as follows:

- \$1.1 million to the Police Department to purchase replacement equipment, including gas masks, helmets, shields, shotguns and body armor vests;
- \$0.5 million to the Fire-Rescue Department to replace a lifeguard cliff rescue vehicle;
- \$0.5 million to the Park and Recreation Department to support a traffic management plan at Balboa Park;
- \$0.4 million to the Public Works – General Services Department to purchase and install two downtown public restrooms in the East Village;
- \$0.3 million to the Citywide Program Expenditures Department to support the Balboa Park Centennial Celebration;
- \$0.3 million to the Economic Development Department to support extending the Emergency Winter Homeless Shelter three additional months, through June of 2013, and;



- \$0.2 million to the Park and Recreation Department to support Mission Trails Regional Park. The Visitors Center will receive funding to support one-time facility maintenance and upgrades including lighting and heating, ventilation and air conditioning (HVAC). The Kumeyaay Campground will receive funding to restore overnight camping on the weekends including staffing. Any unspent funding in Fiscal Year 2013 will fall to fund balance and will be used to support this restoration in Fiscal Year 2014.

After these recommended uses of the Fiscal Year 2013 projected surplus, \$0.3 million would remain unbudgeted and available to support any fluctuations in current year revenues and expenditures that may occur between now and the end of the fiscal year. If this projected funding is not needed in the current fiscal year, these funds would fall to the General Fund balance at year-end.

## CONCLUSION

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### **General Fund Summary**

The General Fund is projecting \$7.7 million of expenditures in excess of revenues at fiscal year-end. However, the Fiscal Year 2013 current budget includes an anticipated \$13.2 million of expenditures in excess of revenues due to the use of \$12.7 million in fund balance and a \$0.5 million advance to Civic San Diego per the Council approved Fiscal Year 2013 Civic San Diego administrative budget. The current \$7.7 million projection of expenditures over revenues represents a \$5.5 million budgetary surplus.

In accordance with the Reserve Policy (Council Policy 100-20), the status of the General Fund Reserve is also included in this report. Based on the revenue and expenditure projections referenced above, the General Fund Reserve is projecting to reach \$159.2 million at fiscal year-end, representing 13.7 percent of projected General Fund revenues.

In accordance with Municipal Code Section 22.0229: Mid-Year Amendments to the Adopted General Fund Budget, a recommendation is included in this report regarding the use of the projected budgetary surplus. It is anticipated that \$1.9 million of the projected \$5.5 million budgetary surplus will need to be re-budgeted in Fiscal Year 2014 for the re-appropriation of unspent City Council Office budgets and community plan update funding. Of the remaining \$3.6 million projected budgetary surplus, \$3.3 million is recommended to be applied to critical expenditures this fiscal year and the remaining \$0.3 million held in reserve. Approval of these actions will reduce the Fiscal Year 2013 projected General Fund ending reserve balance to \$155.9 million, representing 13.4 percent of projected General Fund revenues. Note, \$1.9 million of the \$155.9 million projected reserve balance will be re-budgeted in Fiscal Year 2014.

### **Appropriation Adjustment Summary**

Appropriation increases are requested for General Fund departments to provide spending authority for the increased expenses. These increases are supported by additional revenues or expenditure decreases in other areas. In addition to the General Fund adjustments, funding adjustments are needed for the Fleet Services Operating Fund, Fire/EMS Transportation Program Fund, and the OneSD Support Fund. Projected revenues are available to cover a portion of the increased expenditures in these three non-general funds. Fund balances will provide the remaining resources needed in all three instances.

Incorporating the appropriation adjustments requested above, the Fiscal Year 2013 Mid-Year Budget Monitoring Report projects a General Fund budgetary surplus of \$5.5 million by fiscal year-end. However, \$1.9 million of the projected surplus is due to unspent City Council Office budgets which will be re-appropriated in Fiscal Year 2014 as Council Community Projects, Programs and Services, and unspent community plan update funding. Pursuant to Municipal Code Section 22.0229: Mid-Year Amendments to the Adopted General Fund Budget, \$3.3 million of the remaining \$3.6 million projected budgetary surplus is recommended to be applied to critical expenditures this fiscal year and the remaining \$0.3 million held in reserve.

## **ATTACHMENTS**

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- I. General Fund Projected Revenues
- II. General Fund Projected Expenditures
- III. Non-General Fund Projections
- IV. Non-General Fund Reserves

**General Fund Projected Revenues**

<b>Department</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over Budget/ (Under Budget)</b>	<b>Variance %</b>
<b>Major General Fund Revenues</b>					
Charges for Current Services	\$ 25,334,212	\$ 25,334,212	\$ 24,130,347	\$ (1,203,865)	-4.8%
Franchise Fees <sup>1</sup>	70,007,311	70,007,311	66,279,578	(3,727,733)	-5.3%
Interest and Dividends	1,354,233	1,354,233	1,354,233	-	0.0%
Motor Vehicle License Fees	-	-	705,454	705,454	100.0%
Other Revenue	466,027	466,027	378,698	(87,329)	-18.7%
Property Tax	387,134,682	387,134,682	401,784,677	14,649,995	3.8%
Property Transfer Tax	6,359,105	6,359,105	6,593,831	234,726	3.7%
Refuse Collector Business Tax	660,000	660,000	660,000	-	0.0%
Revenue from Money and Property	523,973	523,973	539,693	15,720	3.0%
Sales Tax	236,258,330	236,258,330	234,363,402	(1,894,928)	-0.8%
Transfers In	36,312,417	36,312,417	36,658,657	346,240	1.0%
Transient Occupancy Tax <sup>2</sup>	81,710,904	81,710,904	83,649,320	1,938,416	2.4%
<i>Subtotal Major General Fund Revenues</i>	<i>\$ 846,121,194</i>	<i>\$ 846,121,194</i>	<i>\$ 857,097,890</i>	<i>\$ 10,976,696</i>	<i>1.3%</i>
Administration	571,690	571,690	783,917	212,227	37.1%
Business Office	-	-	24	24	100.0%
City Attorney	4,656,169	4,656,169	4,662,161	5,992	0.1%
City Auditor	-	-	18,440	18,440	100.0%
City Clerk	18,404	18,404	18,404	-	0.0%
City Comptroller	2,716,760	2,716,760	2,497,720	(219,040)	-8.1%
City Treasurer	25,046,475	25,046,475	24,743,793	(302,682)	-1.2%
Council Administration	-	-	-	-	0.0%
Council District 1	-	-	-	-	0.0%
Council District 1 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 2	-	-	-	-	0.0%
Council District 2 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 3	-	-	-	-	0.0%
Council District 3 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 3 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 4	-	-	-	-	0.0%
Council District 4 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 5	-	-	-	-	0.0%
Council District 5 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 6	-	-	-	-	0.0%
Council District 6 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 7	-	-	-	-	0.0%

General Fund Projected Revenues					
Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Council District 7 - Community Projects, Programs and Services	\$ -	\$ -	\$ -	\$ -	0.0%
Council District 8	-	-	-	-	0.0%
Council District 8 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 9	-	-	-	-	0.0%
Debt Management	660,645	660,645	613,313	(47,332)	-7.2%
Department of Information Technology	-	-	-	-	0.0%
Development Services	3,291,864	3,291,864	3,320,577	28,713	0.9%
Disability Services	15,415	15,415	15,415	-	0.0%
Economic Development	4,232,349	8,727,698	8,306,494	(421,204)	-4.8%
Environmental Services	1,264,100	1,264,100	1,251,672	(12,428)	-1.0%
Ethics Commission	-	-	20,000	20,000	100.0%
Financial Management	5,000	5,000	108	(4,892)	-97.8%
Fire-Rescue	27,673,921	27,673,921	27,934,697	260,776	0.9%
Human Resources	-	-	-	-	0.0%
Library	1,543,719	1,543,719	1,560,798	17,079	1.1%
Department of Informaton Technology	113,300	113,300	107,039	(6,261)	-5.5%
Office of Homeland Security	1,028,515	1,028,515	737,086	(291,429)	-28.3%
Office of the Assistant Chief Operating Officer	-	-	-	-	0.0%
Office of the Chief Financial Officer	600,000	600,000	194,475	(405,525)	-67.6%
Office of the Chief Operating Officer	-	-	2,240	2,240	100.0%
Office of the Independent Budget Analyst	-	-	-	-	0.0%
Office of the Mayor	308,400	308,400	308,400	-	0.0%
Park and Recreation	37,280,754	37,280,754	38,042,072	761,318	2.0%
Personnel	6,000	6,000	8,773	2,773	46.2%
Police	42,860,136	42,860,136	43,632,791	772,655	1.8%
Public Utilities - Reservoir Recreation	989,819	989,819	989,819	-	0.0%
Public Works - Engineering and Capital Projects	56,188,544	56,188,544	56,751,471	562,927	1.0%
Public Works - General Services	4,001,183	4,001,183	3,519,329	(481,854)	-12.0%
Purchasing and Contracting	529,500	529,500	749,796	220,296	41.6%
Real Estate Assets	41,049,418	41,049,418	42,053,600	1,004,182	2.4%
Transportation and Storm Water	48,441,871	48,441,871	46,645,903	(1,795,968)	-3.7%
<b>Total General Fund Revenues</b>	<b>\$ 1,151,215,145</b>	<b>\$ 1,155,710,494</b>	<b>\$ 1,166,588,215</b>	<b>\$ 10,877,721</b>	<b>0.9%</b>

The current budget presented in this table is as of December 2012 (accounting period 6) unless otherwise noted.

<sup>1</sup> Total City FY 2013 current revenue budget for franchise fees is \$133.2 million and the projection is \$127.3 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

<sup>2</sup> Total City FY 2013 current revenue budget for transient occupancy tax (TOT) is \$156.0 million and the projection is \$159.7 million. The balance is budgeted in the TOT Fund.

Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Administration	\$ 2,931,271	\$ 2,931,271	\$ 2,573,794	\$ (357,477)	-12.2%
Appropriated Reserve <sup>1</sup>	3,928,250	2,671,250	-	(2,671,250)	-100.0%
Business Office	1,122,992	1,122,992	790,192	(332,800)	-29.6%
City Attorney	43,602,031	43,602,031	43,798,261	196,230	0.5%
City Auditor	3,809,105	3,809,105	2,972,931	(836,174)	-22.0%
City Clerk	4,809,806	4,811,806	4,846,127	34,321	0.7%
City Comptroller	10,195,223	10,195,223	10,139,561	(55,662)	-0.5%
City Treasurer	19,648,529	19,648,529	18,919,927	(728,602)	-3.7%
Citywide Program Expenditures					
Assessments to Public Property	463,235	463,235	496,699	33,464	7.2%
Business Cooperation Program	350,000	350,000	350,000	-	0.0%
Citywide Elections	1,800,000	1,800,000	650,000	(1,150,000)	-63.9%
Corporate Master Leases Rent	10,683,503	10,683,503	11,196,988	513,485	4.8%
Deferred Capital Debt Service	8,877,870	8,877,870	8,645,401	(232,469)	-2.6%
Employee Personal Prop Claims	5,000	5,000	5,000	-	0.0%
Insurance	1,281,700	1,281,700	1,206,778	(74,922)	-5.8%
Leverage of Employee Pick-Up Savings	7,973,053	7,973,053	8,007,672	34,619	0.4%
Memberships	630,000	630,000	693,196	63,196	10.0%
Preservation of Benefits	1,700,000	1,700,000	1,700,000	-	0.0%
Property Tax Administration	5,102,711	5,102,711	4,084,720	(1,017,991)	-20.0%
Public Liab Claims Xfer-Claims Fund	12,206,208	12,206,208	12,206,208	-	0.0%
Public Liab Claims Xfer-Reserves	6,100,000	6,100,000	6,100,000	-	0.0%
Public Use Leases	1,502,488	1,502,488	1,502,488	-	0.0%
Special Consulting Services	4,300,000	3,850,000	3,796,238	(53,762)	-1.4%
TRANS Interest Expense Transfer Fund	500,000	500,000	328,333	(171,667)	-34.3%
Transfer to Park Improvement Funds	3,003,095	3,003,095	4,009,554	1,006,459	33.5%
Transportation Subsidy	459,102	459,102	459,102	-	0.0%
Transfer to Capital Improvements Program	-	1,000,000	7,935,766	6,935,766	693.6%
<i>Subtotal Citywide Program Expenditures</i>	<u>\$ 66,937,965</u>	<u>\$ 67,487,965</u>	<u>\$ 73,374,143</u>	<u>\$ 5,886,178</u>	<u>8.7%</u>
Council Administration	2,010,627	2,010,627	1,887,672	(122,955)	-6.1%
Council District 1	1,038,595	1,038,595	928,981	(109,614)	-10.6%
Council District 1 - Community Projects, Programs and Services	141,498	141,498	141,498	-	0.0%
Council District 2	1,011,772	1,011,772	868,263	(143,509)	-14.2%
Council District 2 - Community Projects, Programs and Services	241,735	231,735	231,735	-	0.0%
Council District 3	1,126,508	1,126,508	996,893	(129,615)	-11.5%

General Fund Projected Expenditures						
Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %	
Council District 3 - Community Projects, Programs and Services	\$ 161,248	\$ 151,248	\$ 151,248	\$ -	0.0%	
Council District 4	1,101,562	1,101,562	827,493	(274,069)	-24.9%	
Council District 4 - Community Projects, Programs and Services	234,393	216,665	216,665	-	0.0%	
Council District 5	1,041,206	1,041,206	804,196	(237,010)	-22.8%	
Council District 5 - Community Projects, Programs and Services	257,699	253,699	253,699	-	0.0%	
Council District 6	1,085,830	1,085,830	972,051	(113,779)	-10.5%	
Council District 6 - Community Projects, Programs and Services	104,411	59,339	59,339	-	0.0%	
Council District 7	1,109,533	1,109,533	910,156	(199,377)	-18.0%	
Council District 7 - Community Projects, Programs and Services	108,767	68,217	68,217	-	0.0%	
Council District 8	1,122,604	1,122,604	1,005,646	(116,958)	-10.4%	
Council District 8 - Community Projects, Programs and Services	214,081	213,731	213,731	-	0.0%	
Council District 9	629,826	629,826	568,667	(61,159)	-9.7%	
Debt Management	2,356,856	2,356,856	2,176,095	(180,761)	-7.7%	
Department of Information Technology	500,000	500,000	499,381	(619)	-0.1%	
Development Services	14,243,885	14,243,885	13,154,166	(1,089,719)	-7.7%	
Disability Services	575,749	575,749	575,559	(190)	0.0%	
Economic Development	6,821,730	12,047,844	11,514,859	(532,985)	-4.4%	
Environmental Services	34,492,606	34,495,606	34,550,760	55,154	0.2%	
Ethics Commission	928,923	928,923	928,684	(239)	0.0%	
Financial Management	4,209,030	4,209,030	3,863,964	(345,066)	-8.2%	
Fire-Rescue	201,562,113	201,556,113	205,114,829	3,558,716	1.8%	
Human Resources	2,404,564	2,404,564	2,314,871	(89,693)	-3.7%	
Library	39,291,642	39,336,142	39,020,041	(316,101)	-0.8%	
Multimedia Services (Department of Information Technology)	423,014	423,014	535,670	112,656	26.6%	
Office of Homeland Security	1,744,465	1,744,465	1,718,178	(26,287)	-1.5%	
Office of the Assistant Chief Operating Officer	314,036	314,036	362,843	48,807	15.5%	
Office of the Chief Financial Officer	841,996	841,996	750,714	(91,282)	-10.8%	
Office of the Chief Operating Officer	538,024	538,024	480,863	(57,161)	-10.6%	
Office of the Independent Budget Analyst	1,701,668	1,701,668	1,701,634	(34)	0.0%	
Office of the Mayor	4,102,579	4,102,579	3,732,539	(370,040)	-9.0%	
Park and Recreation	85,971,850	86,199,205	87,557,666	1,358,461	1.6%	
Personnel	6,546,590	6,546,590	6,456,205	(90,385)	-1.4%	
Police	406,529,645	406,570,195	413,592,860	7,022,665	1.7%	
Public Utilities - Reservoir Recreation	1,706,193	1,706,193	1,706,193	-	0.0%	
Public Works - Engineering and Capital Projects	61,086,289	61,086,289	61,257,370	171,081	0.3%	
Public Works - General Services	15,191,845	15,207,845	15,139,584	(68,261)	-0.4%	
Purchasing and Contracting	3,166,747	3,166,747	3,255,242	88,495	2.8%	

<b>General Fund Projected Expenditures</b>						
<b>Department</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over Budget/ (Under Budget)</b>	<b>Variance %</b>	
Real Estate Assets	\$ 4,541,750	\$ 4,541,750	\$ 4,253,312	\$ (288,438)	-6.4%	
Transportation and Storm Water <sup>1</sup>	92,421,891	92,679,187	89,533,625	(3,145,562)	-3.4%	
<b>Total General Fund Expenditures</b>	<b>\$ 1,163,942,747</b>	<b>\$ 1,168,918,862</b>	<b>\$ 1,174,268,793</b>	<b>\$ 5,349,931</b>	<b>0.5%</b>	

The current budget presented in this table is as of December 2012 (accounting period 6) unless otherwise noted.

<sup>1</sup> The current budget has been modified to reflect the transfer of \$257,000 in appropriations from the General Fund Appropriated Reserve to the Transportation and Storm Water Department as approved by City Council on January 29, 2013 (R-307976).



Non-General Fund Projections						
Fund	Revenues/ Expenditures	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Airports Fund	Revenues	\$ 4,690,580	\$ 4,690,580	\$ 4,611,961	\$ (78,619)	-1.7%
	Expenditures	5,882,910	5,882,910	5,889,205	6,295	0.1%
Central Stores Fund	Revenues	13,342,058	13,342,058	10,602,084	(2,739,974)	-20.5%
	Expenditures	13,342,058	13,342,058	10,361,363	(2,980,695)	-22.3%
Concourse and Parking Garages Operating Fund	Revenues	2,683,220	2,683,220	2,683,220	-	0.0%
	Expenditures	2,641,944	2,641,944	2,630,535	(11,409)	-0.4%
Development Services Fund	Revenues	45,586,082	45,586,082	48,668,969	3,082,887	6.8%
	Expenditures	44,139,126	44,139,126	43,419,419	(719,707)	-1.6%
Energy Conservation Program Fund	Revenues	3,926,679	3,926,679	4,307,154	380,475	9.7%
	Expenditures	2,361,424	2,361,424	2,270,072	(91,352)	-3.9%
Facilities Financing Fund	Revenues	2,067,150	2,067,150	2,027,758	(39,392)	-1.9%
	Expenditures	2,067,150	2,067,150	2,027,758	(39,392)	-1.9%
Fire/EMS Transportation Program Fund	Revenues	10,750,000	10,750,000	10,827,780	77,780	0.7%
	Expenditures	14,995,600	14,995,600	15,832,899	837,299	5.6%
Fleet Services Operating Fund	Revenues	48,098,089	48,098,089	50,016,240	1,918,151	4.0%
	Expenditures	48,036,589	48,036,589	51,446,082	3,409,493	7.1%
GIS Fund	Revenues	1,616,274	1,616,274	1,545,001	(71,273)	-4.4%
	Expenditures	1,640,459	1,640,459	1,543,070	(97,389)	-5.9%
Golf Course Fund	Revenues	16,558,714	16,558,714	18,087,160	1,528,446	9.2%
	Expenditures	14,757,337	14,757,337	15,003,363	246,026	1.7%
Information Technology Fund	Revenues	7,818,160	7,818,160	7,848,027	29,867	0.4%
	Expenditures	9,085,716	9,085,716	8,570,980	(514,736)	-5.7%
Junior Lifeguard Program Fund	Revenues	567,716	567,716	567,716	-	0.0%
	Expenditures	567,716	567,716	565,643	(2,073)	-0.4%
Local Enforcement Agency Fund	Revenues	795,693	795,693	714,113	(81,580)	-10.3%
	Expenditures	851,056	851,056	780,086	(70,970)	-8.3%
Los Peñasquitos Canyon Preserve Fund	Revenues	186,000	186,000	186,657	657	0.4%
	Expenditures	201,804	201,804	205,936	4,132	2.0%
OneSD Support Fund	Revenues	25,638,857	25,638,857	25,906,437	267,580	1.0%
	Expenditures	25,678,944	25,678,944	26,485,183	806,239	3.1%

Fund	Revenues/ Expenditures	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
PETCO Park Fund	Revenues	\$ 17,397,100	\$ 17,397,100	\$ 17,492,417	\$ 95,317	0.5%
	Expenditures	17,466,309	17,466,309	17,127,231	(339,078)	-1.9%
Publishing Services Fund	Revenues	3,773,269	3,773,269	3,022,019	(751,250)	-19.9%
	Expenditures	3,388,151	3,388,151	2,906,224	(481,927)	-14.2%
QUALCOMM Stadium Operating Fund	Revenues	14,922,801	14,922,801	15,166,480	243,679	1.6%
	Expenditures	16,549,074	16,549,074	16,406,121	(142,953)	-0.9%
Recycling Fund	Revenues	18,826,994	18,826,994	20,837,618	2,010,624	10.7%
	Expenditures	23,300,027	23,300,027	21,831,462	(1,468,565)	-6.3%
Refuse Disposal Fund	Revenues	27,674,497	27,674,497	28,052,891	378,394	1.4%
	Expenditures	34,548,056	34,548,056	32,619,977	(1,928,079)	-5.6%
Risk Management Administration Fund	Revenues	9,728,039	9,728,039	9,728,038	(1)	0.0%
	Expenditures	9,530,180	9,530,180	9,451,954	(78,226)	-0.8%
Sewer Utility Funds	Revenues	410,300,578	410,300,578	410,851,468	550,890	0.1%
	Expenditures	344,733,176	344,919,176	311,341,382	(33,577,794)	-9.7%
Transient Occupancy Tax Fund						
Commission for Arts and Culture Department	Revenues	-	-	-	-	0.0%
Special Events Department	Revenues	150,000	150,000	154,952	4,952	3.3%
Special Promotional Programs	Revenues	74,282,640	74,282,640	76,044,836	1,762,196	2.4%
<i>Total Transient Occupancy Tax Fund Revenues</i>		<u>\$ 74,432,640</u>	<u>\$ 74,432,640</u>	<u>\$ 76,199,788</u>	<u>\$ 1,767,148</u>	<u>2.4%</u>
Commission for Arts and Culture Department	Expenditures	948,968	948,968	877,096	(71,872)	-7.6%
Special Events Department	Expenditures	722,192	722,192	685,245	(36,947)	-5.1%
Special Promotional Programs	Expenditures	72,761,480	72,761,480	73,637,446	875,966	1.2%
<i>Total Transient Occupancy Tax Fund Expenditures</i>		<u>\$ 74,432,640</u>	<u>\$ 74,432,640</u>	<u>\$ 75,199,787</u>	<u>\$ 767,147</u>	<u>1.0%</u>
Underground Surcharge Fund	Revenues	49,444,555	49,444,555	48,378,082	(1,066,473)	-2.2%
	Expenditures	49,444,555	49,444,555	48,377,976	(1,066,579)	-2.2%
Water Utility Operating Fund	Revenues	467,014,802	467,014,802	433,225,239	(33,789,563)	-7.2%
	Expenditures	436,924,189	436,924,189	416,542,252	(20,381,937)	-4.7%
Wireless Communications Technology Fund	Revenues	8,621,354	8,621,354	8,622,973	1,619	0.0%
	Expenditures	9,869,693	9,869,693	9,698,362	(171,331)	-1.7%

The current budget presented in this table is as of December 2012 (accounting period 6) unless otherwise noted. Capital Improvements Program expenditure budgets are excluded.

<sup>1</sup> Revenues in the Sewer Utility and Water Utility Operating Funds support both Operating and Capital Improvements Program (CIP) activity; however, only Operating expenditures are reflected in this report.

<b>Non-General Fund Reserves</b>
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Fund	Reserve Type	FY 2013 Target	Status
Development Services Fund	Appropriated Reserve	\$ 1,544,869	Budgeted
Public Liability Fund	Fund Balance	23,175,651	On Target
Workers Compensation Fund	Fund Balance	40,281,851	Not on Target <sup>1</sup>
Long-Term Disability Fund	Fund Balance	8,110,000	On Target
Water Utility Funds	Appropriated Reserve	3,500,000	Budgeted
	Operating Reserve	29,492,988	On Target
	Capital Reserve	5,000,000	Budgeted
	Rate Stabilization Reserve	20,500,000	On Target
	Secondary Purchase Reserve	12,314,908	On Target
	Dedicated Reserve from Efficiency & Savings <sup>2</sup>	15,126,948	N/A
Sewer Utility Funds	Appropriated Reserve	3,500,000	Budgeted
	Operating Reserve	43,723,781	On Target
	Capital Reserve	5,000,000	Budgeted
	Rate Stabilization Reserve	21,300,000	On Target
	Dedicated Reserve from Efficiency & Savings <sup>2</sup>	36,272,893	N/A
Refuse Disposal Fund	Appropriated Reserve	920,000	Budgeted
	Fund Balance	2,760,000	On Target
Recycling Enterprise Fund	Appropriated Reserve	480,000	Budgeted
	Fund Balance	1,440,000	On Target

<sup>1</sup>FY 2013 ending reserve target of \$40.3 million will not be met by fiscal year-end due to increased expenditures for medical costs. The reserve target status will be reviewed and addressed in the development of the FY 2014 budget.

<sup>2</sup>The Dedicated Reserve from Efficiency & Savings reserves do not have a target, amounts above reflect the balance as of June 30, 2009.