

Review of the Fiscal Year 2016 Proposed Budget

Analysis by the Office of the Independent Budget Analyst • Report 15-16



Table of Contents

High Level Review of the Mayor's FY 2016 Proposed Budget	I
General Fund Overview	15
Revenue Overview	15
Expenditure Overview	20
Significant Citywide Issues	23
General Fund Reserve	23
Public Liability Fund	25
Workers' Compensation Fund	26
Long-Term Disability Fund	27
Other Post-Employment Benefits	28
Pension	30
Infrastructure & Financing Issues	33
Hiring of New Positions	37
Department Reviews	40
City Attorney	40
City Auditor	42
City Clerk	43
City Comptroller	44
City Council	46
City Treasurer	48
Citywide Program Expenditures	52
Communications	56
Debt Management	58
Department of IT	60
Development Services	66
Economic Development	72
Environmental Services	75
Financial Management	82
Fire-Rescue	83
Human Resources	90
Infrastructure/Public Works	92
Library	94
Office of the Assistant COO	99

Table of Contents

Office of the Mayor	102
Park & Recreation	103
Performance & Analytics	111
Personnel	114
Planning	117
Police	122
Public Utilities	129
Public Works Department	134
Public Works - Contracting	135
Public Works - E&CP	137
Public Works - General Services	142
Purchasing & Contracting	146
QUALCOMM Stadium	150
Real Estate Assets	152
Risk Management	154
Special Promotional Programs	156
Transportation & Storm Water	159
Other Departments	165
<i>Airports</i>	
<i>Ethics Commission</i>	
<i>Internal Operations</i>	
<i>Neighborhood Services</i>	
<i>Office of the CFO</i>	
<i>Office of the COO</i>	
<i>Office of Homeland Security</i>	
<i>Office of the IBA</i>	
<i>PETCO Park</i>	
<i>Special Events</i>	

City Agencies

168

High Level Review of the Mayor's FY 2016 Proposed Budget

Strengths:

- Proposed expenditures are tied to new City Strategic Vision and Mayoral Goals
- Conservative and appropriate revenue projections
- Significant increases in cash investments for deferred capital for FY 2016
- Focus on Council and community priorities: Police recruitment and retention, infrastructure, and restoring vital services
- Significant focus on technology to increase staff efficiencies and make it easier for residents to utilize City services and access information
- Significant funding for numerous aggressive and robust projects to improve efficiency of City services including: Computer Aided Dispatch (CAD), Enterprise Asset Management (EAM), Open Data, and a "311" Customer Service Center

Challenges:

- Funding shortfall for deferred capital continues to grow as more condition assessments are completed; no plan discussed for new revenues to address the shortfall
- Significant challenges will be associated with hiring 424 new positions in addition to current vacancies and anticipated future turnover
- No Council or community input into Strategic Plan
- Potentially insufficient personnel funding for critical expanded Fire-Rescue services
- Library materials budget not fully restored in FY 2016 as requested by Council during FY 2015 final budget actions
- While we generally do not support, as a budget practice, dedication of a fixed percentage of the General Fund to any department, we note that the Library budget as a percentage of the City's General Fund budget declines in FY 2016 for the first time in five years, contrary to the 6% Library Ordinance

Overview

The Proposed Budget is a robust and aggressive budget proposal with appropriately conservative revenue projections that support substantial expenditure increases in FY 2016. The FY 2016 Proposed General Fund Budget of \$1.28 billion compares to a FY 2015 Adopted General Fund Budget of \$1.20 billion—an increase of nearly \$73.3

million or 6.1%. The total number of General Fund FTE positions will increase from 6,975 to 7,221. The Proposed Budget benefits from a recovering economy and a positive future outlook; healthy growth in the four major revenue categories—Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees; and savings from years

High Level Review of the Mayor's FY 2016 Proposed Budget

of pension reforms, efficiency improvements, and budgetary cost reductions.

New General Fund expenditures for FY 2016 are focused on four main service areas that closely match the Mayor's goals as identified in his Strategic Vision, and as presented to the City Council as an informational item on April 14, 2015:

- Repairing Streets and Investing in Infrastructure: \$44.9 million
- Safe and Livable Neighborhoods: \$27.4 million
- An Economically Prosperous City with Opportunity in Every Community: \$8.5 million
- Excellent Customer Service and Open Government: \$500,000

Review of FY 2016 General Fund Revenue Projections

San Diego's post-recession economic recovery has been steady, though recently the rate of growth has slowed, and FY 2016 revenue projections reflect this trend. The FY 2016 Proposed General Fund Budget includes approximately \$1.27 billion in revenues, an increase of \$86.1 million or 7.2% over the FY 2015 Adopted Budget. The four major General Fund revenues (Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees), account for almost three-quarters of the General Fund's revenue and total approximately \$934.2 million in FY

2016, an increase of \$67.3 million or 7.8% over FY 2015.

Major General Fund revenue projections in the FY 2016 Proposed Budget have increased over FY 2015 due to a number of factors including:

- An increase in the county's median home price (though we note that overall home sales are declining)
- Decreasing unemployment levels
- Increasing consumer confidence
- An increase in the Index of Leading Economic Indicators for San Diego County
- Decreases in countywide foreclosures and notices of default

The majority of the factors listed above reflect positive economic changes; however, slowing growth in these areas is reflected in the moderate growth rates in the Proposed Budget.

Our office believes that the FY 2016 major General Fund revenue budgets are appropriate based on FY 2015 revenue projections and the current economic forecast, and a more detailed discussion of each of the major General Fund revenues is included in the Revenue Overview section of this Report. Our office also looked ahead to FY 2017 and include a discussion on the changes in revenue projections from the Mayor's FY 2016-2020 Five-Year Financial Outlook in a

“The Proposed Budget is a robust and aggressive budget proposal with appropriately conservative revenue projections that support substantial expenditure increases in FY 2016.”

High Level Review of the Mayor's FY 2016 Proposed Budget

section below.

Comparing Council and Mayoral Funding Priorities

On February 3, 2015, the City Council adopted the FY 2016 City Council Budget Priorities Resolution No. 308731 which was forwarded to the Mayor for his consideration during his budget preparation. While there were fewer priorities than in past years that received a majority (or more) of votes, this year's priority memoranda indicated a clear consensus on a few key items. In fact, the Council was unanimous on the top two priorities: Police recruitment and retention, and infrastructure. Two other items that received a majority vote include: support for the expansion or relocation of Fast Response Squads, and an increase in funding for community services.

As displayed in the table below, the Mayor's expenditure priorities for FY 2016 align closely with those identified by the City Council; partial or full funding has been in-

cluded in the Proposed Budget for all of the Council's top priority expenditure areas.

“the Mayor's expenditure priorities for FY 2016 align closely with those identified by the City Council”

Technology Initiatives

The Mayor has proposed a large number of service enhancements in the FY 2016 Proposed Budget in support of infrastructure, neighborhood improvements, community programs, increased customer service, and open government. One of the major investments underlying many of these programs is a new and substantial increase in the City's information technology (IT) infrastructure in order to provide the public with more access to City services and information online, and to increase staff efficiency and capabilities so that staff is equipped to provide better customer service. These investments have long-standing consequences as

COMPARISON OF COUNCIL FY 2016 BUDGET PRIORITIES RESOLUTION TO MAYOR'S PROPOSED BUDGET		
BUDGET PRIORITY	FY 2016 BUDGET	COMMENTS
1 Increased Funding for Police Officer Retention	Full Funding	\$11.1 million increase in expenditures related to the POA MOU
2 Greater Investment in Infrastructure and Deferred Capital		
Complete Condition Assessment Work	Partial Funding	\$7.1 million for condition assessments for various assets (\$1.4 million General Fund), future phases still needed
Support for Park Construction/Upgrades	Full Funding	\$2.0 million included to fund various park improvement projects, \$300,000 added to repair and replace playground surfaces and equipment, multiple Park projects included in FY 2016 CIP Budget
Funding for Streetlights	Full Funding	Addition of \$1.0 million for new streetlights and an additional \$2.9 million and 2.00 FTEs for streetlight upgrades and improvements
3 Fire Fast Response Squad Expansion or Relocation	Full Funding	\$1.2 million increase for continuation and expansion of FRS
4 Increase Funding for Community Services		
Increase Recreation Center Hours	Partial Funding	Operational hours will increase from 45 hours to 60 hours at 16 large recreation centers; Department requested increased hours at 32 recreation centers in the Five-Year Outlook
Support for Increased Park Maintenance	Full Funding	Additional funding and staff added to expand tree trimming services, service new facilities opening in FY 2016, and maintain park facilities
Community Plan Updates	Full Funding	3.00 new positions and \$610,000 in funding

High Level Review of the Mayor's FY 2016 Proposed Budget

they can improve City processes and public interfaces for years to come, but will also need ongoing funding for regular maintenance and periodic upgrades.

More robust discussions of many of these IT projects are found in the individual department sections of this Report. An overview of customer service-oriented IT initiatives for FY 2016 is listed below:

- 311: The FY 2016 Proposed Budget includes a Program Coordinator position in the Performance & Analytics Department that will oversee the research, design, and implementation of a centralized customer service system. Research and planning work for 311 is anticipated to begin in the upcoming fiscal year.
- CAD (Fire-Rescue): Rather than replace Fire-Rescue's Computer Aided Dispatch System (CAD), the FY 2016 Proposed Budget includes approximately \$503,000 in expenditures to upgrade the existing CAD for Fire-Rescue. The upgrades will retain features deemed critical to the Department, implement disaster recover redundancy measures, and replace older mobile data computers to improve service.
- CAD (Police): The FY 2016 Proposed Budget includes \$5.6 million in support for the CAD Replacement Capital Improvements Program project. The project will replace the current system for dispatching 9-1-1 calls and coordinating emergency response operations. The current system is outdated and, despite numerous modifications over the past

25 years, does not meet industry standards. The replacement CAD system will utilize the latest available technologies to improve operational availability and efficiency. Project procurement is expected to occur in early FY 2016, with project completion anticipated by the end of calendar year 2016.

- EAM: Work continues in FY 2016 on implementing an enterprise asset management (EAM) solution for the City. This system will allow staff to provide key data and information on City assets in order to identify the most effective maintenance and repair/capital improvements investment strategies. This project is funded in the FY 2016 Proposed Budget and will be implemented over several years.
- Golf Reservation System: The Golf Division of the Park & Recreation Department plans to procure and implement a golf tee-time reservation and Point of Sale (POS) system for the three City-operated golf facilities in FY 2016. The system will allow customers to make tee-time reservations and pay by credit card online.
- Library Broadband Upgrades: The FY 2016 Proposed Budget includes funding to expand broadband access at all branch libraries. The expanded broadband access will triple the current speed and enhance public access to the internet, including access by mobile devices. The Central Library currently has access to these higher broadband speeds.

High Level Review of the Mayor's FY 2016 Proposed Budget

- Open Data: The FY 2016 Proposed Budget adds a Program Coordinator position in the Performance & Analytics Department to assist the Chief Data Officer with the City's open data efforts, including: coordinating with departments to inventory and release data, identifying high-value data sets in partnership with the public and application developers, and developing applications and visualizations for public and decision-maker use.
- Open DSD: The Development Services Department is upgrading to a new project tracking system. The new system will enhance customer service for the City's land development process by tracking the following: projects, number of customers and customer orders, and inspection and review information. The new system will also be available online, and track some of the Department's performance measures.
- SAP Upgrades: In FY 2016 the City is proposing to make upgrades to a number of SAP modules that support internal City processes. Upgrades to the City's budgeting, human resources, personnel, and procurement modules are meant to allow staff to complete their work more efficiently and effectively, and enhance their ability to provide quality customer service.

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- Website Update: The City's website is being upgraded in stages: in FY 2015, \$500,000 was included in the Information Technology (IT) Fund budget to update the City's website. Work on this project continues and the FY 2016 Proposed Budget includes \$775,000 in the IT Fund to migrate content to the new City website. As part of Phase Two of the new website's development, the City will explore a centralized customer service portal to allow residents to logon once for access to their online City services (bill payments, permit applications, etc.) The centralized customer service project will see some phases completed in FY 2016, although this work will continue in future fiscal years, and will likely require additional funding.

Several Budget Proposals will Require Significant Execution and Staff Resources During FY 2016

The FY 2016 Proposed Budget addresses Councilmember priorities as well as several City goals and process improvements. While the Mayor is to be commended for proposing such a budget, it is important to note that some of the funded priority items require considerable staff work and follow-through execution to fully realize objectives. In some cases, it is not clear whether a budgeted activity can be achieved in FY 2016 or what the resulting benefit of the

High Level Review of the Mayor's FY 2016 Proposed Budget

budgeted item will be. Additionally, some budget proposals will require support from other departments which could adversely impact workloads or service levels in those departments.

To illustrate this point, three significant budget actions from the FY 2016 Proposed Budget are presented below along with implementation considerations and/or related questions.

Funding to Enhance Needed Staff Capacity to Complete Projects and Programs

The Proposed Budget adds a record number of positions, notably in Transportation & Storm Water (104 FTEs involving 31 different job classifications) and Engineering & Capital Projects (102 FTEs involving 20 different job classifications) raising the following questions:

- Can these departments realistically hire this many employees in FY 2016? Is there a hiring plan designed to achieve these hiring targets? Will additional staff in supporting departments (e.g., Personnel) be needed to execute the planned hiring? If so, how will the workloads in those departments be impacted?
- Can this number of staff be reasonably trained and integrated into these departments in a single year?
- How much senior staff time will be required to facilitate the hiring and will their required involvement adversely impact the ability of these departments to manage projects in the near term?

- Can the benefits associated with these staff increases (e.g., additional projects that can be undertaken) be described and/or quantified for the Council?

It should be noted that the Mid-Year Budget Monitoring Report indicated that the City had 868 vacancies as of January 5, 2015, an increase over the 762 vacancies reported in April 2014. With respect to the 279 positions added in the FY 2015 Budget, the Report showed that 98 had yet to be filled. This history suggests these hiring targets are ambitious and may not be realistic.

Implementing Cash Management and Other Streamlining Processes to Enhance CIP Delivery

Relatively few positions were added to the Engineering & Capital Projects, Financial Management, and Transportation & Storm Water departments to facilitate important process CIP cash management improvements. When implemented, the improved processes should free up idle funds to address and expedite priority infrastructure projects. This expected outcome supports the large staff increases in the Proposed Budget which are intended to build project management capacity. If these process improvements are to be realized in FY 2016, additional staff may need to be assigned and dedicated to delivering the following desired outcomes:

- In order to better utilize approximately \$737.4 million of idle CIP funds, Financial Management will need to work with other departments to expand the City's internal CIP monitoring process.

High Level Review of the Mayor's FY 2016 Proposed Budget

- Staff will need to coordinate numerous fund reallocations to priority projects. In order to do this, they will need to effectively communicate with City Council, involved departments and other project stakeholders.
- The Debt Management Department will need to initiate a prudent short-term commercial paper borrowing program that will help improve the process for timely execution of large contracts.
- Staff will also need to monitor and report on the effectiveness of cash and process improvements as they relate to the improved delivery of CIP projects.

Initiating Expenditures in Pursuit of a Centralized Customer Service Operation

In March 2015, the City Auditor released an audit of the City's Public Right-of-Way Maintenance Activities. The audit recommended the City centralize customer service operations to increase customer accessibility, improve performance monitoring, and support open data efforts. The FY 2016 Proposed Budget adds 1.00 Program Coordinator position in the Performance & Analytics Department to oversee the research, design, and implementation of a centralized customer service system (311 system). The pursuit of a 311 system raises a number of important considerations:

- The added Program Coordinator position will research and develop a scope for a proposed 311 system in FY 2016; however, implementation of a 311 system will require more time and involve

significant expense.

- Effective 311 systems require executive leadership, careful strategic planning, and support/buy-in from all City departments.

“While the Mayor is to be commended for proposing such a budget, it is important to note that some of the funded priority items require considerable staff work and follow-through execution to fully realize objectives.”

- According to the audit, a 311 system will have one-time implementation fees ranging from \$2.3 million to \$5.8 million and ongoing operating costs of approximately \$3-5 million. The Council may wish to consider the expected benefits against these significant costs, and the associated need for additional staff to support a 311 system.
- The audit recommends the development of a Citywide Customer Service Working Group and Strategic Plan. This group may be able to research whether there are other effective centralized customer service models that may be less expensive.

Anticipated May Revise Funding Requests

There are a significant number of FTE and funding requests that we expect will be submitted by departments for inclusion in the May Revise. They include the following:

- 2.00 FTEs for Fire Helicopter Mechanic

High Level Review of the Mayor's FY 2016 Proposed Budget

Positions, and \$221,000 in related personnel expenditures. The FY 2016 Salary Ordinance, which was approved by the City Council on April 21, 2015, included the creation of a new Fire Helicopter Mechanic classification within the Fire-Rescue Department. Currently, no Fire Helicopter Mechanic positions are included in the FY 2016 Proposed Budget; however, the Department has indicated that it plans to request the additional positions in the May Revise.

- The Purchasing & Contracting Department (P&C) has indicated they will be requesting additional positions to support planned SAP procurement upgrades, as well as in anticipation of an increased workload in FY 2016 due to position and non-personnel expenditures increases in the Proposed Budget. In light of the City Auditor's recently released report: *Performance Audit of Citywide Contract Oversight*, our office suggests that the Department consider engaging a consultant with expertise in contract administration to help develop and oversee a strategy for citywide contract administration training and monitoring.
- New positions for the Office of the City Attorney in order to account for an increased workload, should other departmental expansions in the FY 2016 Proposed Budget be approved. For example, with the increased budget, there could be an increase in contracting on the part of the City, which could increase the number of contracts City

Attorney staff must approve.

- An additional \$3.5 million may be needed to bring the Public Liability Reserve to the 40% reserve requirement specified in the City Reserve Policy. This amount is anticipated to be included in either the FY 2015 year-end projection or the FY 2016 May Revise.
- 1.00 FTE for an IT Performance Auditor position that was requested, but not included in the Proposed Budget. The City Auditor's presentation of the Office's FY 2016 Proposed Budget to the Audit Committee on April 29, 2015 will include a discussion on this position, and the Committee will forward its recommendations to the Budget Review Committee for consideration.
- Additional funding for the Kinder Morgan Lawsuit, which is ongoing and may incur expenditures. The FY 2016 Proposed Budget removed this funding from the Special Consulting Services budget.
- 3.00 positions for the Personnel Department. During the FY 2016 budget process, Personnel requested 2.00 Associate Personnel Analysts, which are not funded in the 2016 Proposed Budget. The first position would support a pilot program in which certain hiring departments will be provided with direct access to the Online Hiring Center in NEOGOV. The second requested position would assist in the process of pre-employment medical exams and background checks. After further evaluating

High Level Review of the Mayor's FY 2016 Proposed Budget

staffing needs, Personnel has indicated that it will request a third position: a Payroll Audit Specialist 2 that will enable more timely processing of certified candidate lists.

“the Personnel Department is anticipating workload increases that will further increase the time it takes to provide services to City hiring departments”

- A number of revisions to the Public Utilities Department budget to account for new drought mandates that were released after the development of the Proposed Budget.
- The Performance & Analytics Department has been working on developing a tool to provide enhanced visualization of budget data on the City's website to facilitate public understanding of and access to the City's budget. The Department may request a small amount of funding in the May Revise to complete this project.
- A Senior Management Analyst who would provide needed budgetary and organizational support for the Communications Department.
- 2.00 Supervising Homeland Security Coordinators for the Office of Homeland Security that were added during the FY 2015 Mid-Year Budget Adjustments, but were inadvertently not counted in the FY 2016 Proposed Budget.
- Revenue from savings projected as a result of the new San Diego Works Program, to be achieved through implementation of operational efficiencies submitted by City employees, will be reflected

in the May Revise.

Further Discussion of Hiring Challenges

The Personnel Department has experienced an increase in hiring and placements over the past

few years. In FY 2011 there were 1,003 employee placements due to hirings, promotions, and transfers. By FY 2014, this had increased by 113%, to 2,135. In addition to handling increased hiring and placements, staff working on certified lists for hiring departments have also been working on the Online Hiring Center implementation, taking time away from their certification functions. Furthermore, as discussed in the Mid-year Budget Monitoring Report, the City had approximately 868 vacancies as of January 5, 2015.

With the proposed FY 2016 addition of 418 positions, the Personnel Department is anticipating workload increases that will further increase the time it takes to provide services to City hiring departments. Additionally, when some of the new positions (as well as some existing vacant positions) are filled via promotion, a ripple affect can occur—the need to “backfill” the vacancy left by the promotion, as well as any successive vacancies.

As seen in certain key performance indicators which are discussed in the Personnel Department section of this report (under Department Reviews), turnaround timeframes to hiring departments have recently suffered with increasing workloads. For example, the number of days to issue certifi-

High Level Review of the Mayor's FY 2016 Proposed Budget

cation to hiring departments, with no recruitment, is increasing from 5.3 days in FY 2014 to 14 days in FY 2016. With a recruitment, the number of days is projected to increase from 57.5 in FY 2014 to 65 days in FY 2016.

During the FY 2016 budget process, Personnel requested 2.00 Associate Personnel Analysts, which are not funded in the 2016 Proposed Budget. After further evaluating staffing needs, Personnel has indicated that they will be requesting a third position (Payroll Audit Specialist 2) in the May Revise. This position will be utilized to assist in more timely processing of certified candidate lists. We recommend consideration of the Personnel Department's three requested positions for inclusion in the FY 2016 Adopted Budget.

Budget Impacts of the Citywide Contract Oversight Audit

On April 24, 2015, the Office of the City Auditor released their report: *Performance Audit of Citywide Contract Oversight*. This report raised concerns about the City's current decentralized contract oversight process and provided nine recommendations to address those concerns, all of which City management agreed to implement. Management pointed to the procurement module analysis already done by SAP as recommended in the Huron Report, as an indication that the City is working to make changes and investments in its technology infrastructure in order to appropriately track and monitor contracts in SAP. The FY 2016 Proposed Budget includes a budget of \$900,000 in the Department of Information

Technology's OneSD Fund to implement the recommended SAP upgrades.

The City Auditor's report discussed more than just technological fixes however; their recommendations also noted the need to better define the roles and processes associated with contract administration, and specified contract administrator training, contract close-out processes, and vendor evaluations and disbarments as areas of concern. Management agreed with all of the recommendations but noted that the additional contract monitoring and oversight work was not a primary function of the current Procurement Specialist job classifications, and that it would take time to update these job descriptions. Management also noted that increases in FTEs may be necessary in order to provide effective centralized contract administration oversight, but that a full assessment of FTE needs would not be made until the SAP upgrades were complete.

Our office suggests that a consultant with expertise in contract administration be considered to help develop and oversee a strategy for the processes that the City needs to put in place in a timely and efficient manner.

Recommendation for Excess Equity and Possible Modification to the Reserve Policy

The availability and use of excess equity first surfaced during discussions of the FY 2014 Mid-Year Monitoring Report, when a \$14.1 million surplus was projected for year-end, above and beyond the General Fund Reserve of 14%. The Chief Financial Officer (CFO) recommended that this amount be

High Level Review of the Mayor's FY 2016 Proposed Budget

used as a cushion to protect against potential fluctuations in revenues. Our office noted at the time that further Council discussion was needed regarding appropriate treatment of excess equity, and that a policy should be established regarding its future uses. On June 24, 2014, Council adopted proposed revisions to the General Fund Reserve to provide parameters for excess equity in the future:

- Excess Equity is defined as spendable and unrestricted fund balance, not otherwise needed to fund General Fund reserve goals, that is available to be appropriated
- Excess Equity is a one-time resource to be used primarily for General Fund revenue shortfalls or one-time priority expenditures
- Recommendations for use will be brought forward by the Mayor and will require approval of the City Council
- Excess Equity will be projected in Quarterly Monitoring Reports but is not finally determined until the books are closed at year-end
- The Mayor may propose uses during the May Revise to fund General Fund Reserves, Risk Management Reserves, or one-time capital needs; however, the transfer would not occur until after the fiscal year close when it is certain that sufficient fund balance is available in excess of the 14% General Fund Reserves requirement

The issue of Excess Equity and its size, given

the City's responsible reserve levels, surfaced again during the FY 2015 Mid-Year Monitoring Report in March when the Mayor recommended that the \$11.3 million surplus remain as Excess Equity to be available for mitigation of any year-end budget overages or revenue shortfalls.

While we have had preliminary discussions with the CFO and the City Attorney's Office, this issue will require further review with both of these offices as well as direction from the City Council. To provide further definition to Excess Equity, we recommend the following additions to the Reserve Policy be considered:

- Set aside an amount of Excess Equity (Equity Reserve) equal to 1% of General Fund revenues to be calculated in the same manner as the 14% requirement. (For FY 2016, 1% is projected to be \$11.6 million.)
- The purpose of the Equity Reserve would be to provide a reasonable cushion for potential variances in revenue and expenditure projections.
- Expenditures for the use of Excess Equity, beyond the 1% Equity Reserve, would be limited to one-time capital improvements or funding other City reserves such as the public liability fund, consistent with current policy.
- During the annual budget process, the Mayor or the City Council may propose eligible uses of Excess Equity as part of final budget actions.

High Level Review of the Mayor's FY 2016 Proposed Budget

Looking Ahead to FY 2017

The issuance of the Mayor's Five-Year Financial Outlook each November provides an early picture of what the upcoming fiscal year budget might look like, and gives a sense of how the City's finances may be shaping up for four fiscal years into the future. Assessing financial conditions several years out can play an important role in clarifying the approach to development of the budget for the following fiscal year. As shown in the table below, the FY 2016-2020 Financial Outlook showed generous surpluses for FY 2017-2020 after incorporating costs of the Mayor's Priority Initiatives throughout the forecast period.

Since the release of the Outlook in November 2014, new issues have surfaced and more definitive expenditure projections have become available. Looking ahead to FY 2017 we have identified several items that could impact the surpluses projected for future years of the Outlook. The following items were either not included in the Outlook, due to lack of information available at the time, or were included in the Outlook but cost estimates or revenue projections have since been revised:

- Second-year costs of the compensation increases related to the POA MOU ex-

ceed the costs reflected in the Outlook for FY 2017 by \$6.5 million.

- FY 2017 General Fund costs for continuing to implement Enterprise Asset Management, are estimated at \$3.0 million, full funding of which was not included in the Outlook.
- Re-openers for non-POA Employee Groups, allowing for negotiations over non-pensionable compensation increases for FY 2017 and FY 2018, were not reflected in the Outlook—each 1% of non-pensionable compensation increase for these employee groups is estimated to be \$3.1 million for the General Fund.
- In September of 2015, the SDCERS Board will again consider potential changes to the discount rate and wage inflation assumption used in calculating the Actuarially Determined Contribution (ADC) for the City's defined benefit pension. Based on estimates related to the FY 2016 ADC, the alternative of lowering the discount rate to 7% could increase the FY 2017 ADC in the region of \$15.0 million. This could be partially offset by a reduction in the wage inflation assumption.

FY 2016-2020 FINANCIAL OUTLOOK						
General Fund Amounts (in millions)	FY 2015 *	FY 2016 Outlook	FY 2017 Outlook	FY 2018 Outlook	FY 2019 Outlook	FY 2020 Outlook
Baseline General Fund Revenues	\$ 1,188.5	\$1,241.4	\$ 1,279.2	\$ 1,316.0	\$ 1,361.8	\$ 1,404.2
Baseline General Fund Expenditures	(1,202.4)	(1,182.9)	(1,189.9)	(1,206.5)	(1,229.8)	(1,240.2)
Subtotal Surplus/(Deficit)	(13.9)	58.5	89.3	109.5	132.0	164.1
Net Priority Initiatives	n/a	(55.6)	(68.2)	(83.7)	(94.2)	(102.3)
Surplus/(Deficit)	n/a	2.9	21.1	25.8	37.8	61.8

*FY 2015 budgeted amount. Updated FY 2015 projections are included in the First Quarter Budget Monitoring Report and the IBA's review of that report.

Office of the Independent Budget Analyst

April 2015

High Level Review of the Mayor's FY 2016 Proposed Budget

- An audit recently recommended the City implement a “311” centralized customer service center, similar to those in many large cities—a new position has been included in the Proposed Budget to study and develop a strategy for “311” implementation. In the audit, costs are estimated at \$3-5 million for FY 2017.
- The Outlook included \$9.7 million in additional sales tax revenue in FY 2017 with the end of the Triple-Flip, however, this will not actually be realized, thereby reducing revenues available that year from what was accounted for in the Outlook.

We recognize that the Outlook is a planning tool and there will likely be many other changes—both big and small—to the FY 2016 budget through the course of the year as well as to the forecast years. We would also note that the Mayor's Proposed Budget incorporates numerous safeguards against changing financial conditions such as fully funded reserves, one-time revenues for one-time expenditures, large increases in one-time capital projects and conservative and appropriate revenue projections. The purpose of this section is to give Council a sense of some potential significant changes in the near future for consideration during budget deliberations.

Next Steps in the Process

We appreciate the timely responses from all City departments, offices and agencies, and most notably, Financial Management staff, to our numerous questions and inquiries

over the past two weeks. The FY 2016 Proposed Budget provides a very positive message to our residents about the future of our City and our commitment to providing excellent and efficient City services.

The release of the Mayor's Proposed Budget is only the first step in the annual budget process. We look forward to working with the City Council in the next critical stages of the process when the Council reviews and considers the IBA analysis of the budget; examines the budget proposals of all departments, offices, and agencies; listens to feedback from the community at numerous public hearings; develops priorities of the legislative branch for possible inclusion or revision to the FY 2016 budget; and makes final decisions and adopts the FY 2016 Budget. Key dates for these activities are as follows:

May 4-8: Budget Review Committee hears “IBA Review of the Proposed FY 2016 Budget” and holds public hearings on all City departments, functions, and agency budget proposals

May 11: City Council holds evening public hearing to receive further input from the public

May 21: Budget Review Committee reviews the Mayor's May Revise for consideration in final budget decisions

May 22: City Council members issue final budget modification priority memos to IBA

June 3: Independent Budget Analyst issues final report on recommended revisions to

High Level Review of the Mayor's FY 2016 Proposed Budget

the Mayor's Proposed Budget based on input from Council memoranda and further review of outstanding issues

June 8: City Council makes final decisions and takes action on revisions to the budget as determined necessary

July 20: City Council introduces and adopts FY 2016 Appropriation Ordinance

General Fund Overview

General Fund Revenue Overview

The FY 2016 Proposed Budget for the General Fund includes approximately \$1.27 billion in revenues, an increase of \$86.1 million or 7.2% over FY 2015. The four major General Fund revenues—property tax, sales tax, transient occupancy tax, and franchise fees—total approximately \$934.2 million or 73.3% of all General Fund revenues. In FY 2016 major General Fund revenues increased \$67.3 million or 7.8% over FY 2015.

Economic Outlook

The FY 2016 Proposed Budget includes major General Fund revenue projections based on a positive economic forecast that encompasses a number of factors, including: an increase in the county’s median home price, decreasing unemployment levels, increasing consumer confidence, an increase in the Index of Leading Economic Indicators for San Diego County, decreases in county-wide foreclosures and notices of default, and a decrease in home sales. While the majority of these factors point to positive economic changes, growth in these areas

continues to be slow, which is reflected in the moderate growth rates in the Proposed Budget.

Our office believes that the major General Fund revenue projections included in the FY 2016 Proposed Budget are appropriate based on FY 2015 revenue projections and the current economic forecast. A more detailed discussion of each of the City’s four major revenue sources follows in the sections below.

Property Tax

In the FY 2016 Proposed Budget, property tax is budgeted at approximately \$467.4 million, a \$22.0 million or 4.9% increase over FY 2015. This increase reflects a projected FY 2016 growth rate of 4.25%, a decrease from the 5.1% that was assumed in the FY 2015 Adopted Budget, but a slight increase from the 4% growth rate projected in the Mayor’s FY 2016-2020 Five-Year Financial Outlook (Outlook).

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)					
	FY 2015 ADOPTED	FY 2015 PROJECTED YEAR-END	FY 2016 PROPOSED	CHANGE, ADOPTED/ PROPOSED	CHANGE, PROJECTED/ PROPOSED
<i>Major General Fund Revenues</i>	\$866.9	\$878.0	\$934.2	\$67.3	\$56.3
<i>Property Tax</i>	445.4	446.6	467.4	22.0	20.8
<i>Sales Tax</i>	257.1	259.1	285.8	28.7	26.6
<i>Transient Occupancy Tax</i>	92.3	94.5	100.3	7.9	5.8
<i>Franchise Fees</i>	72.0	77.8	80.8	8.7	3.0
<i>Property Transfer Tax</i>	9.2	8.1	8.2	(1.0)	0.1
<i>Other General Fund Revenue</i>	312.5	316.7	332.2	19.7	15.4
Total Revenue	\$1,188.6	\$1,202.8	\$1,274.6	\$86.1	\$71.8

General Fund Overview

Due to a projected slowdown in the number of home sales, the property tax growth rate in FY 2016 was reduced from the FY 2015 Adopted Budget despite the increase in the countywide median home price and a 1.9% increase in the California Consumer Price Index (CCPI). Property tax is collected from a 1% levy on the assessed value of all real property, and that assessed value cannot increase above the CCPI unless the property is improved or sold. While the median price of homes in San Diego has increased, the decrease in home sales means that the assessments levied more closely reflect the price of the property when it was last sold, as opposed to its current assessed value.

Property Transfer Tax

The FY 2016 proposed budget for property transfer tax is approximately \$8.2 million, a \$951,000 or 10.4% decrease from FY 2015. Property Transfer Tax is revenue that the City receives from the sale of real property, and the decrease in the Proposed Budget from FY 2015 reflects the projected reduction in home sales in the coming fiscal year. This reduction is a departure from the healthier forecast that was included as part of the Outlook for fiscal year 2016, but reflects the revised property transfer tax revenues and growth rate in the FY 2015 Mid-Year Budget Monitoring Report.

Sales Tax

The FY 2016 Proposed Budget for sales tax revenue is \$285.8 million. This is an increase of \$26.7 million, or 10.3%, over *projected* sales tax receipts for FY 2015. As sales tax returns in FY 2015 are projected to significantly exceed returns that were

included in the FY 2015 Adopted Budget, we believe it is appropriate to discuss year-over-year growth using projected receipts instead of receipts assumed in the Adopted Budget.

The increase in the FY 2016 Proposed Budget reflects a 4% growth in taxable sales throughout FY 2016, as well as several additional one-time revenues associated with the end of the Triple-Flip that are described below.

Taxable Sales Growth Rate

The budgeted growth rate of 4% is 0.5% lower than the growth rate used in the Five-Year Outlook, but is consistent with actual FY 2015 receipts, which grew 6.9% in the first quarter, 4.5% in the second quarter, and 4.2% in the third quarter. While sales tax revenue continues to grow, the growth rate itself is declining.

Sales tax revenue is highly sensitive to economic conditions, including job growth, consumer spending, and business investment. As economic conditions have continued to improve, albeit at a more moderate pace, sales tax revenues have responded accordingly. Sales tax continues to experience growth that began in FY 2011 after two years of significant declines. Based on receipts through March, year-to-date growth in sales tax is 5.1%, with growth at year-end projected to be 4.7%.

The sales tax growth rate is also impacted by the nation-wide decline in gas prices, though this decline in revenue may be partially offset by purchases of taxable items in other economic categories.

The projected sales tax revenue growth for FY 2016 aligns with the most recent fore-

General Fund Overview

casts from UCLA Anderson and projections from HDL Companies, the City's sales tax consultant. Given the City's projected growth in sales tax in FY 2015 and forecasted economic growth throughout the year, the 4% growth rate included in the Proposed Budget is appropriate. Actual receipts should be monitored throughout FY 2016, with the proposed growth rate for future quarters adjusted as required.

One-Time Adjustments

The FY 2016 Proposed Budget includes the end of the Triple-Flip mechanism, which required local governments to shift one quarter of one cent of the Bradley-Burns Sales and Use tax to the State in exchange for receiving an equivalent amount of property tax. That program, which began in 2005, is anticipated to end in FY 2016.

The end of the Triple-Flip will result in additional one-time revenue being realized in FY 2016. The City uses a modified accrual basis in accounting for sales tax receipts, which credits 63% of first quarter sales tax receipts to the prior fiscal year, and the same proportion of first quarter receipts from next year to the current fiscal year. With the end of the Triple-Flip, the State will begin remitting to cities the full 1% without any quarter-cent hold-backs. The City's accrual basis results in an additional \$12.3 million of this full 1% being recognized in FY 2016.

Additionally, the State's advance reimbursement of the quarter-cent of sales tax withheld has historically been 0.7% to 0.8% under the actual amount withheld. This led to annual true-up payments being paid to cities to make up the difference. The FY 2016 budget includes a one-time true-up payment

of \$2.2 million. As the Triple-Flip program is expected to end in FY 2016, any true-up payment necessary for FY 2016 will also occur in FY 2016.

A table showing components of the total growth in sales tax revenue is included below.

SALES TAX GROWTH RATES	
Growth in Taxable Sales	4.0%
*Accrual Benefit	4.7%
*True-Up Savings	1.6%
TOTAL	10.3%
* Denotes one-time growth	

Transient Occupancy Tax

The General Fund is allocated 5.5 cents of the City's total 10.5 cent transient occupancy tax (TOT) rate per the San Diego Municipal Code. In FY 2016, the City's 10.5 cent allocation is projected to be \$191.4 million, while the General Fund portion of the TOT totals approximately \$100.3 million, an increase of \$7.9 million or 8.6% over FY 2015. This increase reflects a TOT growth rate of 5.5%, which is consistent with what was projected for FY 2016 in the Outlook.

TOT is a tax levied on hotels and other short-term rentals, and as such is directly tied to tourism efforts. The San Diego Tourism Authority (SDTA) markets San Diego to tourists, businesses, and conventions, and is projecting growth in overnight expenditures in calendar year 2016. The increase in TOT in the FY 2016 Proposed Budget is based on the projected growth in overnight visitors and the increase in re-

General Fund Overview

ceipts from the past two calendar years.

Our office notes that tourism marketing efforts are increasing in California, thanks in part to an increase in the operating budget of Visit California (California Travel and Tourist Commission), the agency responsible for promoting travel to California. While Visit California's efforts represent the entire State, they work with the SDTA and their increased marketing initiatives are expected to benefit the City in future years. The Outlook projected a steady 5.5% TOT revenue growth in FY 2017; our office expects that when the FY 2017-2021 Five-Year Financial Outlook is released next fiscal year, this projection will be updated to take into account increased statewide marketing efforts.

Franchise Fees

The FY 2016 Proposed Budget projects General Fund franchise fees at \$80.8 million, which is an increase of \$8.7 million, or 12.1% above the FY 2015 Adopted Budget.

FY 2015 franchise fees are currently projected at \$80.5 million, \$8.5 million above franchise fee revenues in the FY 2015 Adopted Budget. The projected General Fund franchise fees in the FY 2016 Proposed Budget represent a 0.3% increase over expected FY 2015 revenues.

Franchise fee revenue is derived primarily from three sources: 1) a 3.0% San Diego Gas & Electric (SDG&E) surcharge on total gross sales; 2) a 5.0% surcharge on cable television providers in the City; and 3) charges to private refuse haulers based on tonnage of refuse disposed.

SDG&E

The largest source in General Fund franchise fee revenue is the surcharge on SDG&E, which accounts for \$48.5 million of the amount included in the FY 2016 Proposed Budget. This is \$8.4 million or 21.1% above the FY 2015 Adopted Budget, and approximately \$948,000 or 2.0% above current year-end projections for FY 2015. Additionally, the Proposed Budget includes \$16.2 million in non-General Fund revenue generated from SDG&E, which is deposited in the Environmental Growth Fund and spent to preserve and enhanced the environment of the City as deemed appropriate by the City Council.

Revenues derived from SDG&E are difficult to forecast due to the City's inability to review SDG&E's financial forecasts for electricity and natural gas rates, and sales volume, as SDG&E is a publicly traded company (under its parent company, Sempra Energy). Additionally, the annual percent change in total revenue received from SDG&E has been unstable, with individual year growths ranging from -7.4% in FY 2010 to 21.1% projected in FY 2015.

Cable

The second largest portion of franchise fee revenue is from cable television franchise fees, which total \$18.6 million in the Proposed Budget. This amount assumes no growth or decline in cable revenue over projected FY 2015 receipts.

Growth in cable television franchise fee revenue showed year-over-year declines from FY 2011 through FY 2014, with negative growth occurring in FY 2014. Cable revenue in FY 2015, however, is currently

General Fund Overview

expected to grow by 6.7%. Given the preceding multi-year decline in cable franchise fee revenues, assuming zero growth in FY 2016 will allow cable franchise fees to stabilize over the fiscal year.

Refuse Hauling

Refuse hauler franchise fees and revenue generated from the Sycamore landfill are based on total refuse tonnage hauled and disposed of, respectively. Tonnage is directly tied to recovery in the residential housing market and general economic activity as homeowners remodel their homes, purchase new consumer goods, and replace older items that are discarded.

The City's General Fund refuse hauler franchise fee revenue is projected to decrease \$480,000 or 3.9% from the FY 2015 Adopted Budget. That amount includes an increase of \$100,000 in refuse hauler franchise fees, and a decrease of \$580,000 in Sycamore Facilities Franchise Fee revenue, which is being reallocated to the Recycling Enterprise Fund. Over the next five years, all revenue from Sycamore Facilities Franchise Fees is planned to be reallocated to the Recycling Enterprise Fund, with the reallocated amount increasing by 20% each year.

General Fund Overview

Expenditure Overview

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget totals \$1.28 billion, and reflects an increase of \$73.3 million from the FY 2015 Adopted Budget, a 6.1% increase. Increased revenues anticipated for FY 2016 allow for service level enhancements and other expenditure increases that are addressed throughout our review of the FY 2016 Proposed Budget. A summary of changes by expenditure category appears in the table below.

Some notable expenditure increases in the General Fund budget include:

- \$20.6 million for transfers to Capital Improvements Program (CIP) projects for the Police Computer Aided Dispatch

(CAD) system, the Bayside Fire Station, sidewalk repair and replacement, street light circuit upgrades and other street light improvements, and facilities work.

- \$14.3 million in salaries and wages (other than overtime), largely due to \$12.4 million in position increases across departments. These increases are explained in the Department Reviews section of this report, as well as highlighted in the Hiring of New Positions section of this report under Significant Citywide Issues.
- \$10.2 million in overtime, of which \$6.9 million is for the Police Department and \$3.2 million is for the Fire-Rescue Department.
- \$13.2 million in flexible benefits, \$5.0

SUMMARY OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL					
<i>(in millions)</i>					
EXPENDITURE CATEGORY	FY 2014 ACTUAL	FY 2015 ADOPTED	FY 2016 PROPOSED	FY 2015-FY 2016 CHANGE	% CHANGE
<i>Salaries and Wages</i>	\$514.9	\$493.4	\$517.9	\$24.5	5.0%
<i>Fringe Benefits</i>	374.7	339.9	354.9	15.0	4.4%
<i>Supplies</i>	28.1	27.0	28.3	1.3	4.9%
<i>Contracts</i>	182.1	173.7	195.4	21.7	12.5%
<i>Information Technology</i>	30.0	25.9	26.8	0.9	3.6%
<i>Energy and Utilities</i>	38.3	40.5	42.4	1.9	4.7%
<i>Other Expenditures</i>	5.2	5.4	5.5	0.1	2.2%
<i>Transfers Out</i>	73.3	89.2	95.1	5.9	6.6%
<i>Capital Expenditures</i>	3.1	3.4	5.7	2.4	70.0%
<i>Debt</i>	4.0	4.1	3.7	-0.4	-10.0%
Total General Fund	\$1,253.6	\$1,202.4	\$1,275.7	\$73.3	6.1%

General Fund Overview

million of which is due to the recently approved five-year Memorandum of Understanding (MOU) with the Police Officers Association (POA). The remainder is largely due to increases related to MOUs with other employee organizations, as well as position adds.

- \$2.5 million in the uniform/equipment and cleaning allowance, in accordance with the new POA MOU.
- \$2.6 million for Workers' Compensation, largely to align funding for claims costs with recent trends.
- \$2.1 million net increase for the Supplemental Pension Savings Plan (SPSP and SPSP-H), partly due to system enhancements regarding assumptions for vacant positions and the increased number of positions.
- \$5.3 million in the SAP support allocation for enhancements to a number of SAP modules; and \$1.1 million for voice and data network charges.
- \$4.5 million to adjust the budget amount related to the \$120.0 million DC3 bond issuance.
- \$2.7 million for electric services across General Fund departments.
- \$5.8 million in the Transportation & Storm Water (TSW) Department for contracts related to the Storm Water Permit, Flood Risk Management, and Low Flow Diversion payments to Public Utilities.
- \$4.1 million for increased Public Liability

Fund claims. See the Public Liability Fund section of this report under Significant Citywide Issues for additional information.

- \$2.9 million in the Citywide Program Expenditures Department for increased rent, largely related to Civic Center Plaza increases.
- \$2.0 million for park improvement projects.
- \$1.6 million in TSW for tree maintenance contracts.
- \$1.1 million for Police helicopter maintenance.
- \$1.4 million net increase due to the transfer of Police Decentralization Fund functions to the General Fund.
- \$1.1 million increase in refuse disposal fees.

The increases discussed above are partially offset with the following budget decreases:

- \$12.8 million for the removal of the one-time transfer to the Public Liability Reserve from excess equity.
- \$8.0 million, due to the completion of the McGuigan settlement financing payments in FY 2015.
- \$3.5 million for the General Fund contribution to the retirement Actuarially Determined Contribution (ADC). This is largely due to higher investment returns than expected for FY 2014, which are partially offset with a liability experience loss and a change in treatment for

General Fund Overview

administrative expenses—see the Pension section of this report under Significant Citywide Issues.

- \$3.5 million in Fleet fees to General Fund departments, primarily due to the use of fund balance in the Fleet Services Replacement Fund.

Budget Document Enhancements

Enhancements to the FY 2016 Proposed Budget document include a new General Fund Expenditures section that encompasses information the IBA has covered in prior budget reviews. This section of the budget document is organized by budget expenditure categories, (including Salaries and Wages, Fringe Benefits, Supplies, Contracts, etc.). The section also includes major service enhancements and adjustments.

A second enhancement is Table 10 in the Citywide Budget Overview portion of the budget document entitled, “Fiscal Year 2016 Planned Contracts Exceeding \$3.0 Million.” This table relates to the new pre-approval process for contracts over \$3.0 million.

On December 9, 2014, the City Council approved a proposed amendment to the City’s Municipal Code that authorized the Purchasing Agent to enter into contracts over \$3.0 million if the procurement was pre-approved through the Appropriations Ordinance. As a result of this Municipal Code change, the FY 2016 Proposed Budget includes a list of 15 contracts in Volume I for City Council review and pre-approval.

These contracts will be discussed during departments’ Budget Review Committee Meetings, and Council will have the oppor-

tunity to indicate whether they pre-approve the items on the list or if they would like any of the planned procurements to return to them for approval during the fiscal year.

Salaries and Wages Considerations

An area that we have discussed in prior reports is vacation pay in lieu, which is budgeted at \$5.1 million, essentially the same amount as FY 2015.

Over the past five completed fiscal years (FY 2010 through FY 2014), pay in lieu of annual leave expenditures have averaged approximately \$7.1 million and been over-budget by approximately \$5.2 million – far exceeding the budgets for those years (which averaged \$1.9 million). For FY 2015, to be more in line with historical trends, the vacation pay in lieu budget was increased to \$5.1 million. However, the projection for vacation pay in lieu expenditures is \$6.9 million, or \$1.8 million over budget.

Although we understand that pay in lieu of annual leave is a difficult expenditure type to forecast, we recommend that the City examine potential methodologies for estimating pay in lieu, so that a more accurate budget for those expenditures can be established.

Significant Citywide Issues

General Fund Reserve

The City's updated Reserve Policy requires that the combined emergency and stabilization reserves equal 14% of the last three fiscal years of audited General Fund operating revenues.

<i>Audited Revenues</i> <i>(in millions)</i>	Reserve Requirement	
	FY 2014	FY 2015
FY 2014		\$ 1,171.7
FY 2013	\$ 1,092.0	1,092.0
FY 2012	1,108.4	1,108.4
FY 2011	1,010.4	
3-Year Avg Revenues		
	\$ 1,070.3	\$ 1,124.0
14% of Avg Revenues		
	\$ 149.8	\$ 157.4

The 14% translates to a FY 2015 reserve requirement of \$157.4 million as shown in the table above. Note that in future years, the City's required emergency and stabilization reserve amounts are anticipated to increase as revenues increase. Hypothetically, if the FY 2015 audited revenues ended up being equal to the Mid-Year projected revenues, the reserve requirement for FY 2016 would be \$161.8 million. This is \$4.4 million higher than the \$157.4 million requirement

for FY 2015.

The estimated FY 2015 beginning reserve balance is \$182.5 million. The FY 2015 Mid-Year Budget Monitoring Report shows the following activities as impacting the reserve:

- \$8.9 million is projected to be utilized in FY 2015 General Fund operations;
- \$1.1 million will be utilized through re-budgeting of City Council Community Projects, Programs, and Services (CPPS) in FY 2016; and
- \$3.9 million of the projected \$4.9 million in the General Fund budgetary surplus is anticipated to be spent to pre-fund the FY 2016 Public Liability and Long-Term Disability (LTD) Reserves, at \$2.8 million and \$1.1 million respectively.

After reducing the reserve for the items described above, this leaves \$168.7 million in FY 2015 year-end reserve. Comparing this estimated year-end reserve to the FY 2015 reserve requirement of \$157.4 million yields projected excess equity of \$11.3 million for FY 2015. The \$11.3 million excess

<i>FY 2015 Excess Equity Calculation (\$ in millions)</i>	
Estimated Beginning FY 2015 Reserve Balance	\$ 182.5
Projected Use of Reserves in FY 2015	(8.9)
Projected CPPS Re-Budgeted in FY 2016	(1.1)
FY 2016 Public Liability and Long-Term Disability Reserve Pre-Funding	(3.9)
Year-End FY 2015 Reserve Estimate	\$ 168.7
14% Reserve Requirement	
	\$ 157.4
FY 2015 ENDING EXCESS EQUITY ESTIMATE	\$ 11.3

Significant Citywide Issues

equity is 1.0% of General Fund revenues.

Excess equity is commonly a non-recurring source of revenue. It can be maintained as a financial cushion above the 14% reserve target or used to support one-time expenditures. The Reserve Policy does not stipulate how much, if any, excess equity should be appropriated during the budget process for expenditures. To the extent excess equity is not appropriated during the budget process, funds will be available when 1) actual revenues are lower than projected, or 2) expenditures are higher than expected. If excess equity is not utilized during the budget year, it carries forward into the next fiscal year where it can again be considered for a variety of budgetary purposes (one-time priority expenditures, funding to meet reserve requirements, etc.).

At Mid-Year, the Mayor recommended that the \$11.3 million surplus remain as excess equity to be available for mitigation of any year-end budget overages or revenue shortfalls that are not part of the Mid-Year projections, which we supported. The Mid-Year Report indicated that the excess equity projection will be updated again in May 2015 as part of the FY 2015 Year-End Budget Monitoring Report in order to allow for a discussion of the potential use of excess equity as part of the FY 2016 Proposed Budget.

Recommendation that the City Further Define Excess Equity Treatment Within the Reserve Policy

Retaining available excess equity above and beyond already established reserves to account for potential variances in financial activity is a conservative practice. It is impor-

tant to note that there is no requirement or best practice for the use of excess equity as defined in the City's Reserve Policy. **We recommend that excess equity treatment be further defined as a percentage of revenues within the City's Reserve Policy, as discussed in the High Level Review section of this report.**

Significant Citywide Issues

Public Liability Fund

The Public Liability Fund is supported by transfers from the General Fund, specifically in Citywide Program Expenditures. The FY 2016 Proposed Budget includes \$18.6 million to support FY 2016 public liability claims expenditures, up \$4.1 million from the \$14.5 million in the FY 2015 Adopted Budget.

The FY 2015 one-time transfer of \$12.8 million Excess Equity to the Public Liability Reserve has been removed for FY 2016. In addition to this FY 2015 transfer, the FY 2015 Mid-Year Budget Monitoring Report recommended \$2.8 million of projected General Fund budgetary surplus be spent to pre-fund the FY 2016 Public Liability Reserve.

However, the Public Liability Fund has experienced a very large amount of claims payouts for FY 2015. Claims payouts and other expenses for FY 2015 are estimated to be \$72.7 million. These projected costs are offset with the \$14.5 million budgeted and transferred from the General Fund, \$20.8 million in insurance proceeds, \$11.9 million from the De Anza Operating Fund, and \$27.4 million moved from the Public Liability Reserve.

After all of this activity, the Public Liability Reserve is expected to receive a transfer from the Public Liability Fund of \$10.9 million. However, the Reserve is projected to need an additional \$3.5 million to bring it to its 40% reserve requirement for FY 2016. This amount is anticipated to be included in either the FY 2015 year-

end projection or the FY 2016 May Revise.

The overall reserve target of 50% funding of outstanding actuarial liabilities, or \$47.4 million, is anticipated to be achieved with an additional \$9.5 million from FY 2017 through FY 2019. The \$47.4 million overall reserve target amount has decreased slightly since the City Reserve Policy was last updated, based on updated three-year averages of outstanding liability figures for the funds. Although the target amount has changed, the 50% percent funding requirement per the City Reserve Policy will remain the same.

Workers' Compensation Fund

Estimated costs for Workers' Compensation (WC) are based on a three-year average of actual annual payments. WC rates are applied to employees' salaries and reflect a blend of claims cost estimates (which are allocated by job classification) and the allocated reserve contribution, as necessary. The estimated costs are distributed accordingly in the budget system and categorized as Fringe Benefit expenditures.

The \$25.1 million budgeted in the FY 2016 Proposed Budget for citywide fringe payments to the WC Fund has increased by \$2.3 million, from \$22.8 million in the FY 2015 Adopted Budget. This increase aligns funding for claims costs with recent trends.

Based on current projections, it appears that the City Reserve Policy's \$48.5 million reserve target will be met in FY 2015. This target amount has increased since the City Reserve Policy was last updated, based on updated three-year averages of outstanding liability figures for the Fund. Although the target amount has changed, the percent funding requirement per the City Reserve Policy will remain the same—which has been a 25% reserve requirement since FY 2014.

Meeting the target amount and claims costs estimates has required additional funding beyond the FY 2015 Adopted Budget. The First Quarter Budget Monitoring Report indicated that City would increase FY 2015 contributions to the WC Fund by \$2.8 million.

For the General Fund, Workers' Compensation funding is increasing by \$2.6 million, from \$18.1 million to \$20.7 million. The percent of total workers' compensation fringe costs attributable to the General Fund budget is 82.2%.

Long-Term Disability Fund

Estimated costs for Long-Term Disability (LTD) are based on a three-year average of actual annual payments combined with the annual reserve contribution, as necessary. A single LTD rate is determined and applied to employees' salaries. Estimated costs are distributed accordingly in the budget system and categorized as Fringe Benefit expenditures.

The FY 2016 proposed budget for citywide fringe payments to the LTD Fund is \$2.1 million (\$1.4 million General Fund). This is unchanged from the 2015 Adopted Budget. For both years, only pay-go amounts are budgeted, as the reserve contribution amounts were prefunded in the prior years. The FY 2016 reserve contribution—\$1.6 million citywide (\$1.1 million General Fund)—was prefunded in FY 2015 as part of the Mid-Year Budget Adjustments.

Based on current projections, it appears that the City Reserve Policy's \$18.3 million reserve target for FY 2016 will be met. This target amount has increased since the City Reserve Policy was last updated, based on updated three-year averages of outstanding liability figures for the funds. Although the target amount has changed, the percent funding requirement per the City Reserve Policy will remain the same, at 100% for FY 2016.

Meeting the target amount has required additional funding beyond the FY 2015 Adopted Budget. The First Quarter Budget Monitoring Report indicated that the City

would increase FY 2015 contributions to the LTD Fund by the \$2.0 million needed to bring the LTD Reserve to the updated FY 2015 91% target. As mentioned previously, in the Mid-Year Budget Monitoring Report, the Mayor recommended \$1.1 million of the projected General Fund budgetary surplus be spent to pre-fund the FY 2016 LTD reserves (with an additional \$500,000 transferred from non-General Funds).

Lastly, the City has negotiated and will continue to negotiate the LTD program and its administration with its employee organizations. Negotiations are in accordance with the City's Memorandums of Understanding with its employee organizations and the Meyers-Milias-Brown Act, which governs labor-management relations and collective bargaining in California.

Other Post-Employment Benefits

Retiree health obligations, or Other Post-Employment Benefits (OPEB), total \$59.2 million (\$39.0 million for the General Fund) in the FY 2016 Proposed Budget.

Currently, the City provides a defined benefit plan (DB) for employees hired before July 1, 2005. This benefit was restructured for employees retiring on or after April 1, 2012.⁽¹⁾

In the DB retiree medical plan, vested employees are provided a specific health benefit at retirement. Effective July 1, 2009 the vesting time requirement for the full DB benefit is 20 years.

For employees retiring before the DB retiree health benefit restructure became effective (April 1, 2012), the City has frozen the automatic escalator on the retiree health benefit for POA and AFSCME Local 127 employees retiring on or after July 1, 2009 and before April 1, 2012. The benefit is frozen at \$8,883 per year.

Additionally, for General Members there is a separate defined contribution Retiree Medical Trust for employees hired on or after July 1, 2009. The plan requires both an employee contribution and City match of 0.25% of an employee's base compensation.

Fiscal Effects of Restructuring the Retiree Health Benefit

The effect of the retiree health benefit re-

structure on the City's *defined benefit* retiree health plans is evident in the most recent actuarial valuation for the City, for the period ending June 30, 2014. The OPEB Unfunded Actuarial Liability (UAL) at June 30, 2014 is \$479.5 million, down from \$1.1 billion at June 30, 2011 (and up from \$444.1 million at June 30, 2013).

The June 30, 2014 OPEB Annual Required Contribution (ARC) projected for FY 2016 is \$41.7 million, an increase from the June 30, 2013 valuation's projected FY 2015 ARC of \$38.1 million.

However, the ARC figure does not reflect the payment components the City plans to make with respect to its retiree health benefits. In addition to the defined benefit retiree health plans, there is also a *defined contribution* plan that must be funded.

The table on the next page shows the different retiree health payment components the City estimates it will make through FY 2020 and is based on estimates provided by Buck Consultants. This reflects the citywide fiscal impact of the newly restructured retiree health benefit at \$57.8 million through FY 2015, with anticipated annual increases of no more than 2.5% thereafter.

- The first row contains the pay-as-you-go (PAYGO) estimates associated with retiree health benefit payments for eligible

(1) There are three options associated with the restructured retiree health benefit: Option A is a defined benefit with a full annual allowance (at 20 years of service) equal to \$8,883 per year, with a 2 percent annual escalator beginning FY 2014; Option B is a defined benefit with a full annual allowance (at 20 years of service) equal to \$5,500 per year, with no escalator; Option C is a defined contribution plan projected to yield \$8,500 annually (with 20 years of service). Options A and B require that employees make nonrefundable contributions.

Significant Citywide Issues

retirees under the City’s retiree health *defined benefit* plans. Note that there is a defined benefit plan for eligible employees retiring before April 1, 2012, as well as the restructured defined benefit options for eligible employees retiring on or after April 1, 2012.

- The second row contains estimated amounts that will either be paid into or withdrawn from the CalPERS OPEB Trust Fund for the City’s retiree health benefits. When funds are needed to cover expenses above the City’s budgeted retiree health contribution amount, they will be withdrawn from the trust fund (to fund PAYGO). This occurs in FY 2015 through 2020.
- The third row contains estimated City contributions to Health Reimbursement Arrangement (HRA) accounts. These amounts will fund HRA accounts for eligible employees retiring on or after April 1, 2012 who selected the *defined contribution* retiree health plan (restructured retiree health benefit Option C).
- The fourth row contains cost estimates for administration payments to SDCERS to manage the retiree health benefit

program.

- The fifth row contains estimates for contributions that will be made by employees retiring on or after April 1, 2012 who selected the *defined benefit* retiree health plan options (restructured retiree health benefit Options A and B).
- The last row is the sum of the first five rows and equals the total citywide payments to be made each fiscal year.

Annual Required Contribution (ARC)

Despite its name, the City is not required to pay the ARC, but as of FY 2008 an accumulated liability based on unpaid ARC amounts has been booked on the financial statements in accordance with Governmental Accounting Standards Board (GASB) requirements. Information regarding the ARC and Unfunded Actuarial Liability are available in the June 30, 2014 valuation—which was performed by Buck Consultants and provided to the City in November 2014.

OPEB/Retiree Health Forecast (in millions)	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast
1 PAYGO	\$ 41.8	\$ 43.2	\$ 44.7	\$ 46.4	\$ 48.2	\$ 48.9
2 CalPERS Trust Contribution/(Withdrawal)	(10.1)	(14.4)	(15.7)	(14.3)	(14.5)	(14.9)
3 Contribution to HRA Accounts	26.9	30.8	31.8	30.0	29.9	31.1
4 Benefit Administration by SDCERS	0.5	0.6	0.6	0.6	0.6	0.6
5 Less: Employee Contributions	(1.3)	(1.0)	(0.7)	(0.5)	(0.4)	(0.3)
Total City Contribution	\$ 57.8	\$ 59.2	\$ 60.7	\$ 62.2	\$ 63.8	\$ 65.4

Significant Citywide Issues

Pension

Defined Benefit (DB) Pension

The FY 2016 Proposed Budget includes \$254.9 million for the Actuarially Determined Contribution (ADC), which is the City's defined benefit (DB) pension contribution requirement. This is a decrease of \$8.7 million from the FY 2015 Adopted Budget amount of \$263.6 million. The General Fund portion of the FY 2016 budgeted payment is \$187.6 million—a decrease of \$3.5 million from the FY 2015 Adopted Budget of \$191.1 million.

The pension system Unfunded Actuarial Liability (UAL) totals \$2.03 billion as of June 30, 2014. The City's pension system liabilities as of June 30, 2014 are funded at a rate of 74.2%—increased from the 70.4% funding ratio at June 30, 2013. The ADC is 7.9% of total budgeted expenditures for the City and is 14.7% of budgeted expenditures for the General Fund.

The City's budgeting system provides a relatively precise allocation of the ADC, and other fringe benefits, among employees. The ADC budget distribution is based on actual filled positions and is calculated based on percentages of salaries, from information contained in the pension system's actuarial valuation.

Decreases to the Defined Benefit ADC

The \$8.7 million net decrease in the ADC from FY 2015 to FY 2016 is due to a number of offsetting factors. The largest components include:

- A \$13.9 million decrease related to a higher than assumed investment return for FY 2014. The assumed investment rate of return for FY 2014 was 7.25%, whereas the actual FY 2014 return was 16.8%.
- A \$4.2 million increase related to SDCERS Board-approved changes in the treatment of administrative expenses. The Board used a three-year phase-in approach in recognizing administrative expenses as an add-on to the ADC.
- A \$3.9 million increase for the liability experience loss—arising from the difference between assumptions and actual experience. The largest contributing factors for these differences are people living longer than expected; rehires and retirements being higher than assumed; and terminations being lower than expected.

Furthermore, the FY 2016 pension ADC of \$254.9 million is \$6.1 million lower than the pension contribution estimated in the FY 2016-2020 Five-Year Outlook, largely due to the items outlined above.

Future ADC Considerations

There are a few items that could potentially impact the City's FY 2017 ADC or other funding requirements. First, pension fund investment returns are trending at less than 7.25%, the current assumed rate of return. If the annual return for FY 2015 ends up less than the 7.25% return assumed when calculating the ADC, there would be an in-

Significant Citywide Issues

vestment experience loss that could increase the FY 2017 ADC. Whatever the FY 2015 investment return ends up being, the impact will likely be quantifiable by August 2015.

Second, in September of 2015, it is anticipated that the Board will again revisit its economic assumptions, as it does annually. At that time there will likely be discussion regarding the discount rate and wage inflation assumption. It is unknown whether these rates will be changed, or if changed, by how much. Based on estimates related to the FY 2016 ADC (presented by SDCERS' actuary in September 2014), lowering the discount rate to 7.00% could increase the ADC in the region of \$15.0 million. This could be partially offset by a reduction in the wage inflation assumption. Again, it is unknown at this time whether there will be an adjustment to either rate assumption by the Board in the Fall.

Lastly, an audit was released by SDCERS in February 2015 concerning the previous practice of discounting the City-paid portion of employee pension contributions (known as employee offset payments). As of FY 2014, the City no longer pays offsets.

However, the SDCERS auditor recommended that SDCERS determine the feasibility of calculating the underfunded amount caused by the discounting of offsets between July 1, 1994 and June 30, 2013. The auditor's estimate for discounted offsets not remitted to SDCERS is approximately \$23.0 million (not counting interest or years when the City underfunded the pension payment to SDCERS). Currently, any associated un-

derfunding is included in the UAL and is being amortized in the annual ADC amounts. The Board is anticipated to discuss this issue in closed session at its May 8, 2015 meeting.

Pension Impacts of Proposition B

Below is a brief summary of some of the pension effects of Proposition B, which was approved by voters in June 2012.

The following pension changes were negotiated with the City's employee organizations and agreement for an interim defined contribution (DC) plan was reached. This interim plan is anticipated to be in effect until a permanent plan can be negotiated.

Employees hired on or after July 20, 2012, except police officers, are no longer eligible to participate in the DB pension plan. Instead they participate in the Supplemental Pension Savings Plan H (SPSP-H), which was previously for hourly employees but was modified to include these new participants. Both the City and employees contribute 9.2% and 11.0% of eligible compensation for general members and safety members, respectively.

The FY 2016 proposed SPSP-H budget is \$9.6 million citywide. This includes amounts for the interim defined contribution plan, as well as hourly workers (\$8.7 million and \$932,000, respectively). The SPSP-H budget for the interim DC plan has increased by \$5.1 million from FY 2015, primarily due to the assumption that vacant and new positions will be filled by employees that will become members of SPSP-H. This is an enhancement in the City's budgeting as com-

Significant Citywide Issues

pared to FY 2015. This enhancement is called for because newly hired employees become members of SPSP-H (interim DC plan), as opposed to the DB plan, and their numbers continue to grow.

Some terms of the interim DC plan include that employee contributions are mandatory and post-tax, employees are 100% vested at all times, and the terms of future negotiated disability and death benefits will be retroactive.

Additionally, although new sworn Police Officers continue to be eligible for the defined benefit plan, Proposition B prescribes pension plan changes for new sworn officers hired on or after July 1, 2013. Provisions in Proposition B include a cap on sworn officer pensions: 80% of the average of the highest 36 consecutive months' compensation. This cap is reduced by 3% for each year the employee retires prior to age 55.

Note that Proposition B has been legally challenged, in litigation before the Public Employment Relations Board (PERB).

Significant Citywide Issues

Infrastructure & Financing Issues

In January 2015, the City released its first Multi-Year Capital Plan (MYCP), which identified known capital needs and funding sources over the next five years. The MYCP identified \$3.9 billion of capital needs, and \$2.2 billion of available funding for capital projects through FY 2020. This leaves a gap of \$1.7 billion in needed funding.

While the MYCP represents an important portion of the City's future capital needs, it does not include full capital needs for all City assets. Additional funding for sidewalk repairs, meeting the Mayor's commitment to repair 1,000 miles of streets by 2015 and improve the Overall Condition Index (OCI) of streets to 70 by 2025, and full implementation of the City's PURE Water potable reuse program will be necessary.

This section provides an overview of funding included for infrastructure in FY 2016, and challenges and issues facing the City as it moves forward in tackling its infrastructure backlog.

2016 Funding for Capital

Cash Funding

In his FY 2015 Adopted Budget, the Mayor

committed to dedicating half of each year's growth in major revenues to infrastructure spending. Major revenue growth in the FY 2016 Proposed Budget totals \$67.3 million; therefore \$33.7 million, or half of that amount, represents a baseline for infrastructure spending in FY 2016.

The Fiscal Year 2016 Proposed Budget includes a total of \$41.0 million in new General Fund expenditures for Capital Improvement Program (CIP) projects. Significant infrastructure areas funded by this amount include:

- \$29.2 million for street repairs;
- \$5.0 million for implementation of SAP Enterprise Asset Management (EAM) module (General Fund share);
- \$3.2 million for sidewalk repairs;
- \$1.4 million for condition assessments for various assets (General Fund share).

Lease Revenue Bond Funds

The table below indicates the Mayor's proposed lease revenue funds for Fiscal Years 2016-2020. The table indicates an additional \$5.6 million more than Enhanced Option B and extends the program from 2017

Mayor's Proposed Lease Revenue Funds FY 2016-2020 – March 2015 (in millions)								
FY13*	FY14*	FY15*	FY16	FY17	FY18	FY19	FY20	Total
\$35.0	-**	\$120.0	-	\$90.0***	\$90.0***	\$90.0***	-	\$425.0***
<p>*FY13, FY14, and FY15 are outside of the proposal period but are shown for funding comparability. **Delayed due to litigation. ***Provides \$5.6 million more than Enhanced Option B but extends program from 2017 to 2019. ****Up to \$60 million of the \$90 million is proposed to be used for streets repair, leaving \$30 million each</p>								

Significant Citywide Issues

through 2019.

Between FY 2009 and FY 2012, the City issued three series of lease revenue bonds totaling \$213.0 million, known as DC 1, DC 2, and DC 2A. The table below shows total amount issued, encumbered, and expended to date.

In January 2014, the City Council approved the issuance of lease revenue bonds totaling \$120.0 million, known as DC 3, to fund capital improvement projects. However, this bond issuance was delayed due to litigation. After resolution of this litigation, the City Council approved the bond issuance in March 2015, and it is now anticipated that the bond will be issued in April 2015.

The FY 2016 Proposed Budget includes \$7.0 million in debt service payments related to this \$120.0 million bond. The deferred capital lease revenue bonds have provided a significant new investment and source of funds for capital projects. However, debt service for lease revenue bonds places a long-term obligation on the General Fund and is not a sustainable solution for addressing the City's significant infrastructure needs.

Issues to Consider

Streamlining Measures

The Mayor's commitment to provide addi-

tional General Fund revenues is coupled with his request of the Public Works and Financial Management Departments to continue to identify and implement process improvements and streamlining measures within their departments to improve CIP delivery. Both departments recently identified a total of 20 process improvements and streamlining measures that they have presented to Council. The action items that require Council approval will be brought back to Council in the coming months.

Financial Management will be returning to Council in FY 2016 to provide a summary budget monitoring report of CIP funds and to provide an update on the effectiveness of the cash management process improvements, as recommended by our office.

Condition Assessments

General Fund Facilities/Buildings

The FY 2016 Proposed Budget provides \$1.1 million in non-personnel expenditures for continuing General Fund facility condition assessments. These assessments will be conducted by Alpha Facilities Solutions, on behalf of Public Works - General Services, to address the backlog of General Fund owned and operated facilities. Results from the first round of conditions assessment of 349 General Fund maintained facilities were included in the MYCP and are anticipated to be presented to the Council Infrastructure

UPDATE ON DEFERRED CAPITAL BOND SPENDING (as of March 2015)				
Description	Total	Encumbered	Expended	Remaining Total
DC 1	\$ 103,300,000	\$ -	\$ 103,300,000	\$ -
DC 2	75,000,000	13,800,000	53,400,000	7,800,000
DC 2A	35,000,000	11,900,000	9,100,000	14,000,000

Office of the Independent Budget Analyst

April 2015

Significant Citywide Issues

Committee in June 2015. Of the 349 assessed facilities, 274 are city-occupied facilities and 75 are leased facilities. Additional information regarding the desired service levels and the impact to maintenance costs if funding for repairs is delayed will also be presented at that time. Another 331 facilities remain to be assessed.

Park Assets

The FY 2016 Proposed Budget includes \$300,000 to assess an estimated 30 community parks throughout the City. Park and Recreation has approximately 300 remaining parks to evaluate. Similar funding levels will be needed in future fiscal years until the assessments are complete. The current as-needed consulting contract for assessment of park assets is with Kitchell CEM, Inc and they will continue the assessment work for FY 2016.

Water and Wastewater Assets

The Public Utilities Department (PUD) has a Five-Year Condition Assessment Program (FY 2013-2017), and is expected to spend \$33.3 million over that period to assess various water and wastewater assets. The FY 2016 Proposed Budget for PUD includes \$5.7 million in funding for ongoing condition assessments of the department's assets. Of that amount, \$4.3 million will be used to assess the condition of reservoirs, transmission pipes, water pipelines and dams, while the remaining \$1.7 million will be used for continuing assessment of the City's sewer mains and manholes.

SAP EAM

An asset management system helps staff use information on assets, such as current con-

ditions, to develop optimal maintenance and CIP investment strategies. PUD began a project in FY 2014 to replace its three existing maintenance management systems with SAP Enterprise Asset Management (EAM) Program. The project is now a city-wide strategic initiative that includes the participation of five departments (PUD, Environmental Services, Transportation and Storm Water, Public Works and Department of Information Technology).

The EAM Program is responsible for implementing citywide infrastructure asset management business practices, including coordinating various department asset management efforts and implementation of Council Policy 800-16. The new system will be developed over two-to-three years after the System Integrator (SI) comes on board. EAM staff are currently developing a request for proposal for the SI. The SI is responsible for evaluating the City's business requirements and designing and implementing a fully-integrated SAP EAM solution.

Total costs are estimated to range between \$30 and \$40 million, which includes the Public Utilities portion of the SAP EAM program. The project is being led by the EAM Program Manager within the Office of the DCOO, Infrastructure/Public Works.

The Proposed Budget for FY 2016 includes \$11.8 million in total expenditures citywide. The Operations and Maintenance portion is \$4.7 million and \$7.1 million is for the CIP projects related to SAP EAM. This project will establish an integrated, real-time software solution that builds upon the existing citywide SAP Enterprise Resource Planning platform, providing full integration in one SAP system. Citywide, multiple legacy main-

Significant Citywide Issues

tenance management systems will be replaced with the new SAP-based solution.

Effective Implementation of Capital Projects

Engineering & Capital Projects (E&CP) provides engineering services for the CIP. E&CPs responsibilities include planning, design, project management, and construction management of capital improvement projects for client departments, such as Transportation & Storm Water and Park & Recreation. E&CP also conducts quality control and inspection of private work permitted in the public right of way and surveying and materials testing.

As discussed in more detail in the Public Works - E&CP section of this report, the FY 2016 Proposed Budget reflects a significant increase in personnel to support the CIP expansion. This includes approximately \$8.5 million in personnel expenditures related to the funding of 99.00 FTEs to support the expansion. Since E&CP is now an Internal Service Fund, staff will continue to charge projects for services and will be reimbursed directly from capital fund sources as appropriate.

Per the MYCP report, PWD and Financial Management staff anticipate available revenue primarily through utility rate increases, lease revenue bonds, TransNet Funds, Proposition 42 funds and Facilities Benefit Assessments of \$2.2 billion over the next five years. Historically, PWD has executed about \$300.0 million in total expenditures annually. E&CP will need to ramp up to a higher level of expenditures totaling approximately \$450.0 million annually to execute the MYCP.

Significant Citywide Issues

Hiring of New Positions

The FY 2016 Proposed Budget includes net added FTEs of 424 (246 for the General Fund). Included in those net numbers are promotions, reclassifications, transfers and position deletions. The gross added FTEs (not counting for subtractions or transfers) total 418 (236 for the General Fund).

This affects not only the volume of recruitment and hiring, but also medical evaluations, background checks, performance testing processes (such as for heavy equipment operators), and training hiring departments' staff on the interviewing process. Additionally, the increased FTEs in the Proposed Budget are spread over numerous job classifications (102 classified service and 10 unclassified).

Some of the significant position additions for the General Fund are listed below. Note that these do not include transfers between departments.

- 104.00 for Transportation and Storm Water, with 31 job classifications, such as Assistant Engineer—Civil, Equipment Operator 1, and Heavy Truck Driver 2
- 27.75 for Park and Recreation, with six job classifications, such as Assistant Recreation Center Director, Grounds Maintenance Worker 2, and Biologist 3
- 27.00 for the Police Department, incorporated into 11 job classifications, such as Police Officer 2, Police Investigative Service Officer 2, and Police Dispatcher
- 20.00 for the General Services Facilities

Division, with 11 job classifications, such as Carpenter, Painter, and Plasterer

Some of the significant position additions for the non-General Funds are listed below:

- 102.00 for Engineering and Capital Projects, with 20 job classifications, such as Assistant Engineer—Civil, Associate Engineer—Civil, and Land Surveying Assistant
- 21.00 for Development Services, with 13 job classifications, such as Assistant Engineer—Civil, Associate Engineer—Civil, and Mechanical Inspector 2
- 17.00 for Public Utilities, with 17 job classifications, such as Biologist 3, Water Systems Technician 3, and Instrumentation and Control Technician
- 15.00 for Fleet Services, with nine job classifications, such as Fleet Technician, Master Fleet Technician, and Fleet Attendant

Dealing with the Volume of Hirings

It is our understanding that there are a number of strategies in play for dealing with the potential new positions added in the FY 2016 Budget. Management, the hiring departments, and the Personnel Department have been working together to determine priorities since the Proposed Budget was released. Positions cannot be authorized without an approved budget, but some up-front work can be done to move the process along before the next fiscal year begins.

Significant Citywide Issues

First, departments that are currently hiring for existing FY 2015 budgeted positions can interview more candidates than normal. By doing so, a department can hope to have a larger pool of candidates. As positions (for the same job classifications) become available next year, the department can use the results of the interviews for up to six months to fill those positions.

Second, the Personnel Department has been working to get promotional lists ready for increased hiring. They are checking expiration dates of qualified candidate listings for various job classifications. For lists that will be expiring but for which candidates will soon be needed, Personnel is moving the recruitment process higher in the queue.

Additionally, departments are working to get job requirements to Personnel so that Personnel can perform the classification study that will allow the position to be created and subsequently filled. This is taking at least three weeks under the current workload and could increase due to the Personnel Department's increasing workload.

Personnel is also working on enhancing their use of technology, as evidenced in the recently started pilot program in which certain hiring departments will be provided direct access to the Online Hiring Center (OHC) in NEOGOV. The Personnel Department began the pilot with Engineering & Capital Projects in April 2015. Additional departments are in queue to begin the pilot process through May and June of 2015. Personnel had requested a new position (which was not funded in the Proposed Budget) that would help bring City departments on-

board with the OHC through the Fall of 2015, as well as continue to assist all departments with ongoing use of the system.

Personnel continues to monitor priorities and anticipate work requirements, adjusting staffing configurations across the Department as needed.

Personnel Department Workload

The Personnel Department has experienced increasing hiring and placements over the past few years. In FY 2011 there were 1,003 employee placements due to hirings, promotions, and transfers. By FY 2014, this had increased by 113%, to 2,135.

As discussed in the Mid-year Budget Monitoring Report, the City had approximately 868 vacancies as of January 5, 2015. At that time 512 positions had been filled since the previous vacancy report in April 2014 (when there were approximately 762 vacancies). Even with the filling of 512 vacant positions from April 2014, due to turnover and added positions in FY 2015, the number of vacancies was higher in January 2015 than April 2014. Note that of the 279 added positions in FY 2015, 98 were not filled as of the January 2015 vacancy report.

In addition to handling increased hiring and placements, staff working on certified lists for hiring departments have also been working on the Online Hiring Center implementation, taking time away from their certification functions.

With the proposed FY 2016 addition of 418 positions, the Personnel Department is anticipating workload increases that will further increase the time it takes to provide services to City hiring departments. Note

Significant Citywide Issues

that not all position additions are to the classified service. Fifty-two are unclassified; and Personnel does not recruit for unclassified positions. However, there are still 30 unclassified positions for which Personnel has not yet received requests to perform classification studies. For those positions deemed appropriate, Personnel recommends that the Civil Service Commission exempt them from classified service.

As seen in certain key performance indicators which are discussed in the Personnel Department section of this report (under Department Reviews), turnaround timeframes to hiring departments have recently suffered with increasing workloads, as have other Personnel Department functions. The Department workload is hitting capacity. Additionally, when some of the new positions (as well as some existing vacant positions) are filled via promotion, a ripple affect can occur—the need to “backfill” the vacancy left by the promotion, as well as any successive vacancies.

During the FY 2016 budget process, Personnel requested 2.00 Associate Personnel Analysts, which are not funded in the 2016 Proposed Budget. Additionally, after further evaluating staffing needs, Personnel has indicated that they will be requesting a third position (Payroll Audit Specialist 2) in the May Revise. This position will be utilized to assist in more timely processing of certified candidate lists. **We recommend consideration of the Personnel Department’s three requested positions for inclusion in the FY 2016 Adopted Budget.**

Other Impacts of Increased Hirings
Purchasing and Contracting and the Office

of the City Attorney have indicated that they plan to request additional positions in the May Revise because of additional workload.

Department Review

City Attorney

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Office of the City Attorney is \$46.5 million, an increase of approximately \$557,000 from the FY 2015 Adopted Budget. The FY 2016 Proposed Budget results in a net increase of 4.73 FTEs. Budgeted revenue totaling \$3.9 million represents an increase of \$620,000.

Additions

Addition of Deputy City Attorneys

The FY 2016 Proposed Budget includes the addition of 4.00 FTE Deputy City Attorneys and \$354,000 in expenditures to support the work of the Criminal and Civil Divisions. The Office of the City Attorney anticipates an increased workload as a result of the passage of Proposition 47, which reclassified many felonies (prosecuted by the District Attorney's Office) as misdemeanors (prosecuted by the Office of the City Attorney). The Office of the City Attorney has indicated that the number of misdemeanor drug and theft cases it reviewed for charges

increased by 24% since the passage of Prop 47 in November 2014 through March 2015. The Office's workload is also anticipated to increase due to illegal marijuana dispensary enforcement and the implementation of the Police Department Body Worn Camera Program, which requires City Attorney staff to review video footage.

Alcohol and Drug Impaired Driver Vertical Prosecution Program

The FY 2016 Proposed Budget includes \$201,000 in expenditures and revenue to support the addition of 2.00 FTEs to the Alcohol and Drug Impaired Driver Vertical Prosecution Program, which is grant-funded by the California Office of Traffic Safety (OTS). The Office of the City Attorney received the OTS grant in October 2014 and funding is guaranteed through September 2016.

Consumer Environmental Protection Unit (CEPU)

The FY 2016 Proposed Budget includes the addition of 1.00 FTE Deputy City Attorney and \$89,000 in related expenditures and

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	347.85	\$ 42,700,900	\$ 3,201,155	\$ 45,902,055	\$ 3,256,169
Programmatic Changes					
Addition of Deputy City Attorneys	4.00	338,171	16,000	354,171	-
Impaired Driver Vertical Prosecution Program	2.00	198,818	2,329	201,147	201,147
Consumer Environmental Protection Unit	1.00	84,543	4,000	88,543	88,543
Other Changes					
Position Reductions	(2.00)	(271,785)	-	(271,785)	-
Non-Discretionary Adjustments	-	-	30,484	30,484	-
Hourly Wages Adjustment	(0.27)	(24,562)	-	(24,562)	-
Other Adjustments	-	170,997	8,391	179,388	330,000
FY 2016 Proposed Budget	352.58	\$ 43,197,082	\$ 3,262,359	\$ 46,459,441	\$ 3,875,859
Difference from 2015 to 2016	4.73	\$ 496,182	\$ 61,204	\$ 557,386	\$ 619,690

Office of the Independent Budget Analyst

April 2015

Department Review

revenue to expand the CEPU, which prosecutes fraud and other cases. The CEPU is supported by revenue received as a result of successful prosecutions.

Reductions

The FY 2016 Proposed Budget includes a reduction of 1.00 Public Information Clerk and 1.00 Assistant City Attorney. The Office of the City Attorney has indicated that it had no immediate plans to fill these vacant positions.

Issues to Consider

The Office of the City Attorney has expressed concern that its workload may increase beyond what it originally anticipated during the development of the FY 2016 Proposed Budget, should the City continue to add personnel and expand programs in other departments as proposed in FY 2016. For example, if approved, additional code enforcement officers would likely generate increased cases for City Attorney staff to review. Similarly, City Attorney staff may be presented with more contracts to review as contracting activity related to infrastructure projects increases.

Department Review

City Auditor

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Office of the City Auditor is \$3.7 million, an increase of \$146,000 from the FY 2015 Adopted Budget. The Office has no budgeted revenue.

The current staffing configuration of 21.00 FTEs remains unchanged from FY 2015 and consists of the following budgeted positions:

- 1.00 City Auditor
- 1.00 Assistant City Auditor
- 2.00 Assistants to the Director
- 3.00 Performance Audit Managers
- 14.00 Performance Auditors

The City Auditor requested an increase in 1.00 FTE for a Performance Auditor, which is not funded in the FY 2016 Proposed Budget. The Office currently has one auditor with specialized information technology (IT) skills; and staff has communicated that

another IT auditor would be beneficial in addressing IT system risk within the City. The City Auditor's presentation of the Office's FY 2016 Proposed Budget to the Audit Committee on April 29, 2015 will include discussion on the requested IT Performance Auditor. The Committee will forward its recommendations to the Budget Review Committee for consideration.

Some adjustments between the FY 2015 Adopted and FY 2016 Proposed Budgets include the following:

- A \$50,000 decrease in the City Auditor's allocation for the CAFR expense.
- A \$31,000 increase in budget for auditor training—for a total training budget of approximately \$49,000 (\$2,570 per auditor).
- A \$20,000 increase in professional and technical services such as surveys and technical consultants when special expertise is necessary.

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	21.00	\$ 2,735,557	\$ 839,645	\$ 3,575,202	\$ -
Salaried Wages	-	26,909	-	26,909	-
Fringe Benefits	-	87,814	-	87,814	-
Contract Costs for City CAFR	-	-	(50,000)	(50,000)	-
Auditor Training	-	-	31,000	31,000	-
Professional and Technical Services	-	-	20,000	20,000	-
Non-Discretionary Items (Including Info Technology)	-	-	29,829	29,829	-
Other Adjustments	-	-	368	368	-
FY 2016 Proposed Budget	21.00	\$ 2,850,280	\$ 870,842	\$ 3,721,122	\$ -
Difference from 2015 to 2016	-	\$ 114,723	\$ 31,197	\$ 145,920	\$ -

Department Review

City Clerk

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Office of the City Clerk totals approximately \$5.7 million, an increase of approximately \$377,000 from the FY 2015 Adopted Budget. The number of City Clerk positions remains virtually unchanged at 45.32, an increase of 0.04 FTEs.

Significant Budget Adjustments

- An increase of \$205,000 in equipment and support for information technology.
- An increase of \$5,000 to support compliance with ADA needs for access to Council and committee Meetings by the public or dignitaries that may have special needs.
- An increase of \$65,000 in personnel costs to reflect the addition of personnel expenditures for vacation pay in lieu, and additional adjustments related to salary compensation schedules, vacancy savings, and retirement contributions.

SUMMARY OF CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	45.28	\$ 4,085,591	\$ 1,255,665	\$ 5,341,256	\$ 42,404
Programmatic Changes					
<i>Equipment/Support for Information Technology</i>	-	-	205,348	205,348	-
<i>ADA Compliance</i>	-	-	5,000	5,000	-
Other Changes					
<i>Hourly Wages</i>	0.04	4,287	-	4,287	-
<i>Other Adjustments</i>	-	65,127	97,536	162,663	(44,108)
FY 2016 Proposed Budget	45.32	\$ 4,155,005	\$ 1,563,549	\$ 5,718,554	\$ (1,704)
Difference from 2015 to 2016	0.04	\$ 69,414	\$ 307,884	\$ 377,298	\$ (44,108)

Department Review

City Comptroller

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the City Comptroller is approximately \$11.1 million, an increase of \$387,000 from the FY 2015 Adopted Budget. The Proposed Budget also includes 84.75 FTEs, which is an increase of 2.00 FTEs over the previous fiscal year.

Significant Additions

The Proposed FY 2016 Budget includes 2.00 Accountant 2 FTEs to support the office's citywide internal controls work. In March 2015, the Comptroller's Office brought its Annual Report on Financial Controls (Report) to the City Council. The Report outlined the Office's internal control activities, and defined its strategy for continuing to develop and implement process documentation and controls for all finance related activity throughout the City. Of note, the Report found that 1,186 processes or tasks had been identified, of which approximately 239 were documented in the process narrative format. While not all of the remaining 947 processes will need process narratives developed, the Comptroller's Office has a significant amount of internal

control work to complete. These two positions will help the Office document, monitor, and test the City's internal controls, and ensure compliance with important State code and federal guidance that could otherwise negatively impact the City's grant funding.

The FY 2016 Proposed Budget also includes approximately \$51,000 to reinstate the in-town training budget that was cut in previous years. The additional funding will enable the Comptroller's accountants to meet yearly training requirements.

Revenue Adjustments

The approximately \$304,000 revenue increase in the Comptroller's Proposed Budget is due to reimbursable revenue from the Comptroller's staff working on the new SAP Enterprise Asset Management (EAM) System.

Key Performance Indicators

The Office of the City Comptroller includes a Key Performance Indicator (KPI) for percent of employees compliant with the Comptroller's training policy. The FY 2016 Proposed Budget projects a compliance rate

SUMMARY OF CITY COMPTROLLER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	82.75	9,808,532	926,748	10,735,280	2,468,547
Programmatic Changes					
Accountant 2 FTEs for Citywide Internal Control Work	2.00	163,856	-	163,856	-
Training Expenditures	-	-	50,560	50,560	-
Enterprise Asset Management Revenue	-	-	-	-	303,712
Other Changes					
Other Adjustments	-	277,503	(104,809)	172,694	-
FY 2016 Proposed Budget	84.75	10,249,891	872,499	11,122,390	2,772,259
Difference from 2015 to 2016	2.00	441,359	(54,249)	387,110	303,712

Office of the Independent Budget Analyst
April 2015

Department Review

of 56% in its FY 2015 Estimate and FY 2016 Target. This is a typographical error that differs from the Office's original budget submission. The two numbers should be corrected in the May Revision to reflect 100% compliance in both categories, as is shown in the table below.

The Proposed Budget also includes a KPI for the total number of documented processes. The IBA expected that with the addition of 2.00 FTEs for internal controls, the target would grow more in FY 2016 than it did in FY 2015; however, the Department has clarified that these two new positions will support monitoring and testing of internal controls, and will work closely with the Purchasing and Contracting Department to update process documentation to ensure any changes take into account internal control best practices. **Since this performance indicator does not capture the breadth of work conducted by the Internal Controls Section, the IBA recommends the Comptroller consider adding additional KPIs related to this work when it revises its indicators as part of the citywide update in FY 2016.**

Issues to Consider

As mentioned earlier, several members of the Comptroller's staff will work on the EAM project in FY 2016. The Office of the

City Comptroller originally requested the addition of 1.00 Accountant 4 and 2.00 Accountant 2 positions in order to backfill deployed EAM staff; however, these positions were not included in the Proposed Budget.

With 70% percent of the Internal Control Principal's time projected to be spent on the EAM project, and all internal control staff participating in the EAM project in some way, the IBA asked the Department if its existing staff would be able absorb the extra work created by the EAM staff deployment. The Office of the City Comptroller responded that it would monitor the impact of EAM on an on-going basis, and if it determines there is a need for additional resources once EAM work picks up, it will communicate that need to Financial Management and the executive management team.

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Total number of documented processes	350	310	410	410	510
Percent of employees compliant with the Comptroller's training policy (<i>corrected information</i>)	100%	47%*	N/A	100%	100%

*During FY 2014, the Comptroller's office experienced high staff turnover and training was inconsistently monitored. Comptroller management has refocused its efforts on training and established a training plan to ensure it remains in compliance.

Department Review

City Council

Council Offices

The FY 2016 proposed operating budget for the nine City Council district offices totals approximately \$9.6 million, a \$258,000 or 2.6% decrease from the FY 2015 Adopted Budget. This decrease is mainly due to a \$225,000 reduction in fringe benefit costs, a \$28,000 reduction in non-discretionary expenditures, and a \$139,000 reduction in Council district information technology (IT) budgets. The FY 2016 IT budget was reduced from FY 2015 due to the removal of the one-time cost for IQ (Intranet Quorum) Software that was implemented in FY 2015 to improve communication with, and services to, constituents in each Council district.

The FY 2016 Proposed Budget includes Council district operating budgets that vary in their allocations by approximately \$278,000. Some of the reasons for this variance include differences in fringe benefits expenditures that are based upon staff hire

dates and other non-discretionary costs, however, Council offices have also received equal allocations in other years. Further research is necessary to determine the full extent of the differences between district budgets and what approach is the better practice.

Community Projects, Programs, and Services (CPPS) funds

The City Council FY 2016 Proposed Budget includes a combined total of approximately \$1.1 million for CPPS funds, a \$614,000 or 36.7% decrease from the FY 2015 Adopted Budget. Council Policy 100-06 stipulates that the CCPS budget for an upcoming fiscal year is based on Council office budget savings from the current fiscal year. The CPPS funding for each Council district in FY 2016 is based upon estimated FY 2015 savings included in the FY 2015 Mid-Year Report with the exception of Council District 2. This district's CCPS budget was updated from the approximately \$71,000 in savings reported in the Mid-Year to \$105,000 in the FY 2016 Proposed Budget due to the

SUMMARY OF CITY COUNCIL BUDGET CHANGES (Operating and CPPS)					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	89.00	\$ 8,494,926	\$ 3,035,666	\$ 11,530,592	\$ -
Programmatic Changes					
Addition of Council Representative 1 - CD5	1.00	-	-	-	-
Other Changes					
Fringe Benefits (Includes Retirement ADC)	-	(225,499)	-	(225,499)	-
Discretionary Information Technology Costs	-	-	(139,111)	(139,111)	-
Non-Discretionary Adjustments	-	-	(28,261)	(28,261)	-
CPPS - all Council Districts	-	-	(613,653)	(613,653)	-
Other Adjustments	-	135,000	-	135,000	-
FY 2016 Proposed Budget	90.00	\$ 8,404,427	\$ 2,254,641	\$ 10,659,068	\$ -
Difference from 2015 to 2016	1.00	\$ (90,499)	\$ (781,025)	\$ (871,524)	\$ -

Office of the Independent Budget Analyst

April 2015

Department Review

reallocation of non-discretionary costs. CPPS funds in the proposed budget are based upon current year spending estimates and may change when budget savings are calculated at the end of the fiscal year.

Council Administration

The Council Administration budget is approximately \$2.1 million in the FY 2016 Proposed Budget, a \$62,000 or 2.9% decrease from FY 2015. The overall decrease to the FY 2016 budget is mostly due to a \$109,000 reduction in fringe and a \$32,000 reduction in hourly wages. These decreases are partially off-set by an increase in salaries and wages due to the addition of 1.00 Council Committee Consultant position and associated non-personnel expenditures to support the Charter Review Committee and an approximately \$20,000 increase in the Department's non-discretionally adjustment.

SUMMARY OF COUNCIL ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	16.13	\$ 1,851,735	\$ 271,177	\$ 2,122,912	\$ -
Programmatic Changes					
<i>Support for Charter Review Committee</i>	1.00	102,003	10,000	112,003	-
<i>Hourly Wages</i>	(1.01)	(31,679)	-	(31,679)	-
Other Changes					
<i>Non-Discretionary Adjustments</i>	-	-	20,057	20,057	-
<i>Fringe Benefits (Includes Retirement ADC)</i>	-	(108,867)	-	(108,867)	-
<i>Other Adjustments</i>	-	(51,125)	(2,233)	(53,358)	-
FY 2016 Proposed Budget	16.12	\$ 1,762,067	\$ 299,001	\$ 2,061,068	\$ -
Difference from 2015 to 2016	(0.01)	\$ (89,668)	\$ 27,824	\$ (61,844)	\$ -

Office of the Independent Budget Analyst

April 2015

Department Review

City Treasurer

The FY 2016 Proposed Budget for the City Treasurer is comprised of the General Fund and the Parking Meter Operations Fund. Historically, the Office of the City Treasurer has only consisted of the General Fund. However, in FY 2015 the Parking Meter Operations Program that was previously budgeted within the General Fund was restructured into a new special revenue fund called the Parking Meter Operations Fund. This fund was created to improve the transparency of parking meter related operations, revenue collections, and allocations. This is an important consideration because parking meter revenue can only be used for parking and traffic-related purposes that impact parking within parking meter zones.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the City Treasurer (all funds) is approximately \$26.5 million and includes 124.73 FTEs. This is an overall increase of approximately \$1.9 million and 3.00 FTEs over FY 2015. The table below reflects the net changes from FY 2015 to both funds within the Department.

General Fund

The Proposed Budget for the General Fund component includes \$16.3 million and 109.73 FTEs, a \$798,000 and 3.00 FTE increase over FY 2015.

Significant Additions

The increase in the proposed General Fund budget for the City Treasurer is due, in part, to the addition of the following FTEs:

- 1.00 Senior Management Analyst and associated \$89,000 in PE and \$5,000 in NPE to support the Payment Card Industry (PCI) Compliance Program. This position is requested a year earlier than originally anticipated in the Five-Year Outlook to support the Office's effort to protect customer data citywide.
- 1.00 Accountant 2 and 1.00 Administrative Aide 2 for a total of \$151,000 in PE and \$10,000 in NPE to enhance outreach and enforcement of Transient Occupancy Tax (TOT)/Tourism Marketing District (TMD) tax provisions related to short-term property rentals.

SUMMARY OF CITY TREASURER BUDGET						
	FY 2015 FTE	FY 2016 FTE	CHANGE	FY 2015 BUDGET	FY 2016 PROPOSED	CHANGE
General Fund Expenditures	106.73	109.73	3.00	15,455,696	16,253,881	798,185
Parking Meter Operations Fund Expenditures	15.00	15.00	-	9,111,535	10,198,570	1,087,035
TOTAL CITY TREASURER EXPENDITURES	121.73	124.73	3.00	24,567,231	26,452,451	1,885,220
General Fund Revenue	-	-	-	18,296,151	19,283,883	987,732
Parking Meter Operations Fund Revenue	-	-	-	9,111,535	10,198,570	1,087,035
TOTAL CITY TREASURER REVENUE	-	-	-	27,407,686	29,482,453	2,074,767

Department Review

Revenue Adjustments

Significant General Fund revenue adjustments include:

- An estimated \$250,000 increase from the streamlined collection of the DMV/Collection Referral Fee project;
- A \$250,000 projected increase in collection referrals and interest paid based on FY 2014 actual revenue;
- \$161,000 projected to offset the cost of 2.00 FTEs related to expanded short-term rental property compliance efforts;
- A transfer from the Parking Meter Operations Fund of approximately \$116,000 in parking citation revenue because it is distinct from meter revenue, and is not distributed to parking districts;
- A \$100,000 projected increase in revenues from the Business Tax Program related to compliance of large and small businesses;
- A projected increase of \$60,000 result-

ing from a change in the Downtown area's Hospitality Zone enforcement hours; and

- \$51,000 in reimbursable revenue from the Treasurer's staff working on the Enterprise Asset Management (EAM) project.

Business Regulatory and Taxation Consolidation Project Update

The City Treasurer will implement phase I of the Business Regulatory and Taxation Consolidation Project at the beginning of FY 2016. Phase I will involve consolidating the processing of police-regulated business permits within the City Treasurer's Tax Collection System (TTCS), and phase II—which will begin later in FY 2016—will involve the consolidation of Fire-Rescue and Transportation permitting processes within the Treasurer's TTCS. The consolidation effort will:

- Align expiration dates for regulatory permits and Business Tax Certificates, which will allow business owners to

SUMMARY OF GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	106.73	\$ 9,829,458	\$ 5,626,238	\$ 15,455,696	\$ 18,296,151
Programmatic Changes					
<i>Sr. Management Analyst for PCI Compliance</i>	1.00	89,054	5,000	94,054	-
<i>Accountant 2/Admin Aide 2 for TOT/TMD Compliance</i>	2.00	150,893	10,000	160,893	160,893
<i>DMV/Collection Referral Fees</i>	-	-	-	-	250,000
<i>Other Collection Referrals/Related Interest</i>	-	-	-	-	250,000
<i>Parking Citation Revenue Transfers</i>	-	-	-	-	115,800
<i>Business Tax Compliance Revenue</i>	-	-	-	-	100,000
<i>Citation Revenue Due to Changes in Hospitality Zone</i>	-	-	-	-	60,000
<i>Enterprise Asset Management Revenue</i>	-	-	-	-	51,039
Other Changes					
<i>Other Adjustments</i>	-	299,169	244,069	543,238	-
FY 2016 Proposed Budget	109.73	10,368,574	5,885,307	16,253,881	19,283,883
Difference from 2015 to 2016	3.00	539,116	259,069	798,185	987,732

Office of the Independent Budget Analyst

April 2015

Department Review

conduct their permit and tax business at the same time and in the same location.

- Provide additional payment options and online renewal for regulatory permit customers.
- Consolidate billing statements, which will provide a reduction in printing and postage expenses.
- Reduce the number of Police Department applications maintained (from thirty-three to three applications).
- Create efficiencies that will enable police officers, Fire-Rescue, and Transportation personnel to work on other public safety and transportation related issues.

Although the Business Regulatory and Taxation Consolidation Project will begin in FY 2016, no additional FTEs are requested because 2.00 FTEs were added in FY 2013 to support these services.

User Fees

User fee changes are not currently included in the Department's FY 2016 revenue projections because they will be presented to the Budget Review Committee later in the budget process. If the changes in user fees

are approved, the projected net revenue increase for the Office of the City Treasurer is approximately \$13,000 due to the following adjustments:

- \$27,000 increase related to disabled placard user fees.
- \$26,000 increase due to the Treasurer's assumed responsibility of the police regulated ID cards user fee (which is part of the Business Regulatory and Taxation Consolidation Project).
- \$24,000 increase related to residential parking permits.
- \$63,000 decrease in the revenue collected related to the Neighborhood Protection Parking Ordinance (NPPO) program fee.

Parking Meter Operations Fund

As noted earlier, the Parking Meter Operations Fund is a special revenue fund that was created to increase the transparency of parking meter operations and revenue. The Proposed Budget for the Fund includes \$10.2 million and 15.00 FTEs, a \$1.1 million increase over FY 2015.

SUMMARY OF PARKING METER OPERATIONS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	15.00	\$ 1,465,375	\$ 7,646,160	\$ 9,111,535	\$ 9,111,535
Programmatic Changes					
<i>Smart Parking Meters Operations and Maintenance</i>	-	-	1,362,740	1,362,740	-
<i>Parking Meter Collections</i>	-	-	-	-	1,202,835
<i>Parking Citation Revenue Transfer to General Fund</i>	-	-	-	-	(115,800)
Other Changes					
<i>Other Adjustments</i>	-	(119,335)	(156,370)	(275,705)	-
FY 2016 Proposed Budget	15.00	\$ 1,346,040	\$ 8,852,530	\$ 10,198,570	\$ 10,198,570
Difference from 2015 to 2016	-	\$ (119,335)	\$ 1,206,370	\$ 1,087,035	\$ 1,087,035

Office of the Independent Budget Analyst

April 2015

Department Review

Significant Adjustments

The increase in the proposed Parking Meter Operations Fund budget is primarily due to the addition of expenditures for smart parking meters. The increased operations and maintenance costs include banking services, communication costs related to the use of credit and debit cards, and warranties for the meters. The roughly \$1.4 million in expenditures for smart parking meters will be largely offset by a projected \$1.2 million increase in parking meter collections.

Additionally, as was mentioned earlier, roughly \$116,000 in parking citation revenue will be transferred to the General Fund from the Parking Meter Operations Fund.

Department Review

Citywide Program Expenditures

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Citywide Program Expenditures Department totals \$87.2 million, an increase of \$67,000

from the FY 2015 budget. Although the change is small, large increases and offsetting decreases have occurred in various spending categories. Highlights of certain expenditures are included in the next few pages.

Citywide Program Expenditures				
Budget Changes by Expenditure Category & Type				
Description	FY 2015 Adopted	FY 2016 Proposed	Change	%
Contracts	\$ 35,937,999	\$ 51,032,915	\$ 15,094,916	42.0%
Public Liability Claims Fund	14,506,208	18,600,000	4,093,792	28.2%
Corporate Master Lease Rent	7,191,051	10,070,123	2,879,072	40.0%
San Diego County Animal Services Contract	-	8,956,214	8,956,214	100.0%
Property Tax Administration	3,823,303	4,209,630	386,327	10.1%
Special Consulting Services	2,970,000	2,970,000	-	0.0%
Citywide Elections	1,800,000	2,400,000	600,000	33.3%
Insurance	2,206,891	2,382,769	175,878	8.0%
Memberships	730,000	735,000	5,000	0.7%
Transportation Subsidy	459,179	459,179	-	0.0%
Reimbursements for E&CP Services	2,000,000	250,000	(1,750,000)	-87.5%
Other Items	251,367	-	(251,367)	-100.0%
Energy & Utilities - Corp. Master Lease	5,378	8,977	3,599	66.9%
Other Expenditures	4,206,150	3,942,878	(263,272)	-6.3%
Supplemental COLA Benefit	1,588,350	1,710,782	122,432	7.7%
Preservation of Benefits	1,700,000	1,500,000	(200,000)	-11.8%
Assessments to Public Property	567,800	732,096	164,296	28.9%
Business Cooperation Program	350,000	-	(350,000)	-100.0%
Transfers Out	46,944,544	32,176,635	(14,767,909)	-31.5%
CIP Debt Service: Series 2010 A Refunding - DC 1	7,312,893	7,321,725	8,832	0.1%
CIP Debt Service: Series 2012 A - DC 2	4,590,326	4,594,776	4,450	0.1%
CIP Debt Service: Series 2013 A - DC 2A	2,152,306	2,155,058	2,752	0.1%
Less: Principal Amounts Paid from Capital Outlay Fund	(2,046,419)	-	2,046,419	100.0%
CIP Debt Service: Series 2015 A&B - DC 3	2,500,000	7,000,000	4,500,000	180.0%
Park Improvement Funds	10,045,411	8,657,723	(1,387,688)	-13.8%
Public Use Leases	1,582,144	1,582,144	-	0.0%
Transfer to Americans with Disabilities Act CIP	-	865,000	865,000	100.0%
Interfund Environmental Services - Corp. Master Lease	209	209	-	0.0%
Public Liability Reserve Transfer from Excess Equity	12,800,000	-	(12,800,000)	-100.0%
McGuigan Settlement	8,007,674	-	(8,007,674)	-100.0%
TOTAL	\$ 87,094,071	\$ 87,161,405	\$ 67,334	0.1%

Department Review

Reserves and Public Liability Claims

Contributions to the Public Liability Reserve and General Fund Reserve are typically budgeted in Citywide Program Expenditures.

A General Fund Reserve contribution is not budgeted for FY 2016, as the reserve target of 14.0% of General Fund revenues is currently satisfied. See the General Fund Reserve section of this report for more information.

The FY 2015 one-time transfer of \$12.8 million excess equity to the Public Liability Reserve has been removed for FY 2016. However, subsequent to the preparation of the FY 2016 Proposed Budget, updated projections indicate that \$3.5 million will be needed to bring the FY 2016 Public Liability Reserve target balance to its 40% funding goal. This amount is anticipated to be included in either the FY 2015 year-end projection or the FY 2016 May Revise. See the Public Liability Fund section of this report (under Significant Citywide Issues) for more information.

Lastly, the budgeted amount to cover Public Liability claims is increasing by \$4.1 million, from \$14.5 million in FY 2015 to \$18.6 million in the FY 2016 Proposed Budget.

Corporate Master Lease Rent

The City leases various facilities, such as office space and warehouses, from private parties to house some City employees and support the daily operations of the City. The budgeted amount for corporate master lease rent is increasing by \$2.9 million, from \$7.2 million in FY 2015 to \$10.1 million in the FY 2016 Proposed Budget. This is

largely related to rent increases for office space at Civic Center Plaza.

Animal Services

The City contracts with the County of San Diego to provide “Animal Services” (animal control, shelter, trapping, etc.). In previous fiscal years, this contract has been administered by the Police Department and included in its budget. The FY 2016 Proposed Budget transfers this expenditures budget to the Citywide Program Expenditures Department. The FY 2016 Animal Services budget amount of \$9.0 million has increased by \$194,000 from the FY 2015 Adopted Budget.

Special Consulting Services

The Special Consulting Services budget is unchanged from the \$3.0 million included in the FY 2015 Adopted Budget. Allocations among services have changed slightly. One new item is \$250,000 budgeted for professional consulting services for stadium planning.

Funding for the Kinder Morgan lawsuit has been removed from the Special Consulting Services budget. However, the lawsuit is ongoing and may incur expenditures, which will be considered in the May Revise. See the table on the next page for a break-down of the various Special Consulting Services categories.

Citywide Elections

The Citywide Elections budget is increasing by \$600,000 from the FY 2015 Adopted Budget—from \$1.8 million to \$2.4 million. Primary election races for Mayor, City Attorney and Council Districts 1, 3, 5, 7 and 9 occur in June 2016. This is accounted for in

Department Review

SPECIAL CONSULTING SERVICES			
	FY 2015 ADOPTED	FY 2016 PROPOSED	CHANGE
Buck Consultant	\$ 320,000	\$ 250,000	\$ (70,000)
Disclosure Counsel	200,000	200,000	-
Labor Related Contracts	300,000	370,000	70,000
Sales Tax Consultant	650,000	650,000	-
Contingency	100,000	100,000	-
Outside Legal Contracts	950,000	1,150,000	200,000
Kinder Morgan Litigation	450,000	-	(450,000)
Stadium Planning Professional Services	\$ -	\$ 250,000	\$ 250,000
TOTAL	\$ 2,970,000	\$ 2,970,000	\$ -

the FY 2016 Proposed Budget. Possible run-offs to these elections will occur in the November 2016 General Election, for which funding would be included in the FY 2017 budget.

The amount included in the FY 2016 Proposed Budget also includes estimated ballot proposition costs. Actual costs will depend on the number of ballot measures, number of candidates, and number of items each County jurisdiction places on the ballot. Potentially, there could be propositions regarding revisions of the City Charter, which may result from the Charter Review Committee's work.

Reimbursements for E&CP Services

The FY 2015 Citywide Program Expenditures Budget included \$2.0 million for generic E&CP engineering services to the General Fund that cannot be capitalized. This amount was reduced to \$1.0 million in the FY 2016 Proposed Budget and allocated among General Fund departments. Citywide Program Expenditures retains a budget of \$250,000 for FY 2016.

Business Cooperation Program (BCP)

Funding in the FY 2016 Proposed Budget for the BCP (\$350,000) has been transferred from the Citywide Program Expenditures budget to Economic Development, given their responsibility to administer the program. The Program partners with businesses who agree to manage their sales and use tax operations in a way that garners additional tax revenue for the City. The City then rebates or credits a portion of the additional tax revenue to the business. These funds are budgeted to facilitate the rebates or credits.

CIP Debt Service

The \$21.1 million in FY 2016 debt service payments for deferred capital bonds are budgeted in Citywide Program Expenditures as follows:

- \$7.3 million for the \$100 million 2010A Refunding issuance (known as "DC1").
- \$4.6 million for the \$75 million 2012A issuance (known as "DC2").
- \$2.2 million for the \$35 million 2013A

Department Review

issuance (known as “DC2A”).

- \$7.0 million for the \$120 million 2015A&B issuance (known as “DC3”) —note that this amount will be adjusted to \$6.9 million in the May Revision.

In prior years, principal amounts were paid from the Capital Outlay Fund, which has been exhausted. Accordingly, \$2.1 million was budgeted to be paid from Capital Outlay in FY 2015, whereas nothing is budgeted for debt service in Capital Outlay for FY 2016.

Transfer to Park Improvement Funds

The City Charter sets the threshold amount of Mission Bay rents and concession revenues that are to be placed into the General Fund for any municipal purpose, without restriction, at \$20.0 million. The remainder of funds greater than the threshold amount will be allocated to the San Diego Regional Park Improvements Fund and the Mission Bay Park Improvements Fund each year.

The amount above the \$20 million threshold to be transferred to the Park Improvement Funds is budgeted in Citywide Program Expenditures. That amount has decreased in the FY 2016 Proposed Budget by \$1.4 million—from \$10.1 million to \$8.7 million. This decline is due to an anticipated decrease in Mission Bay Park lease revenues. Note that revenue from Mission Bay Park rents and concessions is budgeted in the Real Estate Assets Department.

Public Use Leases

The public use lease expenditures are related to the use of parking lots in Las

Americas and Imperial Marketplace for the park and ride program. The FY 2016 Proposed Budget for the public use leases is \$1.6 million, unchanged from FY 2015.

McGuigan Settlement

Another expenditure in the Citywide Program Expenditures Department is payment for the General Fund portion of the McGuigan Settlement financing.

Under this settlement, the City was obligated to pay \$173.0 million into SDCERS by June 2011 to address previous underfunding, which occurred between 1996 and 2005. The McGuigan Settlement was modified, as approved by the City Council on March 9, 2010, allowing the City to prepay to SDCERS approximately \$38.3 million, the remaining settlement balance as of June 30, 2010. Under the terms of the modification and in order to direct a final payment to SDCERS, the City made a cash payment of approximately \$5.5 million and financed the balance, approximately \$32.8 million, through a third party financial institution.

The City’s annual payments related to the financing were approximately \$9.1 million in FY 2012 through FY 2015. The General Fund’s proportionate share of these payments was approximately \$8.0 million annually.

As FY 2015 was the final year of payment for this financing, funding has been removed from the FY 2016 Proposed Budget.

Department Review

Communications

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Communications Department is approximately \$3.6 million and includes 32.16 FTEs. This is an increase of \$121,000 and 2.16 FTEs over FY 2015. The Department has approximately \$1.6 million in budgeted revenue in FY 2016, which has not changed from the FY 2015 Adopted Budget.

Significant Additions

The increase in the proposed budget for the Communications Department is due in large part to the addition of the following FTEs:

- 1.00 Deputy Director who will oversee Department operations.
- 1.00 Word Processing Operator who will be transferred from the Engineering & Capital Projects (E&CP) Division of Public Works.
- 0.16 Hourly Management Intern who will support Multimedia Production Services.

Key Performance Indicators

Currently, the Department's only Key Performance Indicators (KPIs) relate to the former Multimedia Services Division. As noted in the FY 2016 Proposed Budget, the Department plans to overhaul its department-wide indicators as part of its tactical planning process. The Department hopes to begin this process in early FY 2016.

Issues to Consider

The Communications Department was created in FY 2015 to centralize the City's communications-related activities. Previously, Public Information Officers (PIOs) and other communications-related personnel were distributed throughout City departments. With the FY 2015 consolidation, 22.00 FTEs were budgeted for transfer into the Communications Department; however, these positions were not transferred from their original departments until the end of February 2015 due to a delay in the required meet and confer process. The Communications Director was hired in November.

SUMMARY OF COMMUNICATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	30.00	\$ 3,219,282	\$ 225,261	\$ 3,444,543	\$ 1,565,333
Programmatic Changes					
<i>Deputy Director</i>	1.00	162,054	-	162,054	-
<i>Transfer of Word Processing Operator from E&CP</i>	1.00	72,901	-	72,901	-
<i>Management Intern (Non-Standard Hourly)</i>	0.16	13,242	-	13,242	-
Other Changes					
<i>Other Adjustments</i>	-	(144,126)	17,034	(127,092)	-
FY 2016 Proposed Budget	32.16	\$ 3,323,353	\$ 242,295	\$ 3,565,648	\$ 1,565,333
Difference from 2015 to 2016	2.16	\$ 104,071	\$ 17,034	\$ 121,105	\$ -

Department Review

ber 2014, and an agreement with the San Diego Municipal Employees Association (MEA) was executed on February 12, 2015. Although the communications-related positions listed in this agreement are no longer reporting to their original departments and have transferred to the Communications Department, meet and confer will not technically be completed until remaining structural issues with the consolidation are resolved.

Since these positions recently transferred to the Communications Department, we expect that the Department's year-end expenditures and revenues from FY 2015 will be lower than originally projected in the Adopted Budget.

Of the 30.00 budgeted positions for the Communications Department in FY 2015, 24.00 are currently filled. When communications-related positions transferred over from other departments, the Department inherited a number of vacant positions. The Communications Department is close to hiring personnel for three of those vacant positions: 1.00 PIO, 1.00 Multimedia position, and 1.00 Executive Assistant. The Department expressed an urgent need for an Executive Assistant, and has reclassified a vacant PIO position to enable this hire. All three positions are expected to be hired by the end of the current fiscal year.

In addition to the Deputy Director, Word Processing Operator, and Management Intern that are already included in the Proposed Budget, the Department has indicated that it will submit a request to the Mayor for the addition of a Senior Manage-

ment Analyst in the May Revision. The Senior Management Analyst would provide budgetary and organizational support to the Department.

Department Review

Debt Management

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Debt Management Department is approximately \$2.8 million, an increase of \$314,000 from the FY 2015 Budget. Budgeted positions in the Department remain unchanged at 19.00 FTEs. The Department has budgeted revenue of approximately \$712,000 in FY 2016, an increase of \$28,000 over the FY 2015 budget.

Additions

The Department's budget includes an additional \$100,000 to hire legal and financial consultants to better evaluate the feasibility of forming an Enhanced Infrastructure Financing District (EIFD). EIFDs may be a means of financing infrastructure projects in targeted areas of the City. Management is exploring whether an EIFD could be used to

help finance infrastructure projects in areas like Otay Mesa. The hired consultants will assist department staff in analyzing the viability of establishing an EIFD for this purpose. This analysis may involve discussions with other tax recipient agencies (like the County or the School District) as cooperative property tax sharing arrangements may be necessary to obtain property tax increment within a district for targeted infrastructure projects.

One-time funding of \$52,000 was added in the FY 2015 budget to initiate two contracts for Municipal Advisors to assist the department with various financing requests (e.g., the City Council financial training on commercial paper in February). These funds have been re-budgeted on an ongoing basis in the FY 2016 Proposed Budget to provide the department with continued access to the Municipal Advisors on an as-needed basis.

SUMMARY OF DEBT MANAGEMENT DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	19.00	\$ 2,202,407	\$ 245,807	\$ 2,448,214	\$ 683,645
Programmatic Changes					
<i>Additional Funds for Financial & Legal Consultants to Evaluate Feasibility of an EIFD in the Otay Mesa area</i>	-	-	100,000	100,000	-
<i>Funds for two existing Municipal Advisor Contracts</i>	-	-	52,000	52,000	-
<i>Additional Revenue primarily attributable to services in support of EVFP and Successor Agency activity</i>	-	-	-	-	28,000
Other Changes					
<i>Other Salaries & Wages</i>	-	221,112	-	221,112	-
<i>Other Adjustments</i>	-	-	(59,466)	(59,466)	-
FY 2016 Proposed Budget	19.00	\$ 2,423,519	\$ 338,341	\$ 2,761,860	\$ 711,645
Difference from 2015 to 2016	-	\$ 221,112	\$ 92,534	\$ 313,646	\$ 28,000

Department Review

A \$28,000 increase in budgeted revenue is primarily attributable to reimbursements for services provided involving the Equipment Vehicle Financing Program (EVFP) and Successor Agency financing activities.

Issues to Consider

The use of commercial paper as a short-term borrowing tool has been proposed to reduce negative arbitrage costs and improve the process for timely execution of large contracts. Staff plans to return in the fall to seek Council approval of actions necessary to initiate a Commercial Paper Program.

At the February City Council training on commercial paper borrowing, Council asked the Department whether they would require additional staff to manage a dynamic commercial paper borrowing program. Staff responded that they will evaluate existing staff capacity and new responsibilities associated with a Commercial Paper Program as they develop their request for Council approval in the fall. The FY 2016 Proposed Budget does not add staff to the Department to support a Commercial Paper Program.

Department Review

Department of Information Technology

The Department of Information Technology (IT) is comprised of both General Fund and non-General Fund components. Non-General Funds in the Department include the GIS Fund, the Information Technology Fund, the OneSD Support Fund, and the Wireless Communications Technology Fund.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Department of IT (General Fund and non-General Fund components) is approximately \$49.2 million and includes 115.00 FTEs. This is an increase of \$7.2 million and 9.24 FTEs over FY 2015. The increase is due in large part to expenditures in the Information Technology and OneSD Funds as described in the following sections. Additionally, the largest increase in FTEs is seen in the OneSD Fund.

The table below reflects the Proposed Budget changes to each of the funds within the Department.

General Fund

The Department of IT's General Fund is used to budget for the replacement of personal computers (PCs) in General Fund departments. The FY 2016 Proposed Budget for the General Fund is \$500,000, which is the same as was adopted in FY 2015.

GIS Fund

The Geographical Information System (GIS) Fund was created to support the management of a common enterprise GIS environment and applications for the City of San Diego. The operational cost of these applications is allocated on an annual basis to departments that use GIS.

The FY 2016 Proposed Budget for the GIS Fund is approximately \$2.1 million. This is an increase of \$157,000 over FY 2015, which is largely due to position reallocations and increased IT support and equipment.

SUMMARY OF INFORMATION TECHNOLOGY DEPARTMENT BUDGET						
	FY 2015 FTE	FY 2016 FTE	CHANGE	FY 2015 BUDGET	FY 2016 PROPOSED	CHANGE
General Fund	-	-	-	500,000	500,000	-
Non-General Fund						
GIS Fund	2.00	2.00	-	1,905,499	2,062,794	157,295
Information Technology Fund	42.00	44.00	2.00	10,488,568	13,450,405	2,961,837
OneSD Support Fund	17.00	23.00	6.00	20,728,100	25,046,688	4,318,588
Wireless Communications Technology Fund	44.76	46.00	1.24	8,412,052	8,153,577	(258,475)
TOTAL INFORMATION TECHNOLOGY	105.76	115.00	9.24	42,034,219	49,213,464	7,179,245

Office of the Independent Budget Analyst

April 2015

Department Review

Information Technology Fund

The Information Technology (IT) Fund supports the operational budget for Department of IT staff who provide a variety of information technology related activities for the City. Departments who use IT services are assigned a budgetary allocation each year based on their prior-year IT spending in order to reimburse the IT Fund for costs incurred.

For the FY 2016 Proposed Budget, the IT Fund is approximately \$13.5 million, which is an increase of \$3.0 million from FY 2015. Additionally, 44.00 FTEs are included in the Proposed Budget, which is an increase of 2.00 FTEs over FY 2015.

Significant Adjustments

Significant additions to the IT Fund include:

- Approximately \$2.0 million for IT equipment and support. Of this \$2.0 million

increase, \$775,000 is included for the one-time content migration of the new City website.

- \$400,000 for the development of city-wide SAP financial reports. Financial Management has indicated that this expenditure will be moved to the OneSD Support Fund in the May Revision because it is related to the City's Enterprise Resource Planning (ERP) Systems or SAP.
- \$633,000 in PE and approximately \$5,000 in NPE for 4.00 Program Managers who will support the network, IT security, citywide IT projects, and Enterprise IT Roadmap services.
- \$92,000 for 1.00 Information Systems Analyst 3 who will provide security support for the SAP Customer Care and Services (CCS) module.
- \$84,000 for 1.00 Associate Management Analyst who will provide fiscal support

SUMMARY OF INFORMATION TECHNOLOGY FUND					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	42.00	\$ 5,403,110	\$ 5,085,458	\$ 10,488,568	\$ 8,673,318
Programmatic Changes					
Equipment/Support for IT	-	-	1,969,578	1,969,578	-
Financial Report Development	-	-	400,000	400,000	-
IT Security Program Manager	1.00	158,202	1,800	160,002	-
Enterprise Project Management Program Manager	1.00	158,202	1,800	160,002	-
IT Roadmap Services Program Manager	1.00	158,202	1,800	160,002	-
Network Program Manager	1.00	158,202	-	158,202	-
Customer Care/Services Module Info Systems Analyst 3	1.00	90,201	1,800	92,001	-
Associate Management Analyst	1.00	82,224	1,800	84,024	-
Information Systems Administrator	(1.00)	(100,023)	-	(100,023)	-
Position Reallocations	(3.00)	(295,594)	-	(295,594)	-
Revised Revenue	-	-	-	-	3,727,840
Other Changes					
Other Adjustments	-	42,406	131,237	173,643	-
FY 2016 Proposed Budget	44.00	5,855,132	7,595,273	13,450,405	12,401,158
Difference from 2015 to 2016	2.00	452,022	2,509,815	2,961,837	3,727,840

Office of the Independent Budget Analyst

April 2015

Department Review

for the citywide IT budget, IT's four Operations and Maintenance budgets, and IT's new contract management team.

Significant reductions to the IT Fund include:

- The removal of 1.00 Information System Administrator for a decrease of approximately \$100,000.
- A net of 3.00 FTE position reallocations for a decrease of \$296,000.

Additionally, a revenue increase of approximately \$3.7 million was made to reflect the allocation of citywide transfers in FY 2016. Despite this increase in revenue, the Information Technology Fund is projected to operate at a deficit of \$1.0 million in FY 2016, which will be mitigated through the use of fund balance.

OneSD Support Fund

The OneSD Support Fund (OneSD) supports staff that manage the City's Enterprise Resource Planning (ERP) Systems, or SAP. Revenues for this fund are collected based on an annual allocation to departments that

use SAP.

The FY 2016 proposed expenditure budget for OneSD is approximately \$25.0 million, an increase of \$4.3 million or 20.8% over FY 2015. This increase is almost entirely due to a \$5.4 million increase in the Division's IT budget that includes funds for citywide SAP maintenance and improvements. The increase is off-set by decreases in almost every other budget category, including a \$121,000 decrease in salaries and wages despite the addition of 6.00 FTE positions—due to a \$695,000 vacancy factor—and a \$885,000 decrease in debt payments.

OneSD's FY 2016 proposed revenue budget is approximately \$26.5 million, a \$6.6 million or 33.2% increase over FY 2015. This increase is due to the proposed FY 2016 increase to the expenditure budget, the ability of some positions to recover their costs by charging the EAM ERP implementation project, and a FY 2016 \$5.1 million budget for the EAM ERP Implementation capital improvement project budgeted in this fund. When the revenue for the FY 2016 capital project budget is removed

SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	17.00	\$ 2,805,199	\$ 17,922,901	\$ 20,728,100	\$ 19,918,068
Programmatic Changes					
<i>Discretionary Information Technology Costs including SAP upgrades and projects</i>	-	-	5,415,951	5,415,951	-
SAP EAM Support	4.00	565,076	-	565,076	552,148
SAP Support (PBF/FICA)	2.00	282,538	-	282,538	-
Revised Revenue	-	-	-	-	6,055,476
Other Changes					
Vacancy Factor	-	(695,334)	-	(695,334)	-
Debt	-	-	(885,332)	(885,332)	-
Other Adjustments	-	(273,412)	(90,899)	(364,311)	-
FY 2016 Proposed Budget	23.00	\$ 2,684,067	\$ 22,362,621	\$ 25,046,688	\$ 26,525,692
Difference from 2015 to 2016	6.00	\$ (121,132)	\$ 4,439,720	\$ 4,318,588	\$ 6,607,624

Office of the Independent Budget Analyst

April 2015

Department Review

from the Fund's FY 2016 proposed revenue budget, an approximate \$4.0 million operating deficit remains that will be mitigated with the use of fund balance.

Significant Adjustments

The City's SAP system went live in FY 2010 at a time when the City's major revenues were slowing due to a nation-wide recession. The City made choices about where to spend its limited resources, and while committed to implementing an integrated, citywide system, it did not invest in all of the technical options that were available at that time. The City's economic outlook has improved since FY 2010, the City's SAP use has expanded, and the technologies available have advanced. The FY 2016 Proposed Budget reflects those changes and adds staff and funding support for ongoing SAP maintenance and improvements as well as new SAP projects:

- 4.00 Project Coordinator positions to support the EAM ERP implementation
- 2.00 Project Coordinator positions to support SAP modules
- Projects to enhance or add features to SAP that will be started or completed in FY 2016, including:
 - Upgrades to the City's budgeting, human resources, and procurement modules
 - A document management system
 - Creation of a centralized customer service portal to give residents one point of access to their online City services

As the City's investment in SAP technologies grows, our office recommends track-

ing any associated efficiencies, cost-savings, or other associated returns-on-investment. We also recommend that Council request a roadmap of planned SAP investments be brought to Committee as an informational item, in order to review future SAP changes and costs.

Key Performance Indicators

The only performance measure listed for OneSD is the monthly availability of SAP systems. The IBA recognizes that because City departments will be updating their tactical plans in the coming fiscal year for inclusion in the FY 2017 Proposed Budget, the performance measures listed for FY 2016 may not be as robust or up-to-date as they could be. **Our office suggests that when OneSD performance measures are updated, they include measures on the following:**

- **SAP training for City staff**
- **Customer satisfaction**
- **Timing of SAP module upgrades**
- **SAP project schedule implementation**

Our office also notes that the performance indicator in the Proposed Budget that addresses the monthly availability of SAP Systems, contains a typographical error. The target for this performance indicator in FY 2016 is listed as 99.0%, while the estimated FY 2015 indicator is 99.9%. The Department's actual target for FY 2016 is 99.9%, which matches the estimate for FY 2015.

Wireless Communications Fund

The Wireless Communications Fund supports the Communications and Network

Department Review

Services Division of the Department of IT, which manages the service delivery for wireless communications technologies. The revenue for this fund primarily comes from the annual Wireless Communications transfer that is allocated to departments based on a variety of criteria including the number of employees within a department, amount and types of communication equipment, and the dollar amount of expenditures in operating costs and equipment purchases. Less than 10% of the revenue also comes from external municipal agencies for the use of the public safety communications systems.

The FY 2016 Proposed Budget includes approximately \$8.2 million and 46.00 FTEs for the Fund. This is a \$258,000 decrease, but a 1.24 FTE increase from the FY 2015 Adopted Budget.

Significant Adjustments

Significant additions to the Wireless Fund include:

- \$500,000 for one-time radio upgrades mandated by the Federal Communica-

tions Commission.

- \$243,000 for SAP Enterprise Asset Management (EAM) project expenditures, which are partially offset by \$101,000 in revenue from staff working on the EAM project.
- \$212,000 for a net increase of 3.00 FTEs that were transferred from the IT Fund. In FY 2014, administrative staff were centralized in the IT Fund. The FY 2016 position reallocations correct this budget centralization so that positions are now budgeted in the Fund areas where they actually work.
- \$192,000 to pay for the sales tax associated with the financing of the P25 Radio System.
- \$102,000 for 1.00 Associate Communications Engineer to support a variety of the Department's ongoing projects.

Significant reductions in the Wireless Communications Fund include:

- Reduction of 1.00 Senior Clerk Typist

SUMMARY OF WIRELESS COMMUNICATIONS FUND					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	44.76	\$ 4,889,059	\$ 3,522,993	\$ 8,412,052	\$ 7,436,710
Programmatic Changes					
<i>Radio Upgrades</i>	-	-	500,000	500,000	-
<i>Enterprise Asset Management Adjustment</i>	-	-	242,919	242,919	100,592
<i>Position Reallocations</i>	3.00	212,075	-	212,075	-
<i>P25 Radio System Financing</i>	-	-	192,000	192,000	-
<i>Associate Communications Engineer</i>	1.00	101,906	-	101,906	-
<i>Senior Clerk Typist</i>	(1.00)	(57,237)	-	(57,237)	-
<i>Equipment Tech (Hourly)</i>	(1.76)	(84,286)	-	(84,286)	-
<i>Revised Revenue</i>	-	-	-	-	(939,053)
Other Changes					
<i>Other Adjustments</i>	-	(87,276)	(365,203)	(452,479)	24,000
<i>Non-Discretionary Adjustments</i>	-	-	(913,373)	(913,373)	-
FY 2016 Proposed Budget	46.00	4,974,241	3,179,336	8,153,577	6,622,249
Difference from 2015 to 2016	1.24	85,182	(343,657)	(258,475)	(814,461)

Office of the Independent Budget Analyst

April 2015

Department Review

FTE, for a decrease of \$57,000.

- Elimination of 1.76 Hourly Equipment Technician FTEs for a decrease of \$84,000.

Additionally, a decrease in revenue of approximately \$939,000 reflects the Wireless Communication transfers in FY 2016. As a result of decreasing revenue, the Wireless Communications Fund will use fund balance to mitigate the projected deficit of \$1.5 million in FY 2016.

Issues to Consider

City Website Update

In FY 2015, \$500,000 was included in the Information Technology Fund budget to update the City's website. FY 2015 funding is supporting the development of the website's style guide and pattern library components (which will allow for website maintenance, and coding and design consistency), community engagement, and an update to the website's Content Management System. The FY 2016 Proposed Budget includes \$775,000 in the IT Fund to enable a one-time migration of content to the new City website. As part of phase two of the new website's development, the Department of IT will explore ways to integrate single sign-on services like a centralized customer service portal that would allow citizens to pay bills and apply for permits all in one location online. This project will begin in FY 2016, but work will continue in future fiscal years, and will likely require additional funding.

Update Regarding the City's IT Sourcing Strategy

On May 14 and June 25, 2012, the City Council approved changes to the City's ven-

dors that provide IT services. Contracts with Atos IT Solutions & Services, Inc., CGI Technologies & Solutions, Inc., and Xerox State & Local Solutions, Inc. were approved for a five-year period. With this approval, the City moved away from utilizing services provided by the San Diego Data Processing Corporation (SDDPC), which was dissolved as of December 2013. On December 18, 2014, Atos announced its acquisition of Xerox's worldwide IT outsourcing business, and effectively took over the network services provided by Xerox to the City.

In FY 2016, the Department requested \$300,000 in the Information Technology Fund Budget for a consultant RFP, but it was not included in the Proposed Budget. The consultant would provide contract development and vendor negotiations support for the City's upcoming sourcing strategy related to the major IT functions provided by Atos, CGI, and Xerox (in the past). These contracts are reaching the end of their five-year terms and, according to the Department, without this support the City will enter into a two-year extension of these contracts, keeping them in place through FY 2019. **The City Council may want to inquire about the ramifications of leaving this request unfunded, and consider adding funding for this consultant. If the Council adds the requested funding to the FY 2016 Budget, we note that while the Department has requested \$300,000 in FY 2016, it has requested an additional \$200,000 for the consultant in FY 2017 for a total of \$500,000.**

Department Review

Development Services

The Development Services Department (DSD) provides review, permit, inspection, and code enforcement for private and public development projects. To effectively manage these responsibilities, the Department is divided into six primary divisions in three different funds.

- The Code Enforcement Division administers an enforcement program to correct violations of property conditions and land use requirements.
- The Administration & Support Services, Building & Safety, Land Development Review, and Project Submittal & Management Divisions are responsible for managing the majority of the construction and development project review services for the City.
- The Solid Waste Local Enforcement Agency (LEA) enforces Federal and State laws and regulations for the safe and proper handling of solid waste.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for DSD is \$63.1 million, an increase of approximately \$5.5 million and 31.40 FTEs from the FY 2015 Adopted Budget. The Proposed Budget includes funding for service enhancements for the code enforcement, and the plan review and inspection functions of the Department.

Due to the complexity of the budget structure, the analysis of the FY 2016 Proposed Budget in this section is organized by major funds.

General Fund

The FY 2016 Proposed Budget for the General Fund portion of DSD totals approximately \$7.0 million in the General Fund, representing no significant change in projected expenditures and a net increase of

DEVELOPMENT SERVICES DEPARTMENT BUDGET SUMMARY				
DIVISION	GENERAL FUND	DSD ENTERPRISE FUND	LEA FUND	TOTAL BY DIVISION
Code Enforcement	6,996,279	-	-	\$6,996,279
Administration & Support Services	-	15,852,769	-	\$15,852,769
Building & Safety	-	22,322,844	-	\$22,322,844
Land Development Review ¹	-	10,321,409	-	\$10,321,409
Project Submittal & Management ¹	-	6,839,738	-	\$6,839,738
Solid Waste LEA	-	-	766,602	\$766,602
TOTAL BY FUND	\$6,996,279	\$55,336,760	\$766,602	\$63,099,641

¹ Previously titled Entitlements.

Department Review

7.00 FTEs over the FY 2015 Adopted Budget. Reductions in non-personnel expenditures mitigate the increase in personnel costs associated with the added personnel for FY 2016. Department General Fund revenues are projected to total approximately \$588,000, a decrease of approximately \$42,000 from the FY 2015 Adopted Budget.

Substandard Housing Code Enforcement

The FY 2016 Proposed Budget includes the addition of 1.00 FTE Zoning Investigator 2, 3.00 FTE Combination Inspector 2s, and approximately \$334,000 in expenditures to initiate a proactive effort to address substandard housing conditions. Concerns and complaints of substandard housing are a top priority for the Department due to the potential for imminent health and safety hazards. The additional staffing will enable the Department to conduct extensive public outreach to assist in the identification of areas of concern and will allow for in-

creased field inspections by a team of inspectors. The additional staff will supplement current efforts in addressing these issues and restore the Department's ability to proactively investigate and abate these issues. The Department's staff had been reduced in prior years due to the fiscal impact of the economic downturn.

Medical Marijuana Code Enforcement

The FY 2016 Proposed Budget includes the addition of 2.00 FTE Zoning Investigator 2s, 1.00 FTE Combination Inspector 2, and approximately \$221,000 in expenditures related to the code enforcement and investigation of illegal medical marijuana consumer collectives. Currently, the Department is addressing this issue through the reallocation of resources from citywide code enforcement. New staff will form a team responsible for leading investigations and gathering information on medical marijuana consumer collectives that may be operating illegally. This will allow the reallocated existing

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	63.00	\$ 5,965,125	\$ 1,046,864	\$ 7,011,989	\$ 629,824
Programmatic Changes					
<i>Substandard Housing Code Enforcement</i>	4.00	303,891	30,000	333,891	-
<i>Medical Marijuana Enforcement</i>	3.00	221,177	-	221,177	-
<i>Code Compliance Support</i>	2.00	185,660	-	185,660	-
<i>Reduction of Senior Civil Engineer</i>	(1.00)	(188,733)	-	(188,733)	-
<i>Transfer of code Compliance Officer</i>	(1.00)	(58,395)	(463,467)	(521,862)	-
<i>Transfer of Noise and Newsrack Permits</i>	-	-	-	-	(60,084)
Other Changes					
<i>Other Salaries & Wages</i>	-	(19,235)	-	(19,235)	-
<i>Non-Discretionary Adjustments</i>	-	-	(22,108)	(22,108)	-
<i>Other Adjustments</i>	-	-	(4,500)	(4,500)	18,000
FY 2016 Proposed Budget	70.00	\$ 6,409,490	\$ 586,789	\$ 6,996,279	\$ 587,740
Difference from 2015 to 2016	7.00	\$ 444,365	\$ (460,075)	\$ (15,710)	\$ (42,084)

Office of the Independent Budget Analyst

April 2015

Department Review

staff (three investigators) to return to city-wide code enforcement efforts. Upon gathering evidence of violations, the Department will address abatement of these operations through voluntary compliance or referral to the City Attorney's Office.

Code Compliance Support

The FY 2016 Proposed Budget includes the addition of 1.00 FTE Senior Combination Inspector, 1.00 FTE Zoning Investigator 2, and related expenditures to increase support for citywide code enforcement efforts. The addition of the two senior-level positions will help improve response times for enforcing code infractions and will rebuild the management structure within the Code Enforcement Division.

Other Budget Adjustments

The FY 2016 Proposed Budget also includes the following adjustments:

- Reduction of 1.00 FTE Senior Civil Engineer position and approximately \$189,000 in expenditures due to identified operational efficiencies. The reduction will not impact service levels.
- Transfer of 1.00 FTE Code Compliance Officer and approximately \$522,000 in expenditures. Approximately \$464,000 of the reduced expenditures are due to the transfer of an agreement with Urban Corp for graffiti abatement services. In FY 2015, the responsibility of graffiti abatement was transferred from the Development Services Department to the Transportation and Storm Water Department.

Development Services (Enterprise Fund)

The FY 2016 Proposed Budget for the DSD Enterprise Fund is approximately \$55.3 million, an increase of approximately \$5.5 million and 24.40 FTEs from the FY 2015 Adopted Budget. Department revenues are projected to be \$52.0 million, an increase of approximately \$3.7 million over FY 2015.

Project Tracking System

The Development Services Department is replacing its 13 year-old computer system with a new Project Tracking System. The new system will enhance customer service, particularly within the land development process, and support the Department's strategic goals, including the tracking of certain performance measures. The new system will provide additional functionality and integration with the City's SAP Enterprise Resources Program, GIS system, web resources, and other systems. The total project cost is estimated at approximately \$9.4 million. The Department will cash fund \$3.0 million of the project cost, and finance the balance of approximately \$6.4 million. The project financing, with a five year repayment schedule, is anticipated to be approved in FY 2015. The implementation of the project is estimated to take 12 to 18 months from the undertaking of the project.

The FY 2016 Proposed Budget includes approximately \$697,000 for the anticipated FY 2016 financing payment for the project. Upon completion of the project, the Department anticipates an increase in operating costs of approximately \$1.0 million over

Department Review

the current system. The additional operating costs are due to the increased hosting capacity of the new system.

Addition of Program Manager positions

The FY 2016 Proposed Budget includes the addition of 4.00 FTE Program Manager positions and approximately \$546,000 in expenditures to support a reorganization within the Department. The positions will manage and improve operational functions, and facilitate policy decisions in the Information Technology, Transportation Review and Traffic Safety, Land Development Review, and Building Inspection sections.

Increase in the Construction Industry

The Department manages staffing levels to adjust to the fluctuations in the construction industry. The Department has seen the

construction industry strengthen over the last several years and has experienced a significant increase in demand for plan reviews and inspections from FY 2010 to FY 2014. The number of plan reviews has increased by 92% and the number of building inspections has increased by 35%.

The FY 2016 Proposed Budget includes funding to add positions to support the plan review and inspection functions of the Department. As these positions will support the DSD Enterprise Fund, they are projected to generate revenue corresponding to their budgeted expenses.

Support for Plan Reviews

- An addition of 2.00 FTE Associate Engineers, 3.00 FTE Assistant Engineers, and approximately \$423,000 in expenditures and associated revenue to support civil engineering reviews.

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - ENTERPRISE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	424.75	\$ 37,758,817	\$ 12,042,373	\$ 49,801,190	\$ 48,391,352
Programmatic Changes					
<i>Project Tracking System</i>	-	-	696,537	696,537	-
<i>Addition of 4.00 Program Managers</i>	4.00	546,451	-	546,451	-
<i>Positions for Civil Engineering Reviews</i>	5.00	423,020	-	423,020	420,666
<i>Positions for Photovoltaic Reviews</i>	3.00	258,025	-	258,025	256,961
<i>Positions for Ministerial Reviews</i>	3.00	251,241	-	251,241	251,161
<i>Addition of Plan Review Specialists</i>	3.00	216,822	-	216,822	216,735
<i>Operating Reserve</i>	-	-	100,000	100,000	-
<i>Addition of Development Program Manager</i>	1.00	90,037	-	90,037	90,012
<i>Stormwater Inspection Support</i>	1.00	87,089	-	87,089	86,254
<i>Sprinkler Code Inspections</i>	1.00	78,976	-	78,976	78,949
<i>Transfer of Noise and Newsrack Permits</i>	-	-	-	-	60,084
<i>Revised Revenue</i>	-	-	-	-	1,907,382
Other Changes					
<i>Other Salaries & Wages</i>	6.40	\$2,788,396	\$3,076	\$2,791,472	-
<i>Non-Discretionary Adjustments</i>	-	-	\$168,861	\$168,861	-
<i>Other Adjustments</i>	(3.00)	(\$172,961)	-	(\$172,961)	\$286,625
FY 2016 Proposed Budget	449.15	\$ 42,325,913	\$ 13,010,847	\$ 55,336,760	\$ 52,046,181
Difference from 2015 to 2016	24.40	\$ 4,567,096	\$ 968,474	\$ 5,535,570	\$ 3,654,829

Office of the Independent Budget Analyst

April 2015

Department Review

- An addition of 1.00 FTE Senior Mechanical Engineer, 2.00 FTE Junior Engineers, and approximately \$258,000 in expenditures and associated revenues to support review of solar photovoltaic installations.
- An addition of 2.00 FTE Development Project Manager 1s, 1.00 FTE Development Project Manager 2, and approximately \$251,000 in expenditures and associated revenue to support ministerial reviews.
- An addition of 3.00 FTE Plan Review Specialists 3s and approximately \$217,000 in expenditures and associated revenue to improve customer service for plan intake reviews.

Support for Inspections

- An addition of 1.00 FTE Senior Combination Inspector and approximately \$87,000 in expenditures and associated revenue to improve inspections for Storm water permits.
- An addition of 1.00 FTE Mechanical Inspector 2 and approximately \$79,000 in expenditures and associated revenue to improve inspections for new fire sprinkler code requirements.

Other Budget Adjustments

The FY 2016 Proposed Budget also includes the following adjustments:

Revised Revenue - An increase of approximately \$1.9 million in revenue based upon improving economic trends, increased workloads, and increased staffing.

Operating Reserve - An increased contribution of \$100,000 to the operating reserve based upon the targeted reserve require-

ment for FY 2016.

Reserves

According to the City's Reserve Policy, the Development Services Department Appropriated Reserve is intended to provide financial stability during economic downturns, and may be used to meet current expenditures following an unanticipated decline in workload resulting in decreased revenues.

For FY 2015, the required reserve amount for the DSD Enterprise Fund is approximately \$2.3 million. The Department has indicated that the reserve amount will be fully funded by the end of FY 2015.

For FY 2016, the DSD Enterprise Fund has a reserve target of 7% of operating expenses by June 30, 2016. The required reserve amount will be assessed on an annual basis using the most recent three years of audited actual expenditures. Based upon preliminary estimates, the projected reserve requirement for FY 2016 will be approximately \$2.9 million. The Department has included a contribution of \$600,000 for FY 2016 to address the reserve requirement.

However, as the reserve requirement is based upon the most recent three years of audited actual expenditures, the reserve requirement may change as the expenditures for FY 2015 become audited expenditures. The Department will address any necessary changes to the reserve requirement during the fiscal year.

Issues to Consider

Fee Adjustment

In FY 2015, the Department engaged a con-

Department Review

sultant to conduct a review of the fees charged by the Department. The review is to consider the methodologies used to calculate the fees and determine if adjustments are necessary to the fees to ensure the recovery of costs. The Department anticipates the review to be completed by early FY 2016. Once the review is complete, the Department will request that the appropriate stakeholders review the findings and recommendations. The FY 2016 Proposed Budget does not include any proposed fee revisions for the Department.

able to exceed that mark in FY 2014 and expects to best that mark again in FY 2015. The performance measure to meet code enforcement action deadlines indicates the Department's ability to follow up with enforcement cases. The Department has indicated that due to several increases in the types of specialized cases (marijuana dispensaries) and number of cases, that the Department has not met their projected target in recent years. However, as the FY 2016 Proposed Budget provides additional staff, the Department anticipates increasing the enforcement performance measure results.

Key Performance Measures

The Department included four key performance measures in the FY 2016 Proposed Budget. We have selected two of those performance measures to highlight in the table below, and have provided additional information on prior year targets.

The measure for completing development inspections within the next work day of the request indicates the Department's ability to expeditiously conduct inspections. While the goal has been to complete 90% within the next working day, the Department was

Performance Measure	Target 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Percent of development inspections completed within next working day of request	90%	93%	90%	93%	90%
Percent of code enforcement cases meeting required code enforcement action deadlines	90%	77% ¹	90%	85%	85%

1. The Code Enforcement case volume in FY 2014 increased by 22% compared to FY 2013. In FY 2014, the need for specialized enforcement for marijuana dispensaries, storm water permit violations, utility undergrounding, and mobile home park violations cases the reassignment of 16% of the enforcement staff typically assigned to general citywide code enforcement cases. Loss of staff and re-assignment of general code enforcement cases degraded the Department's ability to meet performance goals. Many of these specialized enforcement efforts involve more complex cases causing delays in meeting expected due dates. All of these factors contribute to the variation between FY 2014 and FY 2014 Target.

Department Review

Economic Development

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Economic Development Department is approximately \$13.7 million, a decrease of \$340,000 from the FY 2015 Budget. Total Department FTEs of 50.35 reflect a small reduction in the use of hourly employees. The Department has budgeted revenue of approximately \$7.4 million, a decrease of \$1.2 million from the FY 2015 Budget.

Additions

Continued Funding for Homelessness Services

The FY 2016 Proposed Budget includes ap-

proximately \$2.04 million for Homelessness Services, unchanged from the FY 2015 Budget. These services will be administered by the Housing Commission and include:

- Year-Round Interim Housing and Related Services (\$1.47 million): This amount includes \$110,000 for Housing Commission administration of the various programs and services.
- Connections Housing (\$300,000): Funding for People Assisting the Homeless (PATH) to continue essential services and for development partners to continue to pursue private fundraising and public grants to fill the remaining gap in operating funds.

SUMMARY OF ECONOMIC DEVELOPMENT DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	50.70	\$ 5,568,744	\$ 8,519,974	\$ 14,088,718	\$ 8,566,363
Programmatic Changes					
<i>Year-Round Interim Homeless Housing Services</i>	-	-	400,000	400,000	-
<i>Funding for Homeless Triage Beds</i>	-	-	150,000	150,000	-
<i>BCP Funding Transferred in from Citywide Department</i>	-	-	350,000	350,000	-
<i>SIP & HOT Program Funding Transfer in from PD</i>	-	-	160,000	160,000	-
<i>Civic SD Funds to develop Public/Private TOD Fund</i>	-	-	125,000	125,000	-
<i>Section 108 NTC Loan Payment due to ROPs Denial</i>	-	-	101,903	101,903	-
<i>CONNECT2Careers Youth Summer Employment</i>	-	-	100,000	100,000	-
<i>Moving Housing Expense & Revenue back to Civic SD</i>	-	-	(479,430)	(479,430)	(479,430)
<i>Civic SD Expense & Revenue Adjustment/Reduction</i>	-	-	(282,144)	(282,144)	(282,144)
<i>Revenue Reduction due to Dissolution of EZ Program</i>	-	-	-	-	(450,000)
<i>One-Time Expense & Revenue Reductions</i>	-	-	(785,000)	(785,000)	(100,000)
Other Changes					
<i>Reduction in Hourly FTEs from 4.70 to 4.35</i>	(0.35)	(10,479)	-	(10,479)	-
<i>Other Adjustments</i>	-	(127,896)	(42,365)	(170,261)	135,933
FY 2016 Proposed Budget	50.35	\$ 5,430,369	\$ 8,317,938	\$ 13,748,307	\$ 7,390,722
Difference from 2015 to 2016	(0.35)	\$ (138,375)	\$ (202,036)	\$ (340,411)	\$ (1,175,641)

Department Review

- Serial Inebriate Program (SIP) (\$120,000): Continues funding to maintain the SIP at 32 support units and beds. This funding transfers into the Economic Development Department from the Police Department along with another \$40,000 for the Homeless Operation Team (HOT) Program for a total of \$160,000.
- Transitional Storage Center (\$150,000): Continues funding to support the operation of the Girls Think Tank storage facility, which provides a place for 350 homeless families and individuals to safely store their personnel belongings.

Business Cooperation Program (BCP)

Funding for BCP (\$350,000) transferred from the Citywide Program Expenditures budget to Economic Development, which administers the program. The Program partners with businesses who agree to manage their sales and use tax operations in a way that garners additional tax revenue for the City. The City then rebates or credits a portion of the additional tax revenue to the business. These funds are budgeted to facilitate the rebates or credits.

Funding for Civic San Diego to develop a Public-Private Partnership Transit Oriented Development Fund

The Department received \$125,000 on a one-time basis in FY 2015 to fund Civic San Diego's efforts to develop a Public-Private Partnership Transit Oriented Development (TOD) Fund and to develop re-use opportunities for the old main library. As Civic San Diego was unable to expend the funds in FY 2015, the funds have been re-

budgeted in FY 2016 with the same objectives in mind. Staff has issued a RFP and indicates they will soon hire a financial consultant to assist them in developing the TOD Fund.

Section 108 Loan Payment for NTC

The former Redevelopment Agency received a \$5.9 million loan to assist the Naval Training Center (NTC) Foundation to rehabilitate certain buildings in the area designated for the Civic Arts and Cultural Center. The State has determined repayment of this loan is not a recognized obligation and the City no longer has other remaining Section 108 funds to make the payment. The FY 2016 payment of approximately \$102,000 has been added as an expense in the Department's budget. This payment is expected to rise to approximately \$505,000 beginning in FY 2017.

Funding for CONNECT2Careers

The Department receives \$100,000 to fund the San Diego Workforce Partnership's CONNECT2Careers youth summer employment program. This amount adds to the \$150,000 already in the Department's base budget to bring total funding to \$250,000 in FY 2016. CONNECT2Careers endeavors to address the City's skills gap and high youth unemployment by providing meaningful work experiences that prepare young adults ages 16-24 for careers.

Reductions

Reduction of Budgeted Expense and Revenue for Civic San Diego

A portion of Civic San Diego's annual budget resides in the Economic Development budget for administration and pro-

Department Review

jects; however, the budgeted expense and revenue amounts were over-allocated by approximately \$282,000. In order to recalibrate the Department's budget to more accurately reflect the amount of budgeted expense and revenue needed to support Civic San Diego operations, the FY 2016 Proposed Budget reduces expense and revenue by approximately \$282,000.

Removal of Budgeted Expense and Revenue for Civic San Diego—Housing Successor Agency

A portion of Civic San Diego's annual budget for Housing Successor Agency activities is included in the Economic Development budget. In developing the FY 2016 Proposed Budget, staff determined that approximately \$479,000 of budgeted expense and associated revenue is included in Civic San Diego's budget. The FY 2016 Proposed Budget removes the duplicated expense and associated revenue from the Economic Development budget.

Revenue Removed due to the Dissolution of the City's Enterprise Zone Program

The State of California eliminated the City's Enterprise Zone Program on December 31, 2014. The Program provided valuable tax credits to employers providing jobs to employees within the Enterprise Zone. Employers paid an administrative fee to reimburse Economic Development staff (4.00 FTEs) for their time assisting employers to obtain the tax credits. These staff are being transitioned to other Economic Development related programs. The \$450,000 of budgeted Enterprise Zone Program fee revenue has been removed from the FY 2016 Proposed Budget.

Reduction of One-Time Expense and Revenue Items

The Department received budgeted expense for four one-time items in FY 2015 totaling \$785,000. These items included:

1. \$150,000 for 25 homeless triage beds to be utilized by the Homeless Outreach Team
2. \$125,000 for Civic San Diego to develop a Public-Private Partnership Transit Oriented Development (TOD) Fund as noted above
3. \$100,000 to help develop the National Geographic Smart World Cities project and associated TOT revenue
4. \$410,000 to fund the Coordinated Assessment, Coordinated Entry, and Homeless Management Information System

These one-time items for FY 2015 were eliminated from the FY 2016 base budget; however, it should be noted that the funding for homelessness services and Civic San Diego has been added back in the FY 2016 Proposed Budget.

Department Review

Environmental Services

The Environmental Services Department provides San Diego residents with properly disposed municipal solid waste; pursues waste management strategies that emphasize waste reduction and recycling; manages landfills and long-term disposal needs; oversees the management of the City's energy programs; and explores options to increase energy independence. To manage these responsibilities, the Department is divided into four primary divisions spanning five different funds.

- The Collection Division provides refuse, recyclables, and yard waste collection service throughout the City.
- The Waste Reduction and Disposal Division is responsible for the City's solid waste and diversion programs as well as managing the disposal operations at Miramar Landfill.
- The Energy, Sustainability & Environmental Protection Division manages programs related to energy use, sustain-

ability, climate change, and hazardous and universal wastes.

- The Office of the Director provides administrative and regulatory support, fiscal management, and customer service support for the department.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Environmental Services (ESD) Department is approximately \$95.5 million, an increase of \$3.1 million and 5.51 FTEs from the FY 2015 Adopted Budget.

Due to the complexity of the budget structure, the analysis of the FY 2016 Proposed Budget in this section is organized by the Department's five funds.

Zero Waste

In December 2013, the City Council adopted a Zero Waste objective for the City, with an initial goal of diverting 75% of waste generated in the City from landfill

ENVIRONMENTAL SERVICES DEPARTMENT						
FY 2016 PROPOSED BUDGET EXPENDITURES (in millions)						
Divisions	General Fund	Automated Refuse Container Fund	Energy Conservation Fund	Refuse Disposal Fund	Recycling Fund	TOTAL
Collection Services	\$ 32.2	\$ 0.8	\$ -	\$ 1.4	\$ 16.6	\$ 51.0
Waste Reduction & Disposal	0.0	-	-	26.4	1.8	28.2
Energy Sust. & Environmental Protection	2.0	-	2.4	-	1.8	6.2
Office of the Director	2.6	-	-	4.7	2.8	10.1
TOTAL	\$36.8	\$0.8	\$2.4	\$32.5	\$23.0	\$95.5

Department Review

disposal by 2020, and a goal of zero waste by 2040, via the elimination of waste to the landfill and diversion of recyclable materials to reprocess into usable forms with minimum impacts to society and the environment.

The department has worked with a consultant and conducted extensive outreach in developing potential policies, programmatic initiatives, and strategies to implement the Zero Waste program. Additionally, the department has developed several financing strategies to accommodate the implementation of the Zero Waste program. The department anticipates presenting the Zero Waste proposals to the City Council by the end of FY 2015.

General Fund

The FY 2016 Proposed Budget for the General Fund portion of the Environmental Services Department is approximately

\$36.8 million, an increase of \$1.6 million and 2.46 FTEs from the FY 2015 Adopted Budget. Department revenues are projected to total approximately \$2.2 million, an increase of \$1.0 million from FY 2015.

Compressed Natural Gas (CNG) Fueling Station

The CNG project provides for the design and construction of a CNG fueling station at the ESD Operations Station in Miramar. In conjunction with the completion of the fueling station, the department plans to replace the entire fleet of low sulphur diesel refuse and recycling packers in a phased approach. The department estimates the replacement of approximately 20 vehicles on an annual basis. The department anticipates realizing savings with the CNG vehicles through fuel costs.

The total CNG Fueling Station project cost is estimated at approximately \$3.0 million. The Recycling Fund provided approximately \$1.2 million in funding in FY 2015 to con-

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	137.09	\$ 13,299,405	\$ 21,865,534	\$ 35,164,939	\$ 1,194,714
Programmatic Changes					
<i>Compressed Natural Gas Fueling Station</i>	-	-	900,000	900,000	900,000
<i>Code Enforcement of illegal dumping</i>	-	-	807,434	807,434	-
<i>Addition of Sanitation Drivers</i>	2.00	133,519	-	133,519	-
<i>Enterprise Asset Management Adjustment</i>	-	-	34,216	34,216	-
<i>Engineering Services</i>	-	-	30,000	30,000	-
<i>Port-A-Potties and Portland Loos Transfer</i>	-	-	(50,000)	(50,000)	-
<i>Fleet Services Rental Compensation</i>	-	-	-	-	128,639
Other Changes					
<i>Other Salaries & Wages</i>	-	309,648	-	309,648	-
<i>Non-Discretionary Adjustments</i>	-	-	(715,611)	(715,611)	-
<i>Other Adjustments</i>	0.46	(56,759)	208,592	151,833	18,593
FY 2016 Proposed Budget	139.55	\$ 13,685,813	\$ 23,080,165	\$ 36,765,978	\$ 2,241,946
Difference from 2015 to 2016	2.46	\$ 386,408	\$ 1,214,631	\$ 1,601,039	\$ 1,047,232

Office of the Independent Budget Analyst

April 2015

Department Review

tribute to the project. The remaining funding of \$1.8 million will be addressed in two phases by the General Fund department.

The FY 2016 Proposed Budget includes \$900,000 in funding as the first phase of funding from the General Fund department for this project. This funding is provided by a financing through the City's Master Lease Program. The corresponding financing payment is included in the FY 2016 Proposed Budget. The second phase of funding, an additional \$900,000, to complete the project is anticipated to be required in FY 2017.

Code Enforcement of Illegal Dumping

In an effort to better align expenses with programs, and support the financial health of the Refuse Fund within the department, the Refuse Fund is transferring a portion of the expenses related to code enforcement of illegal dumping to the General Fund department. In previous years, the Refuse Fund had borne the full expense of citywide code enforcement efforts related to illegal dumping. However as these efforts are citywide, the department has determined that the General Fund department should bear a portion of the expenses.

The FY 2016 Proposed Budget includes approximately \$807,000 in expenses related to the transfer of a portion of the financial obligation related to code enforcement of illegal dumping. These expenditures do not represent a projected increase in service levels, only the continuation of the current services and support of the financial stability of the Refuse Fund.

Other Budget Adjustments

Other budget adjustments include the following:

- An addition of 2.00 Sanitation Drivers 2s and approximately \$134,000 to address route coverage shortfalls due to employee leave.
- A reduction of \$50,000 in expenditures as the financial responsibility of maintaining the Portland Loos is transferred to the Park and Recreation Department.

Energy Conservation Program Fund

The FY 2016 Proposed Budget for the Energy Conservation Program Fund is approximately \$2.4 million, a decrease of approximately \$271,000 and no change in FTEs from the FY 2015 Adopted Budget.

Strategic Energy Initiatives

The FY 2016 Proposed Budget includes \$100,000 in non-personnel expenditures for a renewal energy consultant for the preparation of various financial studies to support strategic energy initiatives, exploring the conversion of landfill gas to energy, and investigate alternative energy options.

Other Budget Adjustments

Other budget adjustments include the following:

- A reduction of \$450,000 related to the removal of one-time expenditures, primarily due to funding facility condition assessments in FY 2015. The facility assessments were to review the potential

Department Review

of city properties hosting alternative energy (solar energy) projects. The department is not pursuing additional condition assessments at this point as it has completed approximately 200 sites assessments and identified approximately 100 sites as potential locations for solar projects. The department is focusing on exploring project options prior to undertaking additional site locations.

yard waste containers. The purchase of the containers will allow the department to continue to provide replacement and/or additional yard waste containers to the public, and support small pilot programs to convert manual collection to automated collection.

Recycling Fund

The FY 2016 Proposed Budget for the Recycling Fund is approximately \$23.0 million, an increase of \$437,000 and a decrease of 1.80 FTEs from the FY 2015 Adopted Budget. Fund revenues are budgeted at approximately \$20.3 million, an increase of \$437,000 from FY 2015.

Purchase of Automated Yard Waste Containers

The FY 2016 Proposed Budget includes \$250,000 to purchase approximately 3,500

Compressed Natural Gas Recycling Packers

The FY 2016 Proposed Budget includes \$240,000 for the increased costs of replacing diesel fueled recycling packers (vehicles) with CNG fueled packers. The department estimates replacing six recycling packers in FY 2016 due to the vehicles reaching the end of their service lives. However, CNG packers are more expensive to replace than diesel fueled packers. While the department budgets for replacement packers, the additional \$240,000 included in the FY 2016 Proposed Budget addresses the cost difference between diesel and CNG fueled packers. The department anticipates realizing savings with the CNG vehicles through fuel costs. Additionally, the CNG packers support the Climate Action Plan (Strategy #3).

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - ENERGY CONSERVATION FUND					
BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	12.60	\$ 1,393,893	\$ 1,251,289	\$ 2,645,182	\$ 2,253,884
Programmatic Changes					
<i>Strategic Energy Initiatives</i>	-	-	100,000	100,000	-
<i>One-Time Reductions and Annualizations</i>	-	-	(450,000)	(450,000)	(34,701)
Other Changes					
<i>Other Salaries & Wages</i>	-	(17,098)	-	(17,098)	-
<i>Non-Discretionary Adjustments</i>	-	-	(37,144)	(37,144)	-
<i>Other Adjustments</i>	-	88,772	44,059	132,831	33,692
FY 2016 Proposed Budget	12.60	\$ 1,465,567	\$ 908,204	\$ 2,373,771	\$ 2,252,875
Difference from 2015 to 2016	-	\$ 71,674	\$ (343,085)	\$ (271,411)	\$ (1,009)

Office of the Independent Budget Analyst

April 2015

Department Review

Sycamore Canyon Facility Franchise Fee

Currently the General Fund receives approximately \$3.0 million in revenue annually from the Sycamore Canyon Facility Franchise Agreement. The original intent of this agreement was to provide funding for recycling programs. However, in 2009, this funding was transferred to the General Fund to support citywide programs. In efforts to support current recycling programs, this funding will be returned to the Recycling Fund over a five-year period. The FY 2016 Proposed Budget includes the addition of \$580,000 as a result of the first phase of restoring this funding to the Recycling Fund. General Fund allocations will be reduced by approximately \$580,000 annually for five years beginning in FY 2016 for a cumulative reduction of approximately \$3.0 million annually by FY 2020.

Significant Budget Adjustments

- An increase of approximately \$1.3 million in revenues primarily due to a Cost Price Index (CPI) adjustment to the AB939 fees. The CPI adjustment will be an increase of \$1 per ton.

Issues to Consider

Reserves

According to the City's Reserve Policy, the ESD Recycling Fund Operating Reserve is intended to be used in the event that the Enterprise Fund is prevented from operating in its normal course of business. The reserve may be drawn upon to fund unanticipated emergency expenditures, one-time high priority programs, or revenue shortfalls due to an unexpected economic slowdown or recession.

For FY 2016, the Recycling Fund has an Operating Reserve target of 15% of operating

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	107.98	\$ 9,980,639	\$ 12,580,553	\$ 22,561,192	\$ 18,427,651
Programmatic Changes					
<i>Purchase of Automated Yard Waste Containers</i>	-	-	250,000	250,000	-
<i>Compressed Natural Gas Recycling Packers</i>	-	-	240,000	240,000	-
<i>Enterprise Asset Management Adjustment</i>	-	-	29,309	29,309	-
<i>Recycling Collection</i>	(1.00)	(47,381)	-	(47,381)	-
<i>Sycamore Canyon Facility Franchise Fee</i>	-	-	-	-	580,000
<i>Revised Revenue</i>	-	-	-	-	1,280,000
Other Changes					
<i>Other Salaries & Wages</i>	-	98,575	-	98,575	-
<i>Non-Discretionary Adjustments</i>	-	-	44,153	44,153	-
<i>Other Adjustments</i>	(0.80)	(4,749)	(172,989)	(177,738)	-
FY 2016 Proposed Budget	106.18	\$ 10,027,084	\$ 12,971,026	\$ 22,998,110	\$ 20,287,651
Difference from 2015 to 2016	(1.80)	\$ 46,445	\$ 390,473	\$ 436,918	\$ 1,860,000

Department Review

revenue. Based on the projected operating revenues of \$20.3 million, the projected reserve requirement amount for FY 2016 will be approximately \$3.0 million. The department has included a contribution of \$480,000 in FY 2016 to ensure the reserve is fully funded.

Refuse Disposal Fund

The FY 2016 Proposed Budget for the Refuse Disposal Fund is \$32.5 million, an increase of approximately \$1.4 million and 3.78 FTEs from the FY 2015 Adopted Budget. Fund revenues are budgeted at approximately \$30.6 million, an increase of \$2.4 million from FY 2015.

Property and Business Improvement District Coverage

The FY 2016 Proposed Budget includes approximately \$291,000 and 1.00 Utility

Worker 2 to provide refuse disposal service to areas within the public right-of-way previously entirely addressed by Property and Business Improvement Districts (PBIDs). The additions will facilitate the department providing baseline coverage that had not previously been provided. The PBIDs will continue to address any additional services and costs beyond the baseline service.

Recycling Containers

The FY 2016 Proposed Budget includes approximately \$120,000 to purchase recycling containers. Previous purchases have included the Big Belly containers which allow for compacting of deposited materials. These containers are currently only located in City right-of-way locations, however the department is exploring expanding this type of container to the street litter program.

Significant Budget Adjustments

- An increase of approximately \$2.2 million in revenues primarily due to a Con-

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND					
BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	147.20	\$ 13,983,199	\$ 17,151,894	\$ 31,135,093	\$ 28,236,434
Programmatic Changes					
<i>Property and Business Improvement District Coverage</i>	1.00	61,335	229,560	290,895	-
<i>Miramar Landfill Camera System</i>	-	-	267,000	267,000	-
<i>Recycling Containers (Big Belly Containers)</i>	-	-	120,206	120,206	-
<i>Addition of Equipment Operator 2</i>	1.00	66,818	-	66,818	-
<i>Enterprise Asset Management Adjustment</i>	-	-	42,959	42,959	-
<i>Fleet Services Rental Compensation</i>	-	-	-	-	105,251
<i>Revised Revenue</i>	-	-	-	-	2,230,000
Other Changes					
<i>Other Salaries & Wages</i>	-	41,574	-	41,574	-
<i>Non-Discretionary Adjustments</i>	-	-	284,142	284,142	-
<i>Other Adjustments</i>	1.78	153,193	100,573	253,766	60,764
FY 2016 Proposed Budget	150.98	\$ 14,306,119	\$ 18,196,334	\$ 32,502,453	\$ 30,632,449
Difference from 2015 to 2016	3.78	\$ 322,920	\$ 1,044,440	\$ 1,367,360	\$ 2,396,015

Office of the Independent Budget Analyst

April 2015

Department Review

sumer Price Index (CPI) adjustment (\$1 per ton) to the disposal fees and the partial removal of the \$5 per ton discount to City hauled refuse. The department is implementing a phased removal of the discount. There will be a \$2 reduction to this discount in FY 2016, an additional \$2 reduction in FY 2017, and the final reduction of \$1 in FY 2018.

- An increase of \$267,000 for the installation of cameras at the Miramar Landfill fee booths. The cameras will provide additional security for booth operations and support stronger internal controls processes.

Issues to Consider

Reserves

According to the City's Reserve Policy, the ESD Refuse Fund Operating Reserve is intended to be used in the event that the Enterprise Fund is prevented from operating in its normal course of business. The reserve may be drawn upon to fund unanticipated emergency expenditures, one-time high priority programs, or revenue shortfalls due to an unexpected economic slowdown or recession.

For FY 2016, the Refuse Fund has an Operating Reserve target of 15% of operating revenue. Based on the projected operating revenues of \$30.6 million, the projected reserve requirement amount for FY 2016 will be approximately \$4.6 million. The department has included a contribution of \$920,000 for FY 2016 to ensure the reserve is fully funded.

Department Review

Financial Management

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Financial Management Department (FM) is approximately \$4.4 million, a \$298,000 or 7.3% increase from the FY 2015 Adopted Budget. The majority of this increase is due to a \$283,000 increase in the Department's personnel expenditures primarily as a result of the addition of 1.00 Budget Coordinator position, 1.00 Senior Budget Development Analyst position, and an increase in fringe benefits.

FM requested the addition of two positions after an internal review that also resulted in the reclassification of a vacant Deputy Director position and an Associate Budget Development Analyst position into a Budget Coordinator and a Senior Budget Development Analyst position, respectively. FM intends to use one Program Coordinator and one of the Senior Management Analysts to form a team that will support and manage the SAP Funds Management module (FM module) including Public Budget Formula-

tion (PBF) upgrades, reporting enhancements, responding to FM module/PBF trouble tickets, and to act as the budget liaison for the City's Open Data initiative. The second Senior Management Analyst will support the Department's Capital Budget team and the proposed cash management changes, and the second Program Coordinator position will support the Department's Personnel Expenditure Planning (PEP) efforts.

Key Performance Indicators

Currently FM's performance measures revolve around their ability to accurately budget (with less than 3% deviance) General Fund expenditures and revenues, as well as whether or not FM has budgeted City reserves at Reserve Policy levels. FM does not have any measures that speak to the support that the Department provides in a number of other areas: the City's PBF or FM modules, the Department's role in the development and monitoring of the City's capital budget, or the part FM plays in the City's Open Data effort.

SUMMARY OF FINANCIAL MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	30.00	\$ 3,721,386	\$ 388,009	\$ 4,109,395	\$ 5,000
Programmatic Changes					
<i>Addition of Budget Coordinator</i>	1.00	129,979	2,500	132,479	-
<i>Addition of Sr. Budget Development Analyst</i>	1.00	104,725	2,500	107,225	-
Other Changes					
<i>Fringe Benefits (Includes Retirement ADC)</i>	-	92,268	-	92,268	-
<i>Other Adjustments</i>	-	(43,509)	9,556	(33,953)	(5,000)
FY 2016 Proposed Budget	32.00	\$ 4,004,849	\$ 402,565	\$ 4,407,414	\$ -
Difference from 2015 to 2016	2.00	\$ 283,463	\$ 14,556	\$ 298,019	\$ (5,000)

Office of the Independent Budget Analyst

April 2015

Department Review

Fire-Rescue

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Fire-Rescue Department is \$229.1 million for the General Fund, an increase of \$10.6 million from the FY 2015 Budget. The FY 2016 Proposed Budget results in a net increase of 0.24 FTEs. Budgeted revenue totaling \$26.4 million represents a decrease of \$631,000.

Several of the largest changes to the Fire-Rescue budget are the result of significant facility and program expansions anticipated in FY 2016, including a one-time transfer of \$5.0 million from the Department's operating budget to the CIP for the construction of the new Bayside Fire Station (FS 2). Additionally, the Proposed FY 2016 Budget includes an increase of \$2.5 million in ongoing

personnel and non-personnel expenditures to support the operation of two new fire stations anticipated to open in FY 2016, Eastside Mission Valley Fire Station (FS 45) and Skyline Temporary Fire Station (FS 51). Other significant programmatic increases include the continuation and expansion of the Fast Response Squad program, and one-time funding adjustments to support additional fire and lifeguard academies.

These and other significant budget increases detailed below are intended to advance the Fire-Rescue Department's progress in meeting the needs identified in the Citygate Working Group Five-Year Implementation Plan and the Lifeguard Division Five-Year Needs Assessment, which were approved by the City Council in November 2011 and March 2014, respectively.

SUMMARY OF FIRE-RESCUE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	1,170.97	\$ 185,102,034	\$ 33,431,367	\$ 218,533,401	\$ 27,034,577
Programmatic Changes					
<i>Bayside Fire Station (FS 2) CIP Transfer</i>	-	-	5,000,000	5,000,000	-
<i>Eastside Mission Valley Fire Station (FS 45) Operations</i>	-	1,546,410	165,000	1,711,410	-
<i>Fast Response Squad Program</i>	-	1,173,683	36,000	1,209,683	-
<i>Continuation of Two Additional Fire Academies</i>	-	542,557	521,856	1,064,413	-
<i>Skyline Temporary Fire Station (FS 51) Operations</i>	-	773,205	-	773,205	-
<i>Mobile Operations Detail Team</i>	-	112,087	-	112,087	-
<i>Lifeguard Vessel Replacement Plan</i>	-	-	436,661	436,661	-
<i>Advanced Lifeguard Academy</i>	2.88	224,788	7,650	232,438	-
Other Changes					
<i>Increased Salaried Wages</i>	-	1,579,300	-	1,579,300	-
<i>Non-Discretionary Adjustments</i>	-	-	(1,537,323)	(1,537,323)	-
<i>Position Reductions</i>	(3.00)	(293,220)	-	(293,220)	-
<i>Hourly Wages Adjustment</i>	0.36	49,251	-	49,251	-
<i>Other Adjustments</i>	-	846,050	(613,903)	232,147	(630,551)
FY 2016 Proposed Budget	1,171.21	\$ 191,656,145	\$ 37,447,308	\$ 229,103,453	\$ 26,404,026
Difference from 2015 to 2016	0.24	\$ 6,554,111	\$ 4,015,941	\$ 10,570,052	\$ (630,551)

Office of the Independent Budget Analyst

April 2015

Department Review

Additions

Bayside Fire Station (FS 2) CIP Transfer

The FY 2016 Proposed Budget includes a one-time transfer of \$5.0 million in non-personnel expenditures from the Fire-Rescue Department operating budget to the CIP for the new Bayside Fire Station (FS 2), which is anticipated to become operational in July 2017. This \$5.0 million General Fund contribution was not anticipated in the FY 2016-2020 Five-Year Outlook, but the Fire-Rescue Department has indicated that it is needed to ensure timely completion of the Bayside Fire Station CIP. We note that a CIP contribution of this magnitude is generally bond financed and not expended as cash from the General Fund.

Volume III of the FY 2016 Proposed Budget (Capital Improvements Program) indicates a project total of \$13.0 million for construction of the Bayside Fire Station. Of this amount, \$5.0 million is proposed to be contributed from the General Fund as described above. An additional \$8.0 million is anticipated to be contributed to the CIP from Centre City Development Impact Fees (DIF) in FY 2016. It is important to note that the estimated \$13.0 million cost for construction of the Bayside Fire Station as presented in the FY 2016 Proposed Budget is significantly lower than the estimated cost of \$17.5 million provided to the City Council in July 2014 when it authorized Civic San Diego to enter into a construction management services agreement for the project. At that time, the remaining project cost not covered by DIF was anticipated to be supported by excess redevelopment bond pro-

ceeds. Those funds currently do not appear in Volume III of the FY 2016 Proposed Budget.

The IBA recently learned that Civic San Diego's updated total project cost for the Bayside Fire Station is \$19.9 million. **We have concerns that funding identified for construction of the Bayside Fire Station in the FY 2016 Proposed Budget will not fully support the total project cost and that additional funding of up to \$6.9 million will be necessary in FY 2016 or FY 2017. We recommend that the City Council request further clarification from the Executive Branch on its plans to fund construction of the Bayside Fire Station.**

Eastside Mission Valley Fire Station (FS 45) Operations

\$1.7 million in additional personnel and non-personnel expenditures is included in the FY 2016 Proposed Budget to fund operation of the new Eastside Mission Valley Fire Station (FS45), which is expected to open in July 2015. Currently, a temporary station for this area is located in the Qualcomm Stadium parking lot and is supported by 12.00 FTE sworn personnel to staff Engine 45. The new permanent Eastside Mission Valley Fire Station will be a double-house that will continue to house Engine 45 and will additionally house a new apparatus, Truck 45, beginning in FY 2016.

A second crew of 12.00 FTE sworn personnel will be required to staff Truck 45, which the FY 2016 Proposed Budget provides for in the form of increased overtime expenditures rather than added firefighter positions. The Department has indicated that funding to purchase the second apparatus, Truck 45, is included in the Eastside Mission Valley

Department Review

Fire Station CIP. Funding for the operation of the Eastside Mission Valley Temporary Fire Station was included in the FY 2016-2020 Financial Outlook as a Priority Initiative for FY 2016.

Skyline Temporary Fire Station (FS 51) Operations

The FY 2016 Proposed Budget includes \$773,000 in additional personnel expenditures to support the year-round operation of the Skyline Temporary Fire Station (FS 51), which is anticipated to open in May 2015. The FY 2015 Budget included funding for six months of operation on an overtime basis in the current fiscal year. The increased personnel expenditures in the FY 2016 Proposed Budget, also on an overtime basis, are intended to fund operation of the station for an additional six months and results in annualized funding for station operations. Funding for the operation of the Skyline Temporary Fire Station was included in the FY 2016-2020 Financial Outlook as a Priority Initiative for FY 2016.

Fast Response Squad Program Continuation and Expansion

The FY 2016 Proposed Budget includes the addition of \$1.2 million in ongoing personnel and non-personnel expenditures to continue funding the City's current Fast Response Squad (FRS) unit and expand the FRS concept to two units in FY 2016. The FY 2015 Budget included approximately \$600,000 in one-time funding for one FRS unit on a pilot program basis.

In a January 2015 report to the Public Safety and Livable Neighborhoods Committee, the department indicated that during the first six months of deployment of the FRS in Encanto, average response times in the area

decreased by two minutes and 24 seconds. The existing FRS unit is anticipated to remain in Encanto while the second unit is expected to be located in the University City area, subject to meet and confer with affected labor organizations. Funding for two FRS units was included in the FY 2016-2020 Financial Outlook as a Priority Initiative for FY 2016.

Fire Academies

The FY 2016 Proposed Budget includes a one-time increase of \$1.1 million in overtime and non-personnel expenditures to fund two additional fire academies, for a total of three 30-recruit academies to be held throughout the fiscal year. The budget assumes the cost of a regular single academy carried forward from the previous fiscal year. In effect, the FY 2016 Proposed Budget continues the practice of funding a total of three 30-recruit fire academies as was done in FY 2015. This expenditure was anticipated in the FY 2016-2020 Five-Year Outlook for FY 2016.

The Fire-Rescue Department has indicated that three fire academies will be necessary in FY 2016 to counterbalance attrition and to provide for sufficient filled positions to support expanded operations. Issues related to the department's constant staffing model and personnel expenditures are further discussed later in this Department Review in the "Issues to Consider" section.

Computer Aided Dispatch Upgrades

The FY 2016 Proposed Budget includes approximately \$503,000 in expenditures to upgrade the existing Computer Aided Dispatch System (CAD) used by the Fire-Rescue Department. Rather than replace its CAD system, as is proposed for the Police

Department Review

Department, Fire-Rescue will upgrade its current CAD to retain features deemed critical to the Department, implement disaster recovery redundancy measures, and replace older mobile data computers (MDCs) to improve service. Updates to the Fire-Rescue CAD are anticipated to be completed in FY 2016.

Mobile Operations Detail Team

An increase of \$112,000 in overtime expenditures is included in the FY 2016 Proposed Budget to support the continuation of the Mobile Operations Detail (MOD) team, an alternative emergency medical response deployment model that was tested by the Fire-Rescue Department as a pilot program in FY 2015. The MOD team consists of one Captain and one Firefighter/Paramedic using electric scooters for transportation in the Gaslamp area on weekends. The Department has indicated that the MOD team has been successful in reaching areas congested with vehicles and crowds to deliver necessary emergency medical response service.

Lifeguard Vessel Replacement Plan

The FY 2016 Proposed Budget includes \$437,000 in increased non-personnel expenditures to support the Lifeguard Vessel Replacement Plan, which creates a fund for the Lifeguard Division's future needs for fire boats, bay patrol boats, and surf rescue boats. The Vessel Replacement Plan is included in years one through five of the Lifeguard Division Five-Year Needs Assessment and was included in the FY 2016-2020 Five-Year Outlook as a Priority Initiative for all five years.

The Lifeguard Chief has expressed his strong support for the Vessel Replacement

Plan, noting that seven surf rescue and bay patrol boats are anticipated to be replaced in the next seven years. If the Vessel Replacement Plan continues to be funded at the projected rate, it is expected to be sufficient to purchase all seven boats.

Advanced Lifeguard Academy

The FY 2016 Proposed Budget includes the addition of 2.88 hourly FTEs and \$232,000 in associated personnel and non-personnel costs to support an Advanced Lifeguard Academy. The academy provides essential training for the Lifeguard Division and is attended by Lifeguard I hourly employees who are paid while they participate in the 10-week training session. The proposed Advanced Lifeguard Academy does not add new full-time positions to the Lifeguard Division. Expenditures for the academy include hourly pay for participants, overtime for instructors, and supplies.

Issues to Consider

Addition of Fire Helicopter Mechanic Classification

The FY 2016 Salary Ordinance, which was approved by the City Council on April 21, 2015, included the creation of a new Fire Helicopter Mechanic classification within the Fire-Rescue Department. Salary and fringe for 1.00 Fire Helicopter Mechanic is approximately \$111,000. The new classification is intended to allow Fire-Rescue helicopter mechanic services to be performed by City employees instead of current contract employees with personnel cost savings of approximately \$149,000 per position.

No Fire Helicopter Mechanic positions are included in the FY 2016 Proposed Budget.

Department Review

However, the department plans to request the addition of 2.00 FTE Fire Helicopter Mechanic positions and \$221,000 in related personnel expenditures in the May Revision.

Fire Suppression Constant Staffing

The Fire-Rescue Department utilizes a constant staffing model to fill all required operational fire suppression posts throughout the City. For clarity, we use the term operational “post” to mean a seat on an in-service fire apparatus that must be staffed by a firefighter at any given point in time. This is different from a “position,” which is a budgeted personnel count that may be funded or unfunded. Whereas a post must always be staffed, a position may be filled or left vacant.

As firefighter absences at these posts occur (either due to vacation, illness, or short-staffing due to vacancies), other firefighters are assigned to staff them on a backfilled overtime basis. Generally, the constant staffing model aims to offset these overtime expenditures with budgeted vacancy savings.

While the FY 2016 Proposed Budget includes \$3.2 million in increased overtime expenditures from the FY 2015 Budget, this increase essentially accounts for new posts to be added in FY 2016.

Specifically, the department plans to add 32 operational posts to its required suppression staffing level in FY 2016, increasing from 792 posts in FY 2015 to 824 posts in FY 2016. The additional posts will be assigned to the following new programs:

- 12 posts at Eastside Mission Valley Fire Station (FS 45)
- 12 posts at Skyline Temporary Fire Sta-

tion (FS 51)

- 8 posts at two FRS units in Encanto and University City

Again, these posts are shown as being funded solely with additional overtime in the FY 2016 Proposed Budget. Note that Fire-Rescue’s salaried wages have increased by \$1.6 million in the FY 2016 Budget; however, the department has indicated that this is due primarily to promotions and step increases, which are unrelated to constant staffing issues.

In the current fiscal year, the FY 2015 Mid-Year Budget Monitoring Report projected that the Fire-Rescue Department would exceed its overtime budget by \$3.7 million at fiscal year-end. In FY 2016, no overtime has been added to the Proposed Budget beyond the \$3.2 million for the additional posts described above. **The Office of the IBA has concerns that funding added in FY 2016 will not be sufficient to cover personnel costs for the Fire-Rescue Department. Noting that the 32 added posts discussed above have been funded solely with overtime, the Department should re-analyze its constant staffing model to determine the correct balance of funded positions versus overtime in order to avoid exceeding its personnel expenditure budget in FY 2016.**

Citygate Working Group Five-Year Implementation Plan

The City Council approved the Citygate Working Group Five-Year Implementation Plan (CWG Plan), which addresses the most critical Fire-Rescue Department needs, in November 2011. The most recent update to the CWG Plan was presented to the Public Safety and Livable Neighborhoods

Department Review

Committee in January 2015.

A comparison of the remaining items from the first three years of the CWG Plan and corresponding resources included in the FY 2016 Proposed Budget is provided in the table below. The Skyline Temporary Fire Station (FS 51) does not appear on this table as CWG Plan called for a permanent station in the outer years of the plan. However, the Skyline Temporary Fire Station will provide essential public safety services to a neighborhood identified as critically

underserved in the 2011 Citygate report.

Lifeguard Division Five-Year Needs Assessment

The Lifeguard Division Five-Year Needs Assessment, which was approved by the City Council in March 2014, outlines the division's priority funding needs through FY 2019. A comparison of the Assessment's identified needs through FY 2016 and the resources included in the FY 2016 Proposed Budget is provided in the table below.

CWG Implementation Plan - Status of Remaining Items in FY 2016

Identified Needs	Status
Fast Response Squad Pilot Program	Two FRS units included in FY 2016 Proposed Budget
Purchase of ladder truck for East Mission Valley Fire Station 45	Included in CIP for FY 2016
Design and planning for Home Ave. Fire Station	Anticipated funding for design in FY 2016 CIP
Funding for one Battalion Chief Unit	Not funded
Staffing of Eastside Mission Valley Fire Station 45 for double-house	Included in FY 2016 Proposed Budget
Construction of Home Ave. Fire Station	Not funded
Purchase of fire engine for Home Ave Fire Station	Not funded
Design and planning for Paradise Hills Fire Station	Not funded
Staffing of Home Avenue Fire Station	Not funded
Construction of Paradise Hills Fire Station	Not funded
Purchase of fire engine for Paradise Hills Fire Station	Not funded
Purchase of ladder truck for Paradise Hills Fire Station	Not funded
Funding for land, design, and planning of College Ave. Fire Station	Not funded

Lifeguard Division Five-Year Needs Assessment Remaining Needs through FY 2016

Identified Needs	Status in FY 2016 Proposed Budget
Year 1 - FY 2015	
Addition of 2.00 lifeguard positions at Pacific Beach year-round on weekdays	Not included
Addition of 1.00 Senior Management Analyst	Not included
Plan for presumptive medical coverage	Not included
Lifeguard Vessel Replacement Plan	Fully funded
Planning for Jr. Lifeguard Headquarters and Aquatic Safety Education Center	Not included
Year 2 - FY 2016	
Addition of 1.00 Special Operations Sergeant	Not included
Addition of 2.00 lifeguard positions at Windansea Beach for summer months and at Boating Safety Unit in non-summer months	One position funded in FY 2015 and continued in FY 2016; Second position not included
Addition of 1.00 Clerical Assistant II position	Not included
Addition of 2.00 lifeguard positions at Ocean Beach	Not included

Department Review

Key Performance Indicators

The Fire-Rescue Department included 13 key performance indicators in the FY 2016 Proposed Budget. We have selected four of those performance measures to highlight in the table below, and have provided additional information on prior-year targets. The measures for response times for Department personnel (as opposed to EMS provider personnel) indicate an inability to achieve desired response time standards with existing Fire-Rescue infrastructure. This was a key finding of the 2011 Citygate report. However, estimated performance measure results for FY 2015 indicate an improvement over FY 2014. As noted earlier in this Department Review, the implementation of the FRS program in FY 2015 has improved response times in the Encanto area and likely contributed to this overall improvement. The FY 2016 Proposed Budget's additional investments in two new fire stations, as well as the continuation and expansion of the FRS program, should assist the Department in continuing to improve its response time performance in FY 2016.

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Percent of time the first-due unit arrives within department standards	90%	70%	90%	73%	90%
Percent of time a multiple-unit response arrives within department standards	90%	70%	90%	73%	90%
Percent of time the EMS provider meets the response time standard for Priority I calls	N/A	98%	90%	92%	90%
Ratio of drownings to beach attendance at guarded beaches	0:24M	0:24M	0:24M	0:26M	0:24M

Department Review

Human Resources

Mayor’s FY 2016 Proposed Adjustments

The Human Resources Department’s FY 2016 Proposed Budget totals \$3.3 million in the General Fund, an increase of \$141,000 from the \$3.1 million FY 2015 Adopted Budget. The FY 2016 Proposed Budget includes 20.84 FTEs, up 1.09 from 19.75 FTEs in FY 2015.

Notable changes to the Human Resources budget include the following adjustments:

- An increase in salaries and fringe expenditures of \$130,000 for 1.00 Program Manager who will assist in the City’s succession planning efforts. Succession planning was included in the recommended improvements to the City’s management structure outlined in Report to Council 13-076.
- One-time funding of \$80,000 for the citywide compensation survey (total estimated costs of \$115,000 will be partially funded in FY 2015).
- Funding of \$10,000 for outreach initia-

tives including a volunteer recognition event, Bring Your Sons & Daughters to Work Day, and materials for the Youth Development Workshops.

Key Performance Indicators

Performance measures in the FY 2016 Proposed Budget include the three highlighted in the table on the next page.

- For the percent of unclassified recruitments where Human Resources responsibilities were completed in 45 days: these duties include approving requests for recruitments, collaborating with departments on recruitment bulletins, and preparing offer letters. It would be informative to know how long it takes to fill unclassified positions. **We recommend that Human Resources consider including this metric as part of the City’s overall update of OneSD performance measures next year.**
- For the number of volunteers, we have seen a drop over the past few years, from 33,505 actual volunteers in FY 2013 to a target of 25,500 for FY 2016.

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	19.75	\$ 2,770,492	\$ 358,532	\$ 3,129,024	\$ -
Addition of Program Manager Position	1.00	129,979	-	129,979	-
Hourly Wages	0.09	(1,512)	-	(1,512)	-
Volunteer and Youth Programs	-	-	10,000	10,000	-
Citywide Compensation Survey	-	-	80,000	80,000	-
Other Adjustments	-	(50,244)	(27,327)	(77,571)	-
FY 2016 Proposed Budget	20.84	\$ 2,848,715	\$ 421,205	\$ 3,269,920	\$ -
Difference from 2015 to 2016	1.09	\$ 78,223	\$ 62,673	\$ 140,896	\$ -

Department Review

This is partly due to the removal of certain types of volunteers contained in the statistics, including youth development volunteerism (internships, cadet programs and other student projects and programs). Human Resources has indicated that the City's volunteer opportunity needs are aligned with the current number of volunteers.

- For the percent of Public Record Act (PRA) requests completed within the mandated timeline, there has been improvement over the last couple years, as shown below. Note that this metric reflects citywide compliance, not the compliance rate of the Human Resources Department, which is not always the lead department on PRA requests.

Performance Measure	Actual FY 2013	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Percent of unclassified recruitments where Department responsibilities were completed in 45 days	100%	100%	100%	100%	100%	100%
Number of volunteers	33,505	35,000	27,583	28,000	25,000	25,500
Percent of Public Record Act requests completed within mandated timeline (citywide response rate)	75%	84%	84%	100%	87%	100%

Department Review

Infrastructure/Public Works

The Deputy Chief Operating Officer (DCOO) for Infrastructure/Public Works is responsible for overseeing the day to day operations of the Infrastructure/Public Works Branch, which includes the following departments and programs:

- Environmental Services
- Enterprise Asset Management (EAM)
- Public Utilities
- Public Works
- Transportation & Storm Water

This office identifies comprehensive solutions for addressing infrastructure and implementing citywide infrastructure asset management business practices. The DCOO position for Infrastructure/Public Works is currently vacant, but the City is working toward filling the position within the coming months.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Infrastructure/Public Works Department is about \$1.1 million, a decrease of \$437,000

from the \$1.5 million budgeted in FY 2015. This is attributable to the transfer of the Office of ADA Compliance & Accessibility from the DCOO Infrastructure/Public Works Department to the Office of the Assistant Chief Operating Officer (ACOO). There is an associated reduction of 4.00 FTEs and \$577,000 in expenditures from the Infrastructure/Public Works Department.

The Proposed Budget also includes 2.00 new FTEs for the EAM Program. The new positions include 1.00 Program Coordinator and 1.00 Associate Management Analyst, and are offset by \$107,000 in associated revenue to support the EAM Program. Total expenditures are \$509,000.

Of the 2.00 new positions, 1.00 FTE is the addition of a Program Coordinator for the EAM program. The position will be responsible for all aspects of project management, including planning, managing, coordination, implementation, execution, control and completion. The Program Coordinator will be 100% reimbursable from the Capital Improvement Program (CIP) once the System Integrator is contracted with the City.

SUMMARY OF INFRASTRUCTURE/PUBLIC WORKS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	7.35	\$ 1,081,479	\$ 462,275	\$ 1,543,754	\$ 123,135
Programmatic Changes					
<i>Enterprise Asset Management</i>	2.00	184,185	325,220	509,405	106,862
<i>ADA Compliance & Accessibility Transfer</i>	(4.00)	(522,637)	(54,015)	(576,652)	-
Other Changes					
<i>Hourly Wages</i>	(0.35)	(17,299)	-	(17,299)	-
<i>Other Adjustments</i>	-	22,734	(375,330)	(352,596)	(20,000)
FY 2016 Proposed Budget	5.00	\$ 748,462	\$ 358,150	\$ 1,106,612	\$ 209,997
Difference from 2015 to 2016	(2.35)	\$ (333,017)	\$ (104,125)	\$ (437,142)	\$ 86,862

Office of the Independent Budget Analyst
April 2015

Department Review

The second FTE is the addition of an Associate Management Analyst for the EAM program. This position will assist the EAM Program Coordinator in developing a citywide asset management plan, providing information and analyses, and coordinating condition assessments being conducted in various City departments. The Associate Management Analyst will also assist the EAM Program Manager in implementing the EAM project, including conducting research and analysis as needed. The Associate Management Analyst position will not be revenue reimbursable.

The total expenditures of \$509,000 include \$325,000 for consulting services. According to staff, the City will soon be posting a request for proposal (RFP) for a Business Process Consultant (BPC). The BPC will evaluate the convergence of maintenance, inventory management, and capital planning business processes that are conducted in support of asset-related operations. The BPC will ensure that maintenance, operations, and engineering in each of the unique City business areas are converged and simplified in a way that still allows these businesses to function efficiently and effectively.

Enterprise Asset Management Program

The EAM Program is responsible for implementing citywide infrastructure asset management business practices, including coordinating various department asset management efforts and implementation of Council Policy 800-16. The new system will be developed over two to three years, and total costs are estimated to range between \$30.0

and \$40.0 million, which includes the Public Utilities portion of the SAP EAM program. The project is being led by the EAM Program Manager within the Office of the DCOO, Infrastructure/Public Works.

To date, the EAM Program has completed the following tasks:

- Citywide strategic initiative
- Core team established
- SAP consultants on board early in project and provided preliminary recommendation for solution and scope
- Preliminary budget and schedule developed
- Worked with City departments to develop an implementation strategy

EAM staff are currently developing a RFP for a System Integrator (SI). The SI is responsible for evaluating the City's business requirements and designing and implementing a fully-integrated SAP EAM solution.

Issues to Consider

Business Process Consultant Portion of SAP EAM

The EAM project anticipates \$1.0 million per year for the Business Process Consultant during the project duration. The contract will include two years with two one-year extension options. The General Fund share of \$325,000 is included in the Infrastructure/Public Works' budget. This amount will need to be budgeted annually for the duration of the project.

Department Review

Library

The Library System serves the informational, educational, and recreational interests of the City through a Central Library, 35 branch libraries, and the adult literacy program (READ/San Diego). The Library System accommodates approximately 5.6 million visitors annually.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Library Department totals approximately \$46.7 million, an increase of approximately \$1.2 million and 3.60 FTEs over the FY 2015 Adopted Budget.

Public Internet at Branch Libraries

The FY 2016 Proposed Budget includes the addition of approximately \$98,000 in expenditures to expand the broadband access at all the branch libraries. The expanded broadband access (bandwidth speed up to 100mbps) will triple the current broadband

speed, enhancing public access to the internet including access by mobile devices. The Central Library and Logan Heights Branch Library currently provide access to the higher broadband speeds. The department anticipates implementation of the expanded broadband by early FY 2016.

Expansion of the After-School Program

The FY 2015 Adopted Budget included the addition of 6.90 FTEs and approximately \$500,000 in expenditures for a pilot after-school program (Do Your Homework @ the Library).

The program utilizes library facilities to provide after-school homework and general learning assistance to children (elementary through middle school). The program has been implemented at 18 libraries throughout the city and will have operating hours through June (end of San Diego Unified School District school year). A final report

SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	434.52	\$ 31,661,189	\$ 13,837,259	\$ 45,498,448	\$ -
Programmatic Changes					
<i>After-school Program Summer Expansion (Non-Standard Hour Personnel Funding)</i>	2.60	129,433	-	129,433	-
<i>Public Internet at Branch Libraries</i>	-	-	98,400	98,400	-
<i>One-Time Reductions and Annualizations</i>	-	-	(209,500)	(209,500)	-
<i>Addition of Program Manager</i>	1.00	129,979	-	129,979	-
<i>Engineering Services</i>	-	-	30,000	30,000	-
Other Changes					
<i>Other Salaries & Wages</i>	-	325,345	-	325,345	-
<i>Non-Discretionary Adjustments</i>	-	-	618,577	618,577	-
<i>Other Adjustments</i>	-	-	114,299	114,299	(5,742)
FY 2016 Proposed Budget	438.12	\$ 32,245,946	\$ 14,489,035	\$ 46,734,981	\$ (5,742)
Difference from 2015 to 2016	3.60	\$ 584,757	\$ 651,776	\$ 1,236,533	\$ (5,742)

Office of the Independent Budget Analyst

April 2015

Department Review

on the levels of participation in the program is anticipated following the end of the traditional school year.

Based on the number of participants and discussions with Library personnel, the Mayor has proposed expanding the program for FY 2016. The FY 2016 Proposed Budget includes 2.60 FTEs and approximately \$129,000 to expand the program from the end of June to September. This will provide support for students enrolled in year-round schools.

The expansion will occur at ten libraries based on several factors including, but not limited to, participation levels, proximity to schools, and available amenities. The libraries proposed for the expanded operation of this program are:

- Central Library
- City Height/Weingart
- College Rolando
- Linda Vista
- Logan Heights
- North Park
- San Ysidro
- Scripps Miramar Ranch
- Serra Mesa—Kearney Mesa
- Valencia Park/Malcolm X

Other Budget Adjustments

The FY 2016 Proposed Budget also includes the following adjustments:

- An increase of 1.00 FTE Program Manager and approximately \$130,000 to oversee implementation of high impact programs, manage major initiatives, and provide support on special projects related to the department’s strategic goals.
- Non-Discretionary Adjustments - An increase of approximately \$619,000 primarily due to an increase in electricity rates.
- Funding for Engineering Services - The FY 2016 Proposed Budget includes \$30,000 in non-personnel expenses for engineering services, not related to a CIP project, provided to the Library Department from the Engineering and Capital Projects Division. Examples of these services would be reviews of technical engineering report and design/structural review for planned facility maintenance. The proposed funding amount is based upon projected costs for FY 2015.

Current Library Hours of Operations (as of April 13, 2015)						
CENTRAL LIBRARY						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
12 noon - 6:00	10:00 - 7:00	10:00 - 7:00	10:00 - 7:00	10:00 - 7:00	12 noon - 6:00	12 noon - 6:00
BRANCH LIBRARIES without Extended Weekend Service (23 branches)						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
closed	9:30 - 6:00	11:30 - 8:00	11:30 - 8:00	9:30 - 6:00	9:30 - 6:00	9:30-3:00
BRANCH LIBRARIES with Extended Weekend Service (12 branches)						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
12:30 - 5:00	9:30 - 6:00	10:30 - 7:00	10:30 - 7:00	9:30 - 6:00	9:30 - 6:00	9:30-6:00

Department Review

Issues to Consider

Library Materials Budget

For the FY 2015 Proposed Budget, the new after-school program was originally proposed to be funded through a \$500,000 reduction to the materials budget. However, the City Council restored the full \$500,000 in their final budget adjustments through the use of \$290,500 from an ongoing funding source and \$209,500 from a one-time funding source. At the time, it was the City Council's intent for the materials budget to be fully restored beyond FY 2015 with ongoing funding sources. However, the FY 2016 Proposed Budget only continues the \$290,500 allocation from ongoing resources and does not identify a funding source to replace the original \$209,500 one-time funding source. This will result in a \$209,500 reduction to the materials budget for FY 2016.

The department has indicated they can absorb this reduction next year based on availability of the materials matching funds, but will be monitoring the matching fund balance, which relies on philanthropic gifts

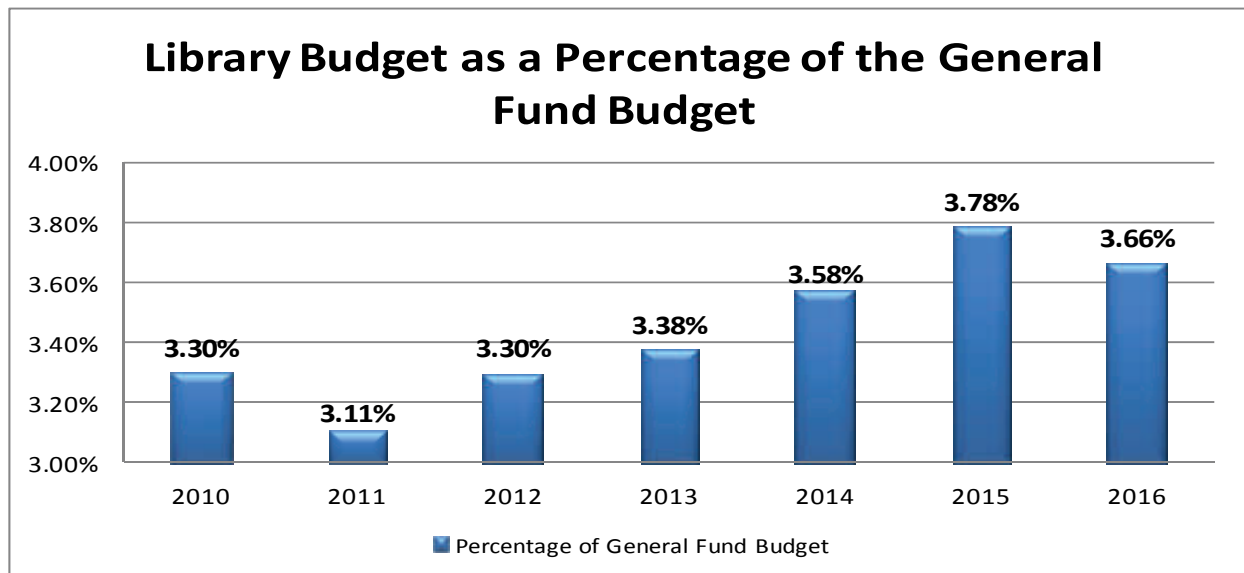
to ensure an adequate safety net for unforeseen events.

Citywide Radio Frequency Identification (RFID)

The project of re-labeling all library materials with RFID tags will enhance security, increase automation and self-service capabilities, expedite inventory tasks, and provide staff additional capacity to serve library patrons. This technology has been implemented at the Central Library and Rancho Bernardo Branch Library. Remaining funding initially allocated to the conversion of the Central Library collection will be utilized to implement this program citywide. As approximately \$600,000 is available for this project, no additional funding is requested in the FY 2016 Proposed Budget. As staff progresses with the roll out of this program, additional funding may be requested in future years. The Mayor's Five-Year Outlook projected the need for additional funding in FY 2017.

Library Ordinance

The Library Ordinance requires the Library Department budget to be equal to no less



Department Review

than 6% of the total General Fund budget. This requirement has been waived since FY 2004.

Based on the Mayor's Proposed Budget for FY 2016, the Library Department Budget of \$46.7 million represents approximately 3.66% of the General Fund budget, as shown in the table on the previous page. An appropriation of 6% of the FY 2016 Proposed General Fund budget would require in a Library budget of approximately \$76.5 million.

Based upon the FY 2016 Proposed Budget, FY 2016 would be the first year since FY 2011 that the Library Budget, as a percentage of the General Fund Budget, would decrease over the prior year. Although the FY 2016 Proposed Budget for the Library Department grew by approximately \$1.2 million (primarily due to increases in electricity rates) over the 2015 Adopted Budget, the growth rate of the General Fund exceeds that of the Library Budget.

Comparison of Library Service Hours

In FY 2003, the Library System achieved the highest average hours of operation for the Central (64) and branch libraries (54). However, since FY 2003, the number of operational hours at the libraries have declined,

reaching a low point in FY 2011.

The restoration of library hours has been a top priority for the City Council as the improving economy has afforded the opportunity to increase funding for the Library System. Since FY 2011, the service hours at the Central Library have increased from 44 to 54 per week and the average number of operational hours at the branch libraries has increased from 36 to 51 per week.

The table below compares the average hours of operation for the Central and Branch libraries from FY 2003, FY 2011, and the proposed hours for FY 2016.

Average Hours of Operation ¹			
	FY 2003	FY 2011	FY 2016
Central	64	44	54
Branches	54	36	51
No. of Branches	34	35	35

1. Weighted average hours of operation. Figures rounded to nearest whole number.

Key Performance Measures

The Department included eight key performance measures in the FY 2016 Proposed Budget. We have selected five of those performance measures to highlight in the table below.

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Annual circulation per capita	5.40	5.11	5.00	5.12	5.12
Annual attendance at juvenile programs	225,000	267,078	250,000	273,400	275,000
Percent of satisfaction with staff customer service delivery	92%	89%	92%	92%	92%
Number of annual operating hours	83,876	79,614	77,073	87,145	92,209
Total Library hours per week:					
· Central Library	49	49	49	54	54
· Branch libraries	1,564	1,564	1,564	1,770	1,770

Department Review

Collectively, the measures show the Department maintaining high levels of customer service while circulation, the number of programs, and the number of operational hours have increased.

Department Review

Office of the Assistant COO

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Office of the Assistant Chief Operating Officer (ACOO) is approximately \$1.8 million, an increase of \$690,000. The Office adds 5.00 FTEs for a total of 11.00 FTE positions. Budgeted revenue increases by \$20,000 to \$470,000 in FY 2016.

Additions

Transfer in of the Office of ADA Compliance & Accessibility

The Office of ADA Compliance & Accessibility (ADA Program) is responsible for ensuring that every City-operated or funded facility, program, service, and activity is accessible and usable by people with disabilities in accordance with all federal, State, and local codes and laws, including the Americans with Disabilities Act (ADA).

In the FY 2015 Budget, the ADA Program

was transferred from its own department into a division in the Infrastructure/Public Works Department (IPWD). In the FY 2016 Proposed Budget, the ADA Program Budget transfers from the IPWD to the Office of the ACOO. The transfer includes 4.00 FTEs, approximately \$577,000 of budgeted expenditures and \$20,000 of revenue attributable to Community Development Block Grant reimbursement for ADA Program Services provided to the Economic Development Department.

Additionally, the ADA Program adds 1.00 Clerical Assistant 2 to support the grievance/complaint process and \$40,000 for engineering services provided by the Public Works—Engineering & Capital Projects Department in FY 2016.

Reductions

Diversity training funds (\$10,000) are being transferred from the Office of the ACOO to the Neighborhood Services Department.

SUMMARY OF OFFICE OF THE ASSISTANT COO BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	6.00	\$ 950,308	\$ 166,658	\$ 1,116,966	\$ 450,000
Programmatic Changes					
<i>Office of ADA Compliance & Accessibility Transfer In</i>	4.00	522,637	54,015	576,652	20,000
<i>CA2 to Support ADA Grievance/Complaint Process</i>	1.00	49,856	-	49,856	-
<i>Funding for Engineering Services provided by E&CP</i>	-	-	40,000	40,000	-
<i>Training NPE Transfer to Neighborhood Services</i>	-	-	(10,000)	(10,000)	-
Other Changes					
<i>Other Adjustments</i>	-	38,925	(5,588)	33,337	-
FY 2016 Proposed Budget	11.00	\$ 1,561,726	\$ 245,085	\$ 1,806,811	\$ 470,000
Difference from 2015 to 2016	5.00	\$ 611,418	\$ 78,427	\$ 689,845	\$ 20,000

Department Review

Corporate Partnerships & Development Program (CPD)

Created in 1999, the CPD develops mutually beneficial business arrangements and seeks philanthropic support from organizations to generate revenue or new resources for the City and, in return, provides marketing benefits and/or recognition to the partners. The Program is also tasked with identifying, coordinating, and assisting with citywide or multi-agency grant and donation opportunities.

The FY 2016 Proposed Budget continues to include \$450,000 of budgeted revenue for the CPD. The actual amount of direct revenue received by the City in FY 2014 was \$325,000 and revenue to date in FY 2015 is approximately \$237,000. Despite lower than projected direct revenue in these years, budgeted revenue remains unchanged at \$450,000 in FY 2016.

It is important to note that in addition to direct revenue the CPD raises significant in-kind revenue (estimated to be worth \$900,000 in FY 2016) to support and provide City services (lifeguard trucks, golf course improvements, defibrillators in City facilities, etc.). The Program also projects that it will develop public/private partnership contributions (e.g., DecoBike) worth approximately \$8.0 million in FY 2015.

Budgeted ADA Projects in FY 2016 and Transition Plan Status

The Fiscal Year 2016 Proposed Budget includes a General Fund allocation of \$865,000 for ADA improvements in the Capital Improvement Program. This funding will allow for additional engineering and design work for five ADA-accessible sidewalks

located in Council Districts 2 and 4, five audible pedestrian signals in Council Districts 3 and 9, and complete funding for the Pioneer Park and Comfort Station ADA improvement project in Council District 3.

The general criteria for project prioritization are highest public use, locations for which the City has received an official ADA complaint from residents, and the severity of the ADA barrier. Depending on the type of asset (building, curb ramp, sidewalk, audible pedestrian signal) more detailed criteria may also be applied to determine the overall priority.

All cities are required to have a Transition Plan documenting noncompliant facilities/infrastructure and plans for continued progress towards retrofitting these projects. The City submitted its Transition Plan in 1997. As shown in the table below, 198 of the total 212 ADA projects identified in the Plan are completed or in progress. Although there has been little change in completion status in the last year, we understand that several projects will be completed in FY 2016 and others will soon be initiated.

The remaining 14 projects as well as other ADA projects are anticipated to be funded with \$4.3 million from the \$120 million of DC 3 bonds issued in April 2015.

STATUS OF ADA TRANSITION PLAN	
	Number of Facilities
Total Facilities in 1997 Transition Plan	212
Number of Plan Facilities Completed:	171
Number of Plan Facilities In Progress:	27
Remaining Facilities to be Funded:	14

Department Review

Key Performance Indicators

Performance Measures for CPD and the ADA Program are presented below.

As was noted earlier, the CPD target for direct revenue in FY 2016 is \$300,000. This amount is \$150,000 less than the \$450,000 budgeted for CPD in the FY 2016 Proposed Budget. It is unclear whether this is an error or whether CPD intends to reduce the direct revenue goal.

The \$5.0 million reduction in the FY 2016 target for public/private partnerships in FY 2016 is attributable to DecoBike's one-time contribution of bike stations planned for installation in FY 2015.

All ADA Program performance measures show either a positive or consistent trend over the three-year period. Although ADA projects typically consist of projects identified in the Transition Plan and those result-

ing from citizen complaints (often curb ramps, missing sidewalks, and pedestrian signals) in the public right-of-way, we were not provided with project detail from the annual ADA project list referenced in performance measure #5. We would suggest annual project lists be made available so that this performance measure can be better evaluated.

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Corporate Partnership & Development Program					
• Direct Revenue	N/A ¹	\$325,000	\$450,000	\$221,000	\$300,000
• In-Kind/Pass-Through/Grants		\$464,000	\$550,000	\$770,000	\$900,000
1. Total value of corporate partnership and development		\$789,000	\$1,000,000	\$991,000	\$1,200,000
2. Dollar amount of public/private partnerships	N/A ¹	\$5.0M	\$3.0M	\$8.0M	\$3.0M
3. Number of corporate and of public/private partnerships	N/A ¹	10	12	11	12
4. Number of citywide grants/donations proposals	N/A ¹	3	6	4	6
Office of ADA Compliance & Accessibility					
5. Percent of annual ADA project list completed	25%	20%	20%	37%	37%
6. Number of ADA complaints received	100	135	135	150	150
7. Percent of ADA complaints completed	40%	52%	52%	54%	54%
8. Number of instances where technical assistance was provided on ADA	160	161	161	160	160

¹Measures were established for Fiscal Year 2015, prior year data is not available.

Department Review

Office of the Mayor

Mayor's FY 2016 Proposed

Adjustments

The FY 2016 Proposed Budget for the Office of the Mayor is approximately \$4.3 million, an increase of \$43,000 from the FY 2015 Budget. Budgeted positions in the Office remain unchanged at 29.00 FTEs. The Office has budgeted revenue of approximately \$328,000 in FY 2016, an increase of \$20,000 over the FY 2015 Budget. The \$20,000 revenue increase results from a change in the lobby contract reimbursement amount from benefitting non-general Fund departments.

SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	29.00	\$ 3,427,649	\$ 837,558	\$ 4,265,207	\$ 308,400
Programmatic Changes					
<i>Revenue from Lobby Contract Reimbursement</i>	-	-	-	-	19,845
Other Changes					
<i>Other Adjustments</i>	-	104,403	(61,108)	43,295	-
FY 2016 Proposed Budget	29.00	\$ 3,532,052	\$ 776,450	\$ 4,308,502	\$ 328,245
Difference from 2015 to 2016	-	\$ 104,403	\$ (61,108)	\$ 43,295	\$ 19,845

Office of the Independent Budget Analyst

April 2015

Department Review

Park & Recreation

The Park and Recreation Department is responsible for overseeing: nearly 41,000 acres of developed and undeveloped open space; more than 340 parks including Balboa Park, Mission Trails Regional Park, and Mission Bay Park; 26 miles of shoreline from Sunset Cliffs to La Jolla; 13 swimming pools; 3 public golf courses; and 56 recreation centers. To address the varying responsibilities, the Department is divided into five divisions: Administrative Services; Community Parks I; Community Parks II; Developed Regional Parks; and Open Space. The Golf Fund was established within the Park and Recreation Department to solely address the golf course responsibilities.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Park and Recreation Department totals approximately \$103.3 million in the General Fund, an increase of approximately \$5.4 million and 29.35 FTEs over the FY 2015 Adopted Budget. Department General Fund revenues are projected to total \$34.6 million, reflecting an increase of approximately \$1.9 million from the FY 2015 Adopted Budget.

The Department has several other funds including the Golf Course Fund, the Los Penasquitos Reserve Fund, and the Environmental Growth Funds. When all the Departmental funds are combined, the Department budget totals \$134.7 million, an increase of approximately \$6.4 million from the FY 2015 Adopted Budget.

The FY 2016 Proposed Budget proposes funding for service enhancements; park im-

SUMMARY OF PARK AND RECREATION DEPARTMENT BUDGET						
	FY 2015 FTE	FY 2016 FTE	CHANGE	FY 2015 BUDGET	FY 2016 PROPOSED	CHANGE
General Fund						
<i>Administrative Services</i>	17.50	19.50	2.00	\$ 3,021,428	\$ 3,121,198	\$ 99,770
<i>Community Parks I</i>	165.14	179.77	14.63	23,486,626	25,400,705	1,914,079
<i>Community Parks II</i>	233.42	243.39	9.97	24,464,226	24,259,173	(205,053)
<i>Developed Regional Parks</i>	316.65	318.15	1.50	35,339,393	38,119,987	2,780,594
<i>Open Space</i>	65.07	66.32	1.25	11,658,475	12,443,924	785,449
Subtotal General Fund	797.78	827.13	29.35	97,970,148	103,344,987	5,374,839
Non-General Fund						
<i>Environmental Growth Fund 1/3</i>	-	-	-	4,547,305	3,942,455	(604,850)
<i>Environmental Growth Fund 2/3</i>	-	-	-	8,869,966	10,456,488	1,586,522
<i>Golf Course Fund</i>	97.00	97.00	-	16,653,723	16,730,041	76,318
<i>Los Penasquitos Canyon Preserve Fund</i>	2.00	2.00	-	221,661	227,041	5,380
Subtotal Non-General Fund	99.00	99.00	-	30,292,655	31,356,025	1,063,370
TOTAL PARK AND RECREATION	896.78	926.13	29.35	\$128,262,803	\$134,701,012	\$6,438,209

Office of the Independent Budget Analyst

April 2015

Department Review

provements and increased park maintenance; and support for new parks and facilities opening in FY 2016.

Expansion of Certain Large Recreation Center Hours

In FY 2012, the core citywide operational hours for each recreation center increased from 40 hours per week to 45 hours per

week. The adopted budgets since FY 2012 have maintained the core operational hours for each recreation center at 45 hours per week.

In the Mayor's Five-Year Outlook, as a Discretionary Operational Need, the Department proposed a phased implementation of increased staffing and hours at all of the rec-

SUMMARY OF PARKS AND RECREATION DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	797.78	\$ 55,612,863	\$ 42,357,285	\$ 97,970,148	\$ 32,708,616
Programmatic Changes					
<i>Expansion of Hours at Large Recreation Centers</i>	20.00	950,570	25,840	976,410	1,500
<i>Extended Teen Nights Program</i>	0.23	12,981	26,572	39,553	-
<i>Park Assets Condition/Needs Assessment</i>	-	-	300,000	300,000	-
<i>Funding for Park Improvement Projects</i>	-	-	2,000,000	2,000,000	-
<i>Citywide Maintenance (Tree Trimming)</i>	2.00	108,194	326,000	434,194	-
<i>Playground Repairs</i>	-	-	300,000	300,000	-
<i>Support for Brush Management</i>	-	-	167,600	167,600	-
<i>Biologist 3 position to support Brush Management</i>	1.00	85,251	-	85,251	-
<i>Otay Valley Brush Management</i>	-	-	88,500	88,500	-
<i>Multiple Species Conservation Program</i>	-	-	79,000	79,000	-
<i>Coastal Marine Life Management Plan</i>	-	-	50,000	50,000	-
<i>Citywide Natural Resource Management Plan</i>	-	-	41,726	41,726	-
<i>Park de la Cruz Community Center</i>	3.40	145,107	109,000	254,107	75,000
<i>Charles Lewis III Neighborhood Park</i>	0.80	44,614	71,956	116,570	-
<i>Wegeforth Elementary Joint Use Park</i>	0.76	42,780	60,556	103,336	-
<i>Montgomery Academy Joint Use Park</i>	0.24	23,677	21,476	45,153	-
<i>University Village Neighborhood Park</i>	1.00	51,598	9,598	61,196	-
<i>West Maple Canyon Mini Park</i>	0.10	15,997	3,795	19,792	-
<i>Creekside Park</i>	-	-	14,279	14,279	-
<i>One-Time Reductions and Annualizations</i>	-	-	(2,506,987)	(2,506,987)	(400,000)
<i>Revised Revenue</i>	-	-	-	-	1,393,968
<i>Increase in Transient Occupancy Tax Transfer</i>	-	-	-	-	783,740
Other Changes					
<i>Other Salaries & Wages</i>	(0.93)	1,371,511	-	1,371,511	-
<i>Non-Discretionary Adjustments</i>	-	-	1,114,038	1,114,038	-
<i>Other Adjustments</i>	0.75	6,324	213,286	219,610	19,700
FY 2016 Proposed Budget	827.13	\$ 58,471,467	\$ 44,873,520	\$ 103,344,987	\$ 34,582,524
Difference from 2015 to 2016	29.35	\$ 2,858,604	\$ 2,516,235	\$ 5,374,839	\$ 1,873,908

Office of the Independent Budget Analyst

April 2015

Department Review

recreation centers. Per the proposal, the Department's large recreation centers were to increase staffing and hours in FY 2016 and FY 2017, with medium and small recreation centers addressed in subsequent years pending available funding. The size category of a recreation center is determined by several factors including but not limited to, the number of programs offered at the center, the number of amenities at the center, and number of staff assigned to the center. The Department has 32 large recreations centers.

The FY 2016 Proposed Budget includes the addition of 16.00 Assistant Recreation Center Directors, 4.00 Recreation Leaders Is, and approximately \$977,000 in expenditures to increase service hours from 45 hours per week to 60 hours per week at 16 large recreation centers. Operating hours at the following recreation centers (RCs) will be increased in FY 2016:

- North Park RC
- Martin Luther King Jr. RC
- Montgomery Waller RC
- Rancho Bernardo Glassman RC
- Mountain View RC
- Carmel Valley RC
- Gil Johnson Mira Mesa RC
- Cesar Chavez Community Center/Larsen Field
- Robb Field RC
- Ocean Beach RC
- City Heights RC
- Scripps Ranch RC
- Canyonside RC
- Doyle RC
- Tierrasanta RC
- Linda Vista RC

The additional hours will allow staff time to perform playground site visits and complete safety inspections as recommended in the

City Auditor's Performance Audit of the Park and Recreation Department's Playground Maintenance Program. Additionally, the increase in staffing will improve internal controls, customer service, and programming at these facilities.

Extended Teen Center Nights

The Teen Night program provides teens with a safe location to socialize with friends, enjoy sports, activities, music, food, video games, and dance classes under the supervision of local recreational professionals. The program is currently provided at five recreation centers that have established Teen Centers (Encanto, City Heights, Memorial, Southcrest, and Mountain View). The program runs from July through August.

The FY 2016 Proposed Budget includes the addition of 0.23 FTEs and approximately \$40,000 in expenditures to expand the program to five additional recreation centers. The additional recreation centers to receive the Teen Night program are:

- Colonel Irving Salomon San Ysidro Community Activity Center
- Golden Hill RC
- Linda Vista RC
- Robert Egger, Sr. South Bay RC
- Paradise Hills RC

These recreation centers do not have an established Teen Center but will be able to accommodate the needs for hosting the Teen Night program. The recreation centers were selected based upon several factors including the potential number of participants, no overlap with existing Teen Night program, and the ability of the recreation to facilitate the needs of the program.

Department Review

Park Assets Condition/Needs Assessment

In FY 2014, the Department hired an outside consultant for a five-year as-needed agreement to assess the condition of park and recreation assets within the Park System. The completed assessments will provide the Department with information to strategically plan future park improvements. The FY 2014 Adopted Budget included \$300,000 with the goal of completing assessments for 30 parks.

The FY 2015 Adopted Budget included approximately \$407,000 (\$157,000 for limited staff and \$250,000 for non-personnel expenditures) to continue the park condition assessments. An additional 30 park assessments are anticipated to be completed in FY 2015. The Mayor's Five-Year Outlook included \$300,000 annually for five years to continue these efforts.

The FY 2016 Proposed Budget includes \$300,000 in non-personnel expenditures to continue the park condition assessments. The Department anticipates an additional 30 to 50 park assessments can be conducted in FY 2016, depending upon the size and amenities of each park assessed. The Department is prioritizing assessments of community parks, neighborhood parks and mini-parks. With over 300 parks, the Department anticipates the assessments for all the parks to be completed in six to seven years.

Funding for Park Improvements

The FY 2016 Proposed Budget includes \$2.0 million in funding for non-personnel expenditures to address multiple park improvement projects. The proposed projects

are a mix of small capital projects (security lights) and various repairs to existing park assets such as hard courts and fences. The Department will prioritize the projects based upon internal evaluations of the facilities and the potential for health and safety risks to park patrons. The Department is reviewing the list of potential projects and anticipates providing clearer categorization of the projects in the May Revision.

Citywide Park Maintenance (Tree Trimming)

The FY 2016 Proposed Budget includes 2.00 Tree Trimmers positions and approximately \$434,000 in expenditures to expand the current tree trimming efforts within the Park System. The addition of staff and funding will effectively create an additional tree trimming crew (2 Tree Trimmers plus a vehicle and the appropriate equipment) in the Park Forestry Unit to support parks city-wide. Ongoing costs will be reduced in future years as the proposed funding in FY 2016 includes the one-time purchase of additional equipment. The Mayor's Five-Year Outlook included funding for this item as a Discretionary Operational Need.

Playground Surface and Equipment Repairs

The FY 2016 Proposed Budget includes \$300,000 in non-personnel expenditures for the repair of rubberized playground surfaces and replacement of playground equipment. Based upon current conditions, the Department has identified 21 parks as priorities for the playground surface repairs. Playground equipment will be addressed as the need for replacement is identified.

Department Review

Brush Management Support

- Brush Management Agreement - In FY 2015, the Department entered into an agreement with a new vendor for brushing thinning services. The FY 2016 Proposed Budget includes an additional \$168,000 in funding to address the scheduled cost increase within the new agreement. The new agreement provides for a stable fee schedule and holds the vendor accountable for meeting set goals and standards.
- An addition of 1.00 FTE Biologist 3 and approximately \$85,000 to support the management of the Brush Management Program. One biologist can manage approximately 150 acres per year. The addition of the position would raise the number of biologists to three within the program to support the annual goal of thinning 450 acres per year.
- Otay Valley Brush Management - Addition of approximately \$89,000 in non-personnel expenditures for brush management of approximately 14 additional park acres related to the Otay Valley Regional Park Joint Exercise of Powers Agreement (JEPA). The JEPA is an agreement between the City, the County of San Diego, and the City of Chula Vista. The City is responsible for brush management within the identified area per the JEPA.

Management Plan Support

- Multiple Species Conservation Program (MSCP) - The FY 2016 Proposed Budget includes \$79,000 in non-personnel expenditures to support environmental biological monitoring and meet annual

Federally Mandated MSCP reporting requirements.

- Coastal Marine Life Management Plan - The FY 2016 Proposed Budget includes \$50,000 in non-personnel expenditures to conduct a comprehensive review of coastal marine life, coastal communities, and develop a sustainable plan to meet the needs of each.
- Citywide Natural Resource Management Plan - The City is contractually obligated under the MSCP to complete approximately 20 natural resource management plans. The costs for completing the plans vary based upon several factors such as the type of habitat studied and the type of surveying required. The FY 2016 Proposed Budget includes approximately \$42,000 in expenditures to continue the City's efforts to complete the required plans.

New Parks/Facilities

The FY 2016 Proposed Budget includes the addition of 6.30 FTEs and approximately \$614,000 in expenditures for maintenance of new parks and facilities anticipated to open during FY 2016. The new parks anticipated to open in FY 2016 include:

- West Maple Canyon Mini Park
- University Village Tot Lot Playground
- Creekside Park
- Wegeforth Elementary School Joint Use
- Montgomery Academy Joint Use
- Charles Lewis III Neighborhood Park
- Park de la Cruz Community Park

The Phyllis Place Park and Wightman Street Neighborhood Park, anticipated to open in FY 2016 per the Mayor's Five Year Out-

Department Review

look, are now anticipated to open in FY 2017.

Other Budget Adjustments

- A reduction of approximately \$2.5 million in expenditures related to the removal of one-time additions in the FY 2015 Adopted Budget. Primary contributors to the expenditure reduction include the reduction of equipment costs for the opening of new facilities and small capital improvement project costs.
- An increase of approximately \$1.4 million in projected revenue primarily due to an increase in the allocations from the Environmental Growth Funds.
- An increase of approximately \$784,000 in TOT funding. TOT funding serves as an offset for necessary General Fund funding.
- An increase of approximately \$1.1 million in Non-discretionary expenditures. Primary contributors to the increase include an increase in rates for water and electricity.

Issues to Consider

User Fees

In FY 2013, the Department engaged a consultant, NSB, to conduct a comprehensive study of all the Department's fees, with the exception of those related to the Golf Division. The study was completed in FY 2015 with the findings and proposed adjustments presented to the Budget and Finance Committee on April 15, 2015. Should all the recommendations from the Department be approved by the City Council, the adjust-

ments, based upon current usage projections, would result in an increase of approximately \$270,000 in revenue to the Department. The proposed Park and Recreation Department fee increases will be considered by the Budget Review Committee on May 6, 2015 during the Park and Recreation Department budget hearing.

If the adjustments are approved as part of the FY 2016 budget actions, the adjusted rates will become effective July 1, 2015.

Open Space Ranger Ratio

Based upon a study of other large cities conducted by the Department, the Department has established a goal of a ratio of approximately 650 acres of parkland to one park ranger. Currently, the City has a ratio of one park ranger for every 1,143 acres of parkland. Within the Discretionary Operational Needs section of the Mayor's Five-Year Outlook, the Department proposed adding one open space park ranger per year during the Outlook period. Based on the addition of one park ranger per year and a projected annual increase in open space acreage, the ratio of parkland acres to park range would decrease from 1,143 to 964 by the end of the Outlook period. The FY 2016 Proposed Budget does not include any additional funding for open space park rangers. Open space park rangers provide support and safety to the many visitors within the open space parks and trails.

Potential Impacts of Drought

The Park and Recreation Department is the largest user of water within the city departments.

On April 1, 2015, California Governor Jerry Brown issued an executive order mandating

Department Review

substantial water reductions across the state. The Governor directed the State Water Resources Control Board to implement mandatory water restrictions in California to reduce water usage by 25%. The Department will monitor the situation to determine the impact to the Department.

Additional information related to the drought situation can be found in the Public Utilities Department section of this report.

Environmental Growth

Environmental Growth Funds (EGFs) are projected to receive approximately \$16.2 million in franchise fees from San Diego Gas & Electric, representing one-quarter of the total SDG&E franchise fees received by the City, in accordance with Charter Section 103.1a. This is an increase of approximately \$2.9 million from FY 2015. The increase in revenue is attributed to an increase in natural gas prices. Additional information related to the franchise fees can be found in the Franchise Fee portion of the General Revenues Section in our report.

The EGFs are allocated into a one-third and two-thirds portion, to reflect Charter provisions that up to two-thirds of revenues can be pledged for bonds for acquisition, improvement and maintenance of park or recreational open space.

In FY 2009, the Environmental Growth 2/3 Fund retired the 1994 San Diego Open Space Facilities District No. 1 General Obligation Bonds. To the extent funds exist over and above the requirements for debt service, the Charter provides that they may

be used for other purposes so long as it preserves and enhances the environment and is approved by the City Council. Since the time the bonds have been repaid in FY 2009, available revenues have been utilized to reimburse the General Fund for eligible park and open space maintenance activities.

The FY 2016 Proposed Budget for the EGFs reflects \$9.2 million budgeted to reimburse the General Fund for park expenses, with \$4.8 million budgeted for Regional Park and Open Space Maintenance which that would otherwise be funded by the General Fund. Additional funds are budgeted for reimbursement to Maintenance Assessment Districts and for transfer to the Los Penasquitos Canyon Preserve Fund.

Golf Course

The Golf Course Fund was established in 1992 to allow for revenues generated through golf course usage courses to be used for the operation and maintenance of the golf courses and insulate the General Fund from exposure to potential expenses related to the City's golf courses.

The Golf Course Fund maintains the three City golf courses operated by the City: Mission Bay, Balboa Park, and Torrey Pines (future site of the 2021 U.S. Open Championship).

The FY 2016 Proposed Budget for the Golf Course Fund totals \$16.7 million, representing no significant change from the FY 2015 Adopted Budget. Department revenues are anticipated to increase by approximately \$720,000 to \$18.3 million from

Department Review

\$17.5 million in FY 2015 due to increased usage at the courses.

Significant Budget Adjustments

The FY 2016 Proposed Budget includes the following significant budget adjustments:

- Play, Laugh and Appreciate Youth (P.L.A.Y.) Golf Program - The FY 2016 Proposed Budget includes \$50,000 in non-personnel expenditures for a program to introduce youths to the sport of golf. The program is intended to bring a basic golf experience to the community. The Department anticipates providing staff and equipment at various recreation centers on a rotating basis to introduce youths to the game and skills of golf. The Department will develop an outreach program as details of the program are further developed.
- An increase of approximately \$1.6 million in revenue related to the delay in the Torrey Pines North Golf Course renovations. The project and closure of the North Course was anticipated to occur in FY 2015; however the project has been delayed until FY 2016.
- Revised Revenue - An increase of approximately \$740,000 in projected revenue primarily due to an increase in us-

age at the three municipal golf courses.

- A reduction in revenue of approximately \$1.6 million due to a three-month closure of the Torrey Pines North Course due to scheduled course renovations.

Key Performance Measures

The Department included eight key performance measures in the FY 2016 Proposed Budget. We have selected three of those performance measures to highlight in the table below.

The measure of customer satisfaction with the Department's program activities exceeded 92% in FY 2014 and is estimated to target that level of satisfaction in FY 2015 and FY 2016.

The measures related to the number of aquatic users and hours of operation at recreation centers reflect the Department's efforts to provide availability to programs and facilities.

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Results of customer satisfaction survey on Park & Recreation program activities	93.3%	92.4%	92.3%	92.8%	92.8% ¹
Number of aquatic users	300,000	296,000	310,000	310,000	310,000
Number of hours of operation of recreation centers	128,492	131,765	128,492	127,831	130,390

¹Figure represents five-year average.

Department Review

Performance & Analytics

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Performance & Analytics Department (P&A) is approximately \$1.9 million, a \$434,000 or 30.2% increase from the FY 2015 Adopted Budget. This increase is mainly due to the addition of 2.00 Program Coordinator, 1.00 Word Processing Operator, and associated non-personnel expenses (NPE) for a total cost of approximately \$404,000. The Department's proposed budget also includes a one-time increase of \$80,000 in contract spending in order to conduct a resident satisfaction survey in FY 2016.

Issues to Consider

The Performance & Analytics Department is charged with, among other things, working with City departments and service providers to identify ways to increase efficiencies and improve the effectiveness of their services. Identifying efficiencies and improving

service delivery may also result in cost savings for the City, and the Department discusses its efforts and accomplishments in this area through three main programs and initiatives: Open Data, Operational Excellence, and Performance Management.

Open Data Program

P&A's FY 2016 proposed budget includes an expenditure increase of approximately \$176,000 for the addition of 1.00 Program Coordinator position and associated NPE for the City's Open Data Program. This position will work with the City's Chief Data Officer (CDO) and City departments to identify data that would be of benefit to the public and application developers, and assist the CDO in the City's open data efforts. The Open Data Policy Implementation Plan states that the City's data sets will be published to a portal by July 1, 2016. In our Review of the Mayor's FY 2015 Proposed Budget, our office estimated that the annual cost for a public portal would be approximately \$60,000 per year. The budget for

SUMMARY OF PERFORMANCE & ANALYTICS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	8.00	\$ 1,246,461	\$ 190,745	\$ 1,437,206	\$ -
Programmatic Changes					
<i>Program Coordinator for Open Data</i>	1.00	173,299	2,500	175,799	-
<i>Program Coordinator for the City's 311 Project</i>	1.00	173,299	2,500	175,799	-
<i>Word Processing Operator</i>	1.00	51,798	950	52,748	-
<i>Support for Resident Satisfaction Survey</i>	-	-	80,000	80,000	-
Other Changes					
<i>Other Adjustments</i>	-	(82,788)	32,373	(50,415)	-
FY 2016 Proposed Budget	11.00	\$ 1,562,069	\$ 309,068	\$ 1,871,137	\$ -
Difference from 2015 to 2016	3.00	\$ 315,608	\$ 118,323	\$ 433,931	\$ -

Department Review

this portal matches this estimate, and is included in the Information Technology Fund for FY 2016.

Operational Excellence: San Diego Works and Managed Competition

The San Diego Works Program was launched in FY 2015, and asked City employees to consider current department and service processes and to submit their ideas for efficiency improvements and cost-saving initiatives. Staff that submitted initiatives that are implemented by the City will receive rewards and recognition as defined in Administrative Regulation 95.93. P&A has received over 100 proposals and indicated that over 550 employees participated in the program. The Department has been reviewing the submissions, and any projected FY 2016 cost savings associated with employee proposals that will be implemented in the next fiscal year will be included in the Mayor's May Revision for Council to consider when adopting the FY 2016 budget.

The voter-approved managed competition process resulted in four completed competitions that were implemented between FY 2012 and FY 2015. Managed competition is a process through which City employee proposals are compared to independent service providers for the right to deliver City services. The Mayor has indicated that the four managed competitions that the City has already implemented has identified \$9.0 million in annual savings, and that he intends to meet and confer with the City's recognized employee organizations with the goal of updating the City's managed competition process.

Performance Measurement

In FY 2015 P&A updated the Mayor's Stra-

tegic Plan for the City with new mission and vision statements, three citywide goals, and 32 citywide performance measures, that are available online. The Department also received \$80,000 in their FY 2016 proposed budget to administer a resident satisfaction survey.

Our office is supportive of these initiatives, but we note the following concerns that we also raised when the City's new Strategic Plan was presented at the Budget and Government Efficiency Committee and at the City Council earlier this calendar year:

- **What role does Council have in suggesting performance measures for inclusion in department budget narratives?**
- **Should there be more robust citywide performance measures related to infrastructure, considering that it is a priority issue to the City and the public?**
- **There are no citywide measures reflecting the state of the City's fiscal health. Considering the role that budget and participation in the bond market play in the City's ability to deliver services to residents and fund infrastructure needs, should these measures be included?**

Other Initiatives

As stated above, the Performance & Analytics Department's FY 2016 proposed budget includes an expenditure increase of approximately \$176,000 due to the addition of 1.00 Program Coordinator position and associated NPE to study the most effective way to implement a centralized 311 customer service center for the City. In FY 2016, this position will work to define a

Department Review

comprehensive strategy for the City's 311 effort.

Our office recommends that updates on the City's 311 strategy be reported to Council at regular intervals after the Program Coordinator position is filled, and that those updates include the estimated implementation and ongoing costs of the program, as well as the expected benefits for 311 users.

Key Performance Indicators

P&A has two performance measures in the FY 2016 Proposed Budget, as indicated in the table below. The first measure identifies annual savings as a result of the managed competition program. Annual savings of \$9.0 million was reported in the FY 2015 Adopted Budget as being realized in FY 2014—before the Fleet Maintenance managed competition had been fully implemented. Managed competition targets for fiscal years 2015 and 2016 have remained at \$9.0 million, and this is also the estimated savings for FY 2015. The Fleet Maintenance managed competition has now been fully implemented but the Division's budget has actually *increased* in FY 2016 with an addition of 16.00 FTE positions to maintain service levels.

Our office suggests that the cost savings

figure in the managed competition measure be revisited in light of Fleet Division's FY 2016 budget changes, to ensure that the \$9.0 million savings is an accurate estimate for FY 2015 and an appropriate target for FY 2016.

We also recommend that additional performance measures for Open Data, operational excellence initiatives, performance measurement activities, and 311 be considered when the Department creates its new tactical plan for FY 2017, with an emphasis on displaying the cost-saving or efficiency-generating nature of each of these programs/initiatives.

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Amount of annual cost savings resulting from Managed Competition	\$12.2 M	\$9.0M ¹	\$9.0M	\$9.0M	\$9.0M
Percentage of departments preparing for publication of high-value data sets to the web portal	N/A ²	N/A ²	N/A ²	20%	20%

¹The \$9.0 million in cost savings is comprised of the following: Publishing Services, \$1.0 million; Street Sweeping, \$0.5 million; Landfill Services, \$3.5 million; and Fleet Services, \$4.0 million

²The Open Data Policy was adopted in December 2014. As such, there are no FY 2014 or 2015 targets or actuals to report.

Department Review

Personnel

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Department of Personnel totals approximately \$7.1 million.

The number of Personnel positions increased by 0.68 FTEs, from 63.31 in the FY 2015 Budget to 63.99 in the FY 2016 Proposed Budget. The 0.68 FTE increase is for non-standard hourly personnel.

NPE additions to the Personnel budget include a \$100,000 increase for pre-employment medical examination costs to align with historical trends.

Issues to Consider

FY 2016 Requested Positions That Are Not Funded

During the FY 2016 budget process, Personnel requested 2.00 Associate Personnel Analysts, which are *not* funded in the FY 2016 Proposed Budget.

The first position would be related to a pilot program in which certain hiring departments will be provided direct access to the

Online Hiring Center in NEOGOV. The Personnel Department began the pilot with Engineering & Capital Projects in April 2015. Additional departments are in queue to begin the pilot process through May and June of 2015. The employee in the new position would help bring the remaining City departments onboard through the Fall of 2015, as well as continue to assist all departments with ongoing use of the system.

The second requested position that is not funded in the Proposed Budget would assist in the process for pre-employment medical exams and background checks. This is to include research at the County courthouse regarding conviction histories and subsequent arrests, as well as assist in resolving medical billing issues and reconciling and processing the Department of Justice (background checks) billing.

If the second position were to be added to the budget, it would be there to help improve current processing timeframes, which have recently suffered with increasing workloads, as have other Personnel Department functions. The added workload is partly due to the addition of 279 positions in FY 2015,

SUMMARY OF PERSONNEL BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	63.31	\$ 6,306,957	\$ 799,871	\$ 7,106,828	\$ 6,000
Salaries and Wages	-	82,637	-	82,637	-
Hourly Wages	0.68	22,419	-	22,419	-
Fringe Benefits	-	(221,270)	-	(221,270)	-
Employment Medical Exams - Adjust to Actuals	-	-	100,000	100,000	-
Other Adjustments	-	-	22,541	22,541	(5,000)
FY 2016 Proposed Budget	63.99	\$ 6,190,743	\$ 922,412	\$ 7,113,155	\$ 1,000
Difference from 2015 to 2016	0.68	\$ (116,214)	\$ 122,541	\$ 6,327	\$ (5,000)

Department Review

and would increase with the proposed FY 2016 addition of 418 FTEs. When some of these positions are filled via promotion, a ripple affect can occur (the need to “backfill” the vacancy left by the promotion, as well as any successive vacancies).

Additionally, after further evaluating staffing needs, Personnel has indicated that they will be requesting a third position (Payroll Audit Specialist 2) in the May Revise. This position will be utilized to assist in more timely processing of certified candidate lists. **We recommend consideration of the Personnel Department’s three requested positions for inclusion in the FY 2016 Adopted Budget.**

For further discussion regarding the City’s increasing workforce needs in relation to the City’s hiring process capabilities, see the Hiring of New Positions section of this report under Significant Citywide Issues.

Key Performance Indicators

The performance measures listed in the table below show substantial declines in the number of days taken to provide services to departments in the FY 2014 results. However, for the FY 2015 estimate and FY 2016 Target there are some significant increases:

- For the number of days to issue certification to hiring departments—without

recruitment, the FY 2016 Target is over 2.5 times higher than the FY 2014 actual results.

- For the number of days to issue certification to hiring departments—with recruitment, the FY 2016 Target is increasing by 13.0% from the FY 2014 actual results.
- For the number of days to complete classification and compensation studies, the FY 2016 Target is increasing by 29.4% from the FY 2014 actual results.

The Personnel Department has experienced increasing hiring and placements over the past few years. In FY 2011 there were 1,003 employee placements due to hirings, promotions, and transfers. By FY 2014, this had increased by 113%, to 2,135. Additionally, staff working on certified lists for hiring departments have also been working on the Online Hiring Center implementation, taking time away from their certification functions.

Largely due to the additions of positions in FY 2015 and the proposed FY 2016 additions, the Department is anticipating workload increases that will increase the time it takes to provide services to City hiring departments.

Again, for further discussion regarding the

Performance Measure	Actual FY 2013	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Number of days to issue certification to hiring departments—without recruitment	11	5.3	14	10	14
Number of days to issue certification to hiring departments—with recruitment	100	57.5	65	63	65
Number of days to complete classification and compensation studies	22	17	22	20	22

Department Review

City's increasing workforce needs in relation to the City's hiring process capabilities, see the Hiring of New Positions section of this report under Significant Citywide Issues.

Department Review

Planning

The Planning Department is responsible for conducting long-range planning of San Diego's communities and neighborhoods, and devising implementation tools so that other City departments, public agencies, and private developers can implement these long-range plans. The FY 2016 Proposed Budget presents two budgeted divisions:

- City Planning (Long-Range Planning and Environmental & Resource Analysis)
- Facilities Financing Program

With the exception of Facilities Financing, which is a Special Revenue Fund, the Department is funded by the General Fund.

City Planning

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget includes \$10.3 million, which is a 10.0% increase from the \$9.3 million budgeted for City Planning in FY 2015. In addition, the FY 2016 Proposed Budget includes 66.08 FTEs,

a 6.0% increase over the 62.08 FTEs included in the FY 2015 Adopted Budget. Major adjustments are shown in the table on the following page.

Of the 4.00 FTEs, 1.00 is the addition of a Park Designer to support the amendment of the Mission Bay Master Plan. The FTE is requested to provide the necessary professional staff support to manage the numerous plan amendment projects in Mission Bay Park, including the De Anza Special Study area, Fiesta Island General Development Plan, South Shores Study for commercial use, and the redevelopment of Marina Village and Bahia Point.

The total expenditures of \$502,000 associated with the Mission Bay Master Plan include \$400,000 for consulting services for the De Anza Special Study. It will allow Planning staff to hire a consultant to hold public workshops, prepare traffic and environmental studies, and prepare an economic study to determine the best commercial leasehold for the site, and a California Environmental Quality Act (CEQA) document in support of amending the Mis-

SUMMARY OF CITY PLANNING AND FACILITIES FINANCING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
City Planning (General Fund)					
Approved FY 2015 Budget	62.08	\$ 7,504,184	\$ 1,821,433	\$ 9,325,617	\$ 3,831,968
Mayor's FY 2016 Proposed Budget	66.08	7,691,635	2,558,494	10,250,129	3,895,484
Difference from 2015-2016	4.00	187,451	737,061	924,512	63,516
Facilities Financing Fund					
Approved FY 2015 Budget	16.35	1,888,206	386,904	2,275,110	2,275,110
Mayor's FY 2016 Proposed Budget	16.70	1,796,180	390,090	2,186,270	2,186,270
Difference from 2015-2016	0.35	(92,026)	3,186	(88,840)	(88,840)

Department Review

sion Bay Master Plan. The scope of work for the Study is projected to take three years with an anticipated total cost of \$875,000 for consulting services. Per staff, the first year budget is expected to be \$400,000. The budgets for the second and third years are anticipated to be \$300,000 and \$175,000, respectively. The Department intends to make those funding requests in FY 2017 and FY 2018.

The remaining 3.00 FTEs requested by Planning include the addition of 1.00 Park Designer, 1.00 Assistant Traffic Engineer, and 1.00 Senior Management Analyst. The total expenditures of \$610,000 include \$300,000 for consultant expertise primarily to assist with technical and specialized tasks including traffic studies and environmental impact report preparation. These three positions will provide additional professional staff to accelerate the completion of ten community plan updates (CPUs) currently underway.

The Assistant Traffic Engineer will be responsible for conducting the mobility analysis required for CPUs, community plan amendments (CPAs), pedestrian and bicycle concept planning, and analysis and Capital Improvement Program (CIP) and grant projects. The position will be 50% cost recov-

erable through CIP and grant projects.

The Park Designer position will provide additional professional staff to prepare the recreation elements of CPUs and associated Park and Recreation section of public facilities financing plans. A Park Designer position was eliminated during the recession and resulted in longer delays in preparing and updating several park plans according to staff.

The Senior Management Analyst position will provide administrative support and fiscal oversight for the CPUs and CPAs. This position will provide analysis related to ongoing project costs and projections to develop new project budgets, schedules, and performance measures. This position will also assist Project Managers with navigating the City's contractual services requirements.

The Department requested 4.00 FTEs in the FY 2016 Proposed Budget. In previous budget years, these positions were not funded due to the economic impact of the recession. The new positions will allow the Planning Department to speed up completion of the community plan updates currently underway.

SUMMARY OF CITY PLANNING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	62.08	\$ 7,504,184	\$ 1,821,433	\$ 9,325,617	\$ 3,831,968
Programmatic Changes					
<i>Community Plan Updates/Amendments</i>	3.00	309,725	300,000	609,725	58,646
<i>Mission Bay Master Plan</i>	1.00	101,961	400,000	501,961	-
Other Changes					
<i>Other Adjustments</i>	-	(224,235)	37,061	(187,174)	4,870
FY 2016 Proposed Budget	66.08	\$ 7,691,635	\$ 2,558,494	\$ 10,250,129	\$ 3,895,484
Difference from 2015 to 2016	4.00	\$ 187,451	\$ 737,061	\$ 924,512	\$ 63,516

Office of the Independent Budget Analyst
April 2015

Department Review

Status of CPUs

The table below shows the status of completed, ongoing, and planned CPUs. It is anticipated that nine updates currently underway will be completed by the end of FY 2016. Capacity for City Planning to begin additional plan updates will be available in FY 2016. Staff anticipate to begin plan updates for Kearny Mesa and Clairemont. Planning staff started the Mission Valley CPU in FY 2015 with existing staff, and will continue this work in FY 2016 with a Park Designer and consultant services.

Issues to Consider

Citywide Parks Master Plan

In the Mayor's Five-Year Outlook for FY 2016 through 2020, there was approximately \$350,000 in discretionary funding projected for each year from FY 2016 through 2018 for a citywide Parks Master Plan. In the short-term, Planning has prioritized the De Anza Cove Special Study Area to the Mission Bay Park Master Plan (MBPMP), preparation of the MBPMP amendment for Fiesta Island, and participation of another plan amendment for the Bahia Hotel expansion.

STATUS OF PLAN UPDATES			
Plan	Planned or Actual Adoptions Dates	Fiscal Year	Notes
San Diego River Park Master Plan	May 2013	2013	Complete
Housing Element Update	March 2013	2013	Complete
Barrio Logan CPU	September 2013	2014	Referendum June 2014
Bicycle Master Plan	December 2013	2014	Complete
Otay Mesa CPU	March 2014	2014	Adopted
Ocean Beach	July 2014	2015	Adopted
General Plan Amendments	June 2014	2015	Underway
Grantville Master Plan	June 2015	2015	Underway
Chollas Triangle (Focused Plan Amendment)	June 2015	2015	Underway
Southeastern CPU	December 2015	2016	Underway
Encanto (new plan)	December 2015	2016	Underway
Uptown	June 2016	2016	Underway
North Park	June 2016	2016	Underway
Golden Hill	June 2016	2016	Underway
Old Town	September 2016	2017	Underway
Midway - Pacific Highway	September 2016	2017	Underway
San Ysidro	May 2016	2016	Underway
Clairemont - Morena Transit-Oriented Development Plan	May 2017	2017	Phase II is underway
Clairemont - Balboa Station Area Plan	January 2018	2018	Grant awarded
Mission Valley	April 2018	2018	Update funded in FY 15 budget

Department Review

Per the Proposed Budget, the Department is looking to hire 2.00 Park Designer positions in order to facilitate that undertaking. The Department will reevaluate staffing levels and funding in future years to address a citywide Parks Master Plan.

Facilities Financing

Facilities Financing administers the Facilities Benefit Assessment (FBA) and Development Impact Fee (DIF) programs for the City. A core function of this program is the preparation and update of communities' Public Facilities Financing Plans (PFFPs) and Impact Fee Studies (IFS) and implementation of the Capital Improvement Program (CIP) budget for PFFP and IFS programmed projects.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget includes \$2.2 million, a decrease of \$89,000 over the \$2.3 million budgeted in FY 2015. The Proposed Budget includes 16.70 FTEs, \$1.8 million in PE, and \$390,000 in NPE.

Charges for Services

Since Facilities Financing is a Special Revenue Fund, budgeted revenue of \$2.2 million equals budgeted expenditures. Facilities Financing generates revenue based on charging Public Facilities Financing Plan (PFFP) communities for staff time, and NPE spent on maintaining and/or updating the PFFPs. In order to account for staff time, an administrative fee is included in the impact fees that are assessed in each PFFP.

FBA fees are determined based on a cash flow methodology and include an admini-

stration line item for FBA administration which varies depending on the complexity of the FBA, development activity, and whether a PFFP is projected to be updated during the year. The fees range from \$25,000 to \$150,000. The cash flow also incorporates an inflationary factor tied to the annual Los Angeles Construction Cost Index (CCI-Los Angeles) and an interest factor to project interest earnings. Any unexpended administrative funds are used for capital projects within the scope of the PFFP.

The administrative fee that is incorporated in DIF rates is 8%, and is in addition to the calculated rate for infrastructure needs. The DIF is subject to an automatic inflator based on the annual (March to March) increase in the CCI - Los Angeles. Any unexpended administrative funds are used for capital projects within the scope of the PFFP.

Staff charges its time for its reviews of building permit applications and assessing fees. In negotiating reimbursement agreements with developers, the applicant is required to open a deposit account that staff can charge against while preparing the agreement.

PFFP Updates

Two PFFPs (Ocean Beach and Black Mountain Ranch) were completed in FY 2015. One PFFP (Navajo) is pending completion in FY 2015.

Twelve PFFPs are underway for FY 2016:

- Mira Mesa
- Southeast
- Encanto

Department Review

- Pacific Highlands Ranch
- Del Mar Mesa
- Old San Diego
- Midway-Pacific Highway
- San Ysidro
- Torrey Highlands
- Uptown
- North Park
- Golden Hill

Given the economic downturn over previous years, FBA revenue has been less than anticipated which has resulted in a delay in funding PFFP. However, staff indicate that FBA revenue has now recovered from the recession and they are seeing strong revenue increases.

Issues to Consider

Identifying Funding for Infrastructure

Facilities Financing staff noted that their biggest challenge every year is identifying funding to construct needed infrastructure. In particular, DIF communities (those that are at or near build out) collect impact fees on infill or revitalization efforts, which generally provides less than 10% of the funding needed for identified public facilities. DIF is collected upon building permit issuance and can be used to fund community Police, Fire, Library, Park & Recreation, and Transportation facilities.

In contrast, FBA communities that are relatively early in their planned development have an FBA that provides up to 100% of funds for public facilities projects identified in the community's Public Facilities Financing Plan. At the time of building permit issuance, the owner of the parcel being developed is assessed a fee that is determined by the type and size of the development and based on the FBA Fee Schedule. The FBA fee schedule is projected based on anticipated development, among other things.

Department Review

Police

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Police Department is \$435.4 million for the General Fund, an increase of \$16.0 million from the FY 2015 Adopted Budget. The FY 2016 Proposed Budget results in a net increase of 44.49 FTEs. Budgeted revenue totaling \$51.3 million represents an increase of approximately \$6.8 million.

Among the largest changes to the Police budget is an increase of \$11.1 million in personnel and non-personnel expenditures re-

lated to the Memorandum of Understanding (MOU) with the San Diego Police Officers Association (POA) for FY 2016-2020, which was approved by the City Council on April 14, 2015. Additionally, the FY 2016 Proposed Budget includes an increase of \$5.6 million in non-personnel expenditures related to the Computer Aided Dispatch System (CAD) replacement project. These and other significant budget increases detailed below are intended to advance the Department's progress in meeting the needs identified in its Five-Year Plan, which was most recently updated and approved by the City Council in November 2013.

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	2,587.52	\$ 352,755,930	\$ 66,703,292	\$ 419,459,222	\$ 44,570,440
Programmatic Changes					
<i>Police Officers Association (POA) MOU</i>	-	-	-	-	-
- Flexible Benefits Increase	-	5,042,452	-	5,042,452	-
- Holiday Premium Pay	-	3,200,000	-	3,200,000	-
- Uniform/Equipment Allowance Increase	-	-	2,484,300	2,484,300	-
- Recruitment Allowance Increase	-	-	344,000	344,000	-
- ABLE Tuition Reimbursement	-	-	25,000	25,000	-
<i>Computer Aided Dispatch (CAD) Replacement</i>	-	-	5,605,132	5,605,132	5,145,132
<i>Additional Civilian Positions</i>	22.00	1,612,191	408,750	2,020,941	-
<i>Additional Sworn Positions</i>	5.00	495,828	-	495,828	-
<i>Addition of Task Force Expenditures and Revenue</i>	-	1,400,000	-	1,400,000	1,400,000
<i>Helicopter Maintenance Support</i>	-	-	1,115,000	1,115,000	-
<i>Support for Expanded Academies</i>	-	-	1,098,198	1,098,198	-
Other Changes					
<i>Annualization of FY 2015 Sworn Salaried Wages</i>	18.00	1,625,962	-	1,625,962	-
<i>Overtime (In Addition to Holiday Premium Pay)</i>	-	3,700,000	-	3,700,000	-
<i>Increased Vacancy and Salary Savings</i>	-	(3,147,682)	-	(3,147,682)	-
<i>Transfer of Animal Services Contract</i>	-	-	(8,799,547)	(8,799,547)	-
<i>Non-Discretionary and IT Adjustments</i>	-	-	(3,089,888)	(3,089,888)	-
<i>Other Adjustments</i>	(0.51)	3,830,596	(975,805)	2,854,791	233,354
FY 2016 Proposed Budget	2,632.01	\$ 370,515,277	\$ 64,918,432	\$ 435,433,709	\$ 51,348,926
Difference from 2015 to 2016	44.49	\$ 17,759,347	\$ (1,784,860)	\$ 15,974,487	\$ 6,778,486

Office of the Independent Budget Analyst

April 2015

Department Review

Additions

Police Officers Association MOU

The MOU with the POA for FY 2016-2020, which was approved by the City Council on April 14, 2015, increases Police Department personnel and non-personnel expenditures in the FY 2016 Proposed Budget by \$11.1 million. Compensation and benefit increases in FY 2016 through FY 2018 are non-pensionable and are to be paid to sworn officers via several channels, including flexible benefits, holiday premium pay, uniform and equipment allowances, recruitment allowances, and tuition reimbursement. These expenditures are detailed on the Summary of Police Department Budget Changes table on the previous page.

The intent of the POA MOU is to enhance the Police Department’s recruitment and retention efforts in order to reduce the effects of recent above-normal attrition and to support the staffing goals outlined in the Police Department Five-Year Plan. It is essential that the Department continue to closely monitor sworn staffing levels throughout the fiscal year to determine the efficacy of the compensation increases in the MOU as a recruitment and retention tool. These issues are discussed later in this Department Review in the “Issues to Consider” section.

Initial cost estimates for the POA MOU were included in the FY 2016-2020 Five-

Year Outlook based on the City’s opening proposal at the time of publication. It is worth noting that the cost projection for the MOU as approved and included in the FY 2016 Proposed Budget is significantly higher than what was included in the Five-Year Outlook. Details of both cost projections are provided in the table below. The POA has the option to reopen the MOU to meet and confer in FY 2018 regarding provisions of the MOU for FY 2019-2020.

Computer Aided Dispatch (CAD) System Replacement

The FY 2016 Proposed Budget includes \$5.6 million in additional Police Department non-personnel expenditures related to the CAD Replacement CIP project. The project will replace the current system for dispatching 9-1-1 calls and coordinating emergency response operations. The current system is outdated and, despite numerous modifications over the past 25 years, does not meet industry standards. The replacement CAD system will utilize the latest available technologies to improve operational availability and efficiency.

The \$5.6 million in expenditures related to CAD consist of a \$5.1 million one-time transfer to the CAD Replacement CIP project and \$460,000 in one-time expenditures for debt payment and estimated tax. The FY 2016 Proposed Budget also includes \$5.1 million in revenue from the City’s proposed

POA MOU Projected Costs: Budget v. Outlook (in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
MOU Cost Projection as Approved	\$11.1	\$13.1	\$19.8	\$22.7	\$25.2
Five-Year Outlook Cost Estimate	\$8.4	\$6.6	\$10.1	\$11.9	\$16.3
Difference	\$2.7	\$6.5	\$9.7	\$10.8	\$8.9

Department Review

Master Lease Agreement, which is anticipated to fund the corresponding \$5.1 million transfer from the Police Department to the CIP. The Master Lease Agreement was approved by the Budget and Government Efficiency Committee on April 15, 2015, and is pending final approval by the City Council.

The request for proposals for this project has closed, and notice of intent to award has been sent to the successful vendor. Negotiations with the vendor are currently underway and are anticipated to be completed in June 2015. The Department anticipates bringing the contract for the CAD replacement project to the City Council in July 2015. If approved, work on the project would begin in August 2015 and be complete by December 2016 following a 12 to 18 month implementation process.

Addition of Civilian Positions

The FY 2016 Proposed Budget includes the addition of 22.00 FTE civilian positions and a related expenditure of approximately \$2.0 million in personnel and non-personnel costs. The added positions include 10.00 FTEs for Police Investigative Service Officer (PISO) positions, which assist sworn officers by conducting investigative work and responding to lower-priority calls. The Department has expressed the importance of PISOs in freeing up sworn officers to move on to higher-priority calls when needed and to increase the amount of time available for proactive policing to reduce crime in neighborhoods. The proposed addition of 10.00 PISOs will double the Department's current number of PISOs, increasing the total number from 10.00 to 20.00 FTEs.

The increased civilian positions also include 4.00 FTEs to support the department's Communications Division, which answers 9-1-1 emergency and non-emergency calls and dispatches officers in the field. The Department has indicated that the additional Communications Division positions will help to improve call wait times.

The remaining additional civilian positions in the FY 2016 Proposed Budget include 3.00 FTEs to support the crime laboratory, 1.00 FTE Administrative Aide 2 position to serve as a Victim Services Coordinator at the Family Justice Center, and 4.00s FTE for other civilian roles. The addition of civilian staff positions makes significant progress toward achieving the goals of the Police Department Five-Year Plan, which is discussed later in greater detail.

Addition of Sworn Positions

The FY 2016 Proposed Budget includes the addition of 5.00 FTE sworn positions and \$496,000 in associated personnel expenditures to support the Department's patrol operations. The additional sworn positions will be allocated to a patrol command and filled as recruits complete the academy.

Support for Expanded Academies

An additional \$1.1 million in non-personnel expenditures is included in the FY 2016 Proposed Budget to support sworn positions, including new recruits, as outlined in the FY 2016-2020 Five-Year Outlook. The FY 2016 Proposed Budget includes funding to support the continuation of expanded Police academy classes (four academy classes of 43 recruits each, for a total of 172 new recruits per fiscal year) that were instituted in FY 2015. The additional \$1.1 mil-

Department Review

lion non-personnel expenditure is intended to support equipment and supplies for the academies, as well as vehicles.

No positions are added in the FY 2016 Proposed Budget for the academies, as the Department has sufficient vacant sworn positions to accommodate the hiring of new Police Officers. The current FY 2015 Budget added 36.00 sworn positions to support expanded Police academies but annualized their budget impact as 18.00 FTEs to account for staggered hiring throughout the fiscal year. The FY 2016 Proposed Budget completes the second half of this annualization with the addition of 18.00 FTEs and \$1.6 million in personnel expenditures to support the positions added in FY 2015.

Body Worn Cameras

The FY 2016 Proposed Budget includes \$2.1 million in non-personnel expenditures and revenue for the continued implementation of the Police body worn camera program. Funding for this expenditure is provided by the State Citizens Option for Public Safety (COPS) program. Revenue and expenditures associated with this program are housed in the Police Department's new State COPS Special Revenue Fund in the FY 2016 Proposed Budget.

The department currently has 600 body worn cameras in use across the six largest patrol commands in the City. The proposed additional \$2.1 million expenditure will allow the Department to outfit an additional 400 officers with cameras in the Northeastern, Northwestern, Eastern, and Traffic divisions. This expenditure will bring the total number of body cameras to 1,000 cameras department-wide, which will complete the

camera purchases associated with the current body worn camera contract.

The Department has indicated that there may be additional State COPS fund balance available in FY 2016 to support the purchase of a small number of additional cameras, which would be designated for new sworn officers and remaining patrol sergeants. This potential future purchase would require a new contract and Council approval.

Addition of Task Force Expenditures and Revenue

The FY 2016 Proposed Budget includes \$1.4 million in increased overtime expenditures and revenue associated with task force work conducted by the Police Department that is reimbursed by other agencies. The Department partners with various law enforcement agencies to target offenses including narcotics, human trafficking, prostitution, and others. Officers assigned to these task forces work on an overtime basis and the department is reimbursed for the overtime expense.

The increased expenditure and revenue in the FY 2016 Proposed Budget does not reflect an increase in new task force work. Rather, it begins the practice of budgeting this previously unbudgeted overtime expenditure and revenue.

Helicopter Maintenance Support

The FY 2016 Proposed Budget includes \$1.1 million in increased non-personnel expenditures for Air Support maintenance and overhauls, which was included as a Priority Initiative in the FY 2016-2020 Five-Year Outlook. The increased \$1.1 million in Gen-

Department Review

eral Fund support is in addition to the \$1.5 million in ongoing General Fund expenditures added to the Police Department budget in the FY 2015 Budget for this purpose. The department has indicated that the total proposed funding for Air Support maintenance in FY 2016 is fully sufficient.

In past reports, our office had raised concerns about the previous practice of funding Air Support maintenance with Seized Assets Funds, which are considered unpredictable. We highlighted the need to identify General Fund resources when available to fund this critical service with more certainty. The FY 2016 Proposed Budget now includes full General Fund support for Air Support maintenance, with Seized Assets Funds supporting annual fuel expenses of approximately \$850,000.

Reductions

Transfer of Animal Services Contract

The City contracts with the County of San Diego to provide Animal Services. In previous fiscal years, this contract has been administered by the Police Department and included in its budget. The FY 2016 Proposed Budget transfers approximately \$8.8 million in expenditures related to the Animal Services contract to the Citywide Program Expenditures Department.

Issues to Consider

Recruitment and Retention

Our office has noted in past reports that the Police Department has experienced sworn officer attrition in excess of budgeted levels in FY 2015. While the FY 2015 Budget assumed an attrition rate of 9 sworn

departures per month, the most recent staffing report from the department indicates a current average attrition rate for FY 2015 of approximately 12 sworn departures per month. Persistent high attrition has limited the Department's ability to meet its staffing goals despite successful increased hiring efforts.

As noted earlier in this Department Review, the recently approved POA MOU intends to make total compensation for San Diego Police Department sworn officers more competitive within the region, and goes into effect in July 2015. Should the compensation increases contained in the MOU be successful in retaining experienced officers and attracting new hires, the Department would likely experience a reduced attrition rate beginning in FY 2016. The FY 2016 Proposed Budget assumes once again an attrition rate of 9 sworn departures per month. **It is imperative that the Department continue to closely monitor sworn staffing levels throughout the fiscal year to determine the effectiveness of its recruitment and retention efforts.**

Police Department Five-Year Plan

The Police Department Five-Year Plan outlines the department's funding needs through FY 2018 in an effort to restore department sworn and civilian staffing, as well as resources for equipment and vehicles, to levels achieved before past budget reductions. A comparison of the Police Department Five-Year Plan identified needs for FY 2016 and the corresponding resources included in the FY 2016 Proposed Budget is provided in the table on the following page.

The Five-Year Plan was first presented to

Department Review

the former Public Safety and Neighborhood Services Committee in July 2012, and was most recently updated and approved by the City Council in November 2013. The department has since received and implemented significant budget investments related to the Plan. **As such, the Council and the public would benefit from the Plan being updated. A future meeting of the Public Safety and Livable Neighborhoods Committee would be a potential forum at which to consider an updated Plan.**

Overtime

The FY 2016 Proposed Budget includes an increase to Police Department overtime expenditures of approximately \$6.9 million. In contrast, the FY 2015 Mid-Year Budget Monitoring Report projected that the department would exceed its overtime budget by \$11.9 million at fiscal year-end. The Department has indicated that the proposed \$6.9 million increase is sufficient to meet its overtime needs in FY 2016. **However, based on past overtime usage, continued close monitoring of Police overtime expenditures is warranted.**

User Fees

The FY 2016 Proposed Budget includes revenue in the form of various user fees

collected by the Police Department. The budgeted revenue is based on the Department's current fee structure, which is anticipated to be updated when the FY 2016 Comprehensive General Fund User Fee Analysis is presented to the Council. Should the new user fees be approved by the City Council, the Police Department projects an increase in cost recovery revenue of approximately \$541,000 in FY 2016. When the User Fee Analysis was presented to the Budget and Government Efficiency Committee on April 15, 2015, issues were raised by the public regarding several proposed fee increases. The User Fee Analysis will be further discussed at the Budget Review Committee hearings in May 2015.

Key Performance Indicators

The Police Department included seven key performance indicators in the FY 2016 Proposed Budget. We have selected four of those performance measures to highlight in the table on the following page, and have provided additional information on prior-year actuals. The Police Department collects performance data on a calendar year basis rather than a fiscal year basis. The measures for response times indicate an

Police Department Five-Year Plan Identified Needs for FY 2016

Identified Needs	Status in FY 2016 Proposed Budget
Addition of 36.00 Sworn Positions	Included - Budget funds continued expanded academies using existing vacant positions and adds 5.00 FTE sworn positions.
Addition of 24.00 Civilian Positions	Partially included - Budget adds 22.00 FTE civilian sworn positions.
New Recruit Equipment	Included - Budget increases non-personnel expenditures for this purpose.
New Police Vehicles	Included - Budget increases non-personnel expenditures for this purpose.
Restoration of ABLE and Canine Hours	Not included.
Replace Outdated Equipment	Not included.
CAD Replacement Project	Included - Budget fully funds the CAD CIP, primarily via the Master Lease Agreement.
Maintenance of Existing Facilities	Not included.

Office of the Independent Budget Analyst

April 2015

Department Review

increase in response times to high-priority calls from CY 2013 to CY 2014. Despite this increase, the ratio of violent crimes per 1,000 residents decreased from CY 2013 to CY 2014. The FY 2016 Proposed Budget's additional investments in sworn and civilian hiring, plus the replacement of the CAD system, should assist the Department in meeting its response time targets in CY 2015.

Performance Measure	Target CY 2013	Actual CY 2013	Target CY 2014	Actual CY 2014	Target CY 2015
Average response time to priority E calls (minutes)	7.0	6.6	7.0	6.8	7.0
Average response time to priority 1 calls (minutes)	14.0	11.7	14.0	12.5	12.0
Average response time to priority 2 calls (minutes)	27.0	27.4	27.0	29.2	25.0
Violent crimes per 1,000 residents	4.50	4.00	4.50	3.90	4.00

Office of the Independent Budget Analyst
April 2015

Department Review

Public Utilities

There are four operational branches which manage the Public Utilities Department (PUD): the Business Support Branch, the Water Branch, the Wastewater Branch (containing the Municipal and Metropolitan Sub-Systems) and the Strategic Branch.

The budgetary structure is slightly different. There are three major funds that support PUD: the Municipal Sewer Revenue Fund, the Metropolitan Sewer Utility Fund, and the Water Utility Operating Fund. Additionally, the Water Branch manages recreational use of the City's reservoirs via the General Fund.

There are four business areas in which budget and fiscal transactions are segregated: Business Support, Municipal Wastewater, Metropolitan Wastewater, and Water. The breakout of the proposed funding for each of these four business areas is shown on the table below. This chart is for operating expenditures only, and does not include capital improvements projects undertaken by the the Public Utilities Department. The FY 2016 proposed CIP will be reviewed separately in the CIP program review portion of this report.

For purposes of analyzing operating departments in the FY 2016 Proposed Budget, we will consider Metropolitan and Municipal Wastewater together, while the Water Fund will be reviewed separately.

Water Fund

The FY 2016 Proposed Budget for the Water Utility Operating Fund totals \$505.8 million, which is an increase of \$43.1 million or 9.3% over the FY 2015 Adopted Budget. Revenues in the fund are projected to total \$489.3 million, an increase of \$11.0 million or 2.3% above the FY 2015 Adopted Budget.

This section will outline the main causes for revenue and expenditure variations from FY 2015, and discuss other significant issues that should be considered during Council's review of the Proposed Budget.

Revenue Review

Revenue for the Water Fund in the Proposed Budget is forecast to increase by \$11.0 million in FY 2016. This increased amount is made up of the following adjustments:

SUMMARY OF PROPOSED BUSINESS AREAS AND FUNDING SOURCES (\$ in millions)					
Branch	Municipal Sewer Fund	Metropolitan Sewer Fund	Water Fund	General Fund	TOTAL
Business Support	\$ 50.0	\$ 122.0	\$ 161.3	\$ -	\$ 333.3
Municipal Waste Water	88.4	-	-	-	88.4
Metropolitan Waste Water	-	93.5	-	-	93.5
Water	-	-	344.5	2.1	346.6
TOTAL	\$ 138.4	\$ 215.5	\$ 505.8	\$ 2.1	\$ 861.8

Department Review

- A decrease of \$14.0 million of revenue that is being moved from the Water fund to the Water Utility - AB 1600 Fund. AB 1600 funds are used to support the expansion of infrastructure, and not for operating or maintenance costs.
- An increase of \$25.0 million in other revenues, including water sales. In November 2013, the City Council approved a 15% increase in water rates to help pay for increased water costs from the County Water Authority (CWA). That increase was phased in over two years, with the first half of the increase occurring in January 2014, and the second half in January 2015. FY 2016 is the first full year that includes all of these rate increases.

Expenditure Review

Expenditures from the Water Fund in the Proposed Budget are proposed to increase by \$43.1 million. Major increases are included on the table below. Significant changes include:

- An increase of \$21.9 million in water purchasing costs. This increase is driven by increased rates charged to the City by CWA, which has passed on water rate increases made by the Metropolitan Water District (MWD) to its member agencies.

Recent litigation between CWA and MWD found that a portion of the increased fees charged by MWD violate laws and regulations that govern rate-setting for the transportation of water. A trial court is expected to determine appropriate damages in June or July of 2015, though it is likely that MWD will

SUMMARY OF PUBLIC UTILITIES WATER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	717.82	\$ 68,201,916	\$ 394,469,728	\$ 462,671,644	\$ 478,268,700
Programmatic Changes					
<i>Water Purchases</i>	-	-	21,892,305	21,892,305	-
<i>Sweetwater Settlement</i>	-	-	5,950,000	5,950,000	-
<i>Facility/Infrastructure Condition Assessments</i>	-	-	4,273,175	4,273,175	-
<i>Repair and Maintenance</i>	-	-	3,361,500	3,361,500	-
<i>Security Enhancements</i>	-	-	2,155,660	2,155,660	-
<i>Scientific and Planning Studies</i>	-	-	1,789,397	1,789,397	-
<i>Water Meter Replacement</i>	-	-	1,000,000	1,000,000	-
<i>Advanced Metering Infrastructure</i>	-	-	785,094	785,094	-
Other Changes					
<i>Equipment/Support for Information Technology</i>	-	-	1,464,054	1,464,054	-
<i>Non-Discretionary Adjustments</i>	-	-	2,822,352	2,822,352	-
<i>One-Time Reductions and Annualizations</i>	-	-	(6,120,718)	(6,120,718)	-
<i>Overtime Funding</i>	-	1,000,000	-	1,000,000	-
<i>Public Utilities Restructure</i>	10.44	1,132,768	255,146	1,387,914	(14,000,000)
<i>Other Adjustments</i>	7.06	999,510	382,675	1,382,185	116,691
<i>Revised Revenues</i>	-	-	-	-	24,878,100
FY 2016 Proposed Budget	735.32	\$ 71,334,194	\$ 434,480,368	\$ 505,814,562	\$ 489,263,491
Difference from 2015 to 2016	17.50	\$ 3,132,278	\$ 40,010,640	\$ 43,142,918	\$ 10,994,791

Office of the Independent Budget Analyst

April 2015

Department Review

then appeal the decision to a higher court.

- An increase of \$6.0 million for the Sweetwater Desalination Settlement Agreement which provides for the City's participation in the expansion of the facility and in the allocation of treated water.

Issues to Consider

Drought Mandates

The Proposed Budget was developed before the announcement of recent drought restrictions. On April 1, 2015, California Governor Brown issued an executive order mandating that urban areas reduce water consumption by 25%. The State Water Resources Control Board (Water Board) is currently developing a framework that will identify specific reduction standards for all urban water agencies in California; final action by the Water Board is expected to occur on May 5 or 6 of this year, with implementation to begin on June 1, 2015.

Further, on April 14, 2015, the Metropolitan Water District, which supplies a large portion of water imported into the San Diego Region, announced a 15% water supply cutback to the region that will begin on July 1, 2015.

As the majority of the Water Fund's expenses and revenues are tied to purchasing and providing water, adjustments to the Proposed Budget may be appropriate, depending on how drought regulations ultimately are developed. **This budget should be reviewed during the May Revise, and monitored closely throughout the year.**

Cost of Service Study (COSS) and Rate Changes

Part of the City's response to potential drought mandates may include changes to water rates charged to PUD customers, and/or to the tier system that is used to calculate customer bills.

Before any rate changes are implemented, a COSS must be completed. A COSS includes a comprehensive analysis of the true cost of services provided by the PUD and a corresponding rate structure that fully supports ongoing operations, maintenance, capital improvements, and debt service.

The Multi-Year Capital Plan released in January identified \$1.48 billion in capital needs for PUD over the next five years; these needs will likely require rate increases. Additional costs associated with the PURE Water program discussed below will also impact future water rates.

PUD staff is currently engaged in a water COSS. That COSS will be impacted by the final drought reduction mandates that are currently pending before the Water Board, which is expected to make a determination on May 5 or 6 of this year, as discussed previously.

PURE Water Implementation

The FY 2016 budget includes \$2.3 million in funding and 11.93 FTEs for development of the City's PURE Water program. Of this amount, \$1.1 million is being provided from the Water Fund.

The project is currently in the pre-design phase; completion of pre-design is anticipated in calendar-year 2017.

The PURE Water Program involves the de-

Department Review

velopment and construction of advanced water purification facilities which will treat wastewater to potable standards. The plan calls for an initial facility, which will provide 15 million gallons per day, to be operating by 2023. The program's ultimate goal is to generate 83 million gallons of water per day by 2035. This increase in water supply will help the City secure a permanent and reliable source of drinking water in the future, including during drought years.

The PURE Water Program is also an important part of the City's efforts to receive a modification to its permit for the Point Loma Wastewater Treatment Plant, which is discussed in additional detail in our review of the City's Sewer Funds.

Sewer Funds

The FY 2016 Proposed Budget for the com-

bined Metropolitan and Municipal Sewer Utility Funds expenditures totals \$353.9 million, which is an increase of \$8.2 million or 2.4% over the FY 2015 Adopted Budget.

The Proposed Budget includes \$405.3 million in revenue, a decrease of \$16.3 million or 3.9% from the FY 2015 Adopted Budget.

This section will outline the main causes for revenue and expenditure variations from FY 2015, and discuss other significant issues that should be considered during review of the Proposed Budget.

Revenue Review

Revenue for the Sewer Funds in the Proposed Budget is forecast to decrease by \$16.3 million in FY 2016. Almost all of this decrease is due to a \$17.0 million transfer of revenues from the Sewer Funds to the Sewer Utility—AB 1600 Fund. As stated in our review of the Water Fund, AB 1600 revenues are used to fund expansions of

SUMMARY OF PUBLIC UTILITIES SEWER FUNDS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	871.63	\$ 86,103,456	\$ 259,568,327	\$ 345,671,783	\$ 421,631,100
Programmatic Changes					
<i>State Revolving Fund Adjustments</i>	-	-	2,165,075	2,165,075	-
<i>Security Enhancements</i>	-	-	1,620,120	1,620,120	-
<i>Revegetation and Mitigation</i>	-	-	1,598,441	1,598,441	-
<i>Facility/Infrastructure Condition Assessments</i>	-	-	1,431,181	1,431,181	-
<i>Repair and Maintenance</i>	-	-	2,395,000	2,395,000	-
<i>Point Loma Water Treatment Permit Application</i>	-	-	825,000	825,000	-
<i>Advanced Metering Infrastructure</i>	-	-	774,094	774,094	-
<i>Transfer of Low Flow Diversion Program</i>	-	-	-	-	1,670,000
Other Changes					
<i>Equipment/Support for Information Technology</i>	-	-	1,190,776	1,190,776	-
<i>Non-Discretionary Adjustments</i>	-	-	5,746,088	5,746,088	(29,540)
<i>One-Time Reductions and Annualizations</i>	-	-	(5,947,218)	(5,947,218)	-
<i>Public Utilities Restructure</i>	(10.44)	464,310	(1,852,224)	(1,387,914)	-
<i>Other Adjustments</i>	4.84	(1,076,564)	(1,133,806)	(2,210,370)	14,422
<i>Revised Revenues</i>	-	-	-	-	(17,978,300)
FY 2016 Proposed Budget	866.03	\$ 85,491,202	\$ 268,380,854	\$ 353,872,056	\$ 405,307,682
Difference from 2015 to 2016	(5.60)	\$ (612,254)	\$ 8,812,527	\$ 8,200,273	\$ (16,323,418)

Office of the Independent Budget Analyst

April 2015

Department Review

infrastructure, and not operations or maintenance efforts.

Revenues in the Sewer Funds include an increase of \$1.7 million associated with the transfer of the Low Flow Diversion (LFD) program from PUD to the Transportation and Storm Water Department (TSW). Additional discussion of the LFD program is included in our review of TSW's budget.

Expenditure Review

Expenditures from the Sewer Funds in the Proposed Budget include a total increase of \$8.2 million. A summary of programmatic expenses is included on the previous page. Significant changes include:

- \$825,000 for consulting services related to the Point Loma Wastewater Treatment Plant permit renewal. At present, the Plant treats wastewater to an advanced primary stage, before discharging treated water into the Pacific Ocean. Since 1994, the plant has operated with a modified permit that does not require secondary treatment before discharge of treated water. The funding that would be necessary to provide secondary treatment of wastewater through 2035 is estimated to be upwards of \$1.80 billion.

As noted earlier, the City's PURE Water program is an important part of the City's permit renewal and modification efforts. As the PURE Water program aims to treat a portion of wastewater for potable reuse, its implementation would result in less treated wastewater being discharged into the ocean.

- An increase of \$2.2 million in expendi-

tures related to repaying State Revolving Fund (SRF) loans. SRF loan funds allow PUD to receive more favorable financing terms than traditional bond funding, and are budgeted only when the City anticipates receipt of funds.

General Fund

The City offers recreational use of its reservoirs, collecting various fees from recreation patrons. Revenues and expenses associated with this recreational use of reservoirs are General Fund transactions.

The FY 2016 Proposed Budget includes expenditures for these activities of \$2.1 million, which is an increase of \$144,000 or 7.2% above the FY 2015 Adopted Budget. This increase is primarily due to a \$131,000 increase in funding for long-range planning support associated with the San Dieguito Joint Powers Authority.

Based on the Proposed Budget's revenues and expenses for operation of recreation activities on PUD reservoirs, operations are projected to end FY 2016 with a \$1.2 million deficit that directly impacts the General Fund.

Department Review

Public Works

The Public Works Department is comprised of the following three branches listed below and report to one Director:

- **Contracting** - Provides services and support specifically for Capital Improvement Program (CIP) projects. It also provides support to other departments unrelated to Engineering & Capital Projects (E&CP). For example, Transportation & Storm Water procures resurfacing services through Public Works Contracting.
- **E&CP** - Provides engineering services for implementing the City's CIP and quality control and inspection of private work permitted in the public right-of-way.
- **General Services** - Provides Maintenance and Repair (M&R) for the City's facilities, fleet and publishing services for City departments.

In the Proposed Budget for FY 2016, the Fleet Services Division of the Public Works – General Services Department now reports directly to the Deputy Chief Operating Officer of the Internal Operations Branch, rather than the Infrastructure/Public Works Branch.

According to staff, this change is to focus on providing services to all City departments. This also provides the City Engineer the ability to focus on capital improvement projects and deferred maintenance.

SUMMARY OF PUBLIC WORKS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
Contracting Branch					
<i>Approved FY 2015 Budget</i>	19.00	\$ 1,939,655	\$ 172,137	\$ 2,111,792	\$ 1,053,393
<i>Mayor's FY 2016 Proposed Budget</i>	20.00	2,006,925	154,354	2,161,279	1,117,530
<i>Difference from 2015-2016</i>	1.00	67,270	(17,783)	49,487	64,137
Engineering & Capital Projects (E&CP Branch)					
<i>Approved FY 2015 Budget</i>	484.60	55,801,808	8,565,429	64,367,237	64,367,237
<i>Mayor's FY 2016 Proposed Budget</i>	596.60	64,643,828	11,156,786	75,800,614	75,800,614
<i>Difference from 2015-2016</i>	112.00	8,842,020	2,591,357	11,433,377	11,433,377
General Services' Branch (General Fund)					
<i>Approved FY 2015 Budget</i>	130.00	11,253,988	6,491,350	17,745,338	3,881,596
<i>Mayor's FY 2016 Proposed Budget</i>	151.00	12,331,815	12,113,933	24,445,748	3,673,786
<i>Difference from 2015-2016</i>	21.00	1,077,827	5,622,583	6,700,410	(207,810)

Department Review

Public Works - Contracting

Public Works Contracting (PWC) is responsible for the procurement and contract management of the Capital Improvement Program (CIP) construction and associated professional consultant services contracts, including managing the bid and award process.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the General Fund allocation of the Contracting Branch is about \$2.2 million, a small increase of about \$49,000 over FY 2015. Budgeted positions of 20.00 FTEs increased by 1.00 from FY 2015.

The 1.00 FTE in the FY 2016 Proposed Budget is the addition of an Assistant Engineer-Civil to support the expanded CIP. This position will be involved with the contract bid and award process for design and construction of CIP projects. The total expenditures for this position of \$81,000 are offset by projected revenue of \$64,000.

Revenue Adjustments

FY 2014 was the first year that Public

Works - Contracting started charging for its services and the first effort at estimating and collecting revenue. The Division is still learning how to estimate/set revenue goals. Additionally, Contracting's revenue is largely dependent on the implementation of CIP projects and available funding, which has fluctuated in recent years.

Revenue targets included in the FY 2016 Proposed Budget are the same as budgeted in FY 2015 - \$1.1 million or about 51.0% of budgeted expenditures, since the positions are not fully reimbursable. Administrative staff, management analysts, and junior contract specialist positions are about 80% reimbursable and senior contract specialists are up to 20% reimbursable. Revenue estimates are based on the contracts projected to be executed in FY 2016. The accuracy of estimates will likely improve in future years once a history of actual revenue has been established to include as a basis for calculations. The Mid-Year Budget Report projects year-end revenue for Public Works - Contracting to be \$1,104,000.

Reducing Time for Bid and Award

One of the major accomplishments of Con-

SUMMARY OF PUBLIC WORKS - CONTRACTING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	19.00	\$ 1,939,655	\$ 172,137	\$ 2,111,792	\$ 1,053,393
Programmatic Changes					
<i>Assistant Engineer - Civil</i>	1.00	80,938	-	80,938	64,137
Other Changes					
<i>Other Adjustments</i>	-	(13,668)	(17,783)	(31,451)	-
FY 2016 Proposed Budget	20.00	\$ 2,006,925	\$ 154,354	\$ 2,161,279	\$ 1,117,530
Difference from 2015 to 2016	1.00	\$ 67,270	\$ (17,783)	\$ 49,487	\$ 64,137

Department Review

tracting since it was transferred to Public Works in FY 2012 has been reducing the time for contract bid to award for CIP projects from 6-8 months to an average of 90 days, which is the industry standard. Staff indicated that they are working toward decreasing the average award time from receipt of bids/public ranking to award from 90 days to 60 days.

The Public Works Department recently proposed thirteen process improvement and streamlining measures (Report No. 15-020) to make CIP delivery more efficient. About half of the proposed improvement and streamlining measures are expected to be implemented by year end with the remaining ones expected for implementation by July 2016. Staff anticipate that one of their proposed process improvements (On-Line Bidding and Award of Construction Contracts (eBidding/eSignatures)) will facilitate a reduction in the average award time from receipt of bids/public ranking to award. The process improvement is expected to be implemented this summer. Reducing the time for bid to award contributes to implementation of projects in less time and at a lower cost.

Issues to Consider

The Importance and Status of PlanetBids

The City is replacing its online bid advertising system (Ebidboard) with PlanetBids which has the capability to register vendors, post contracting opportunities, and accept electronic bids online. These are important time saving and progressive modifications to the City's bidding/proposal process. It also reaches a much larger available pool of applicants.

PlanetBids was launched in February 2014 for vendor registration, and more than 5,000 vendors have registered in the system thus far. Of those, 3,600 vendors are contractors and architectural/engineering professional services. On April 2, 2014, PlanetBids went live to post the City's contracting opportunities (bid advertisements). Currently, there are a total of 26 active CIP bids from PWC available for download from PlanetBids.

The final phase of implementation of PlanetBids includes the capability to accept online:

- Electronic bids, which is targeted for July 2015; and
- Electronic signatures for contracts, which is targeted for July 2015.

On-Line Bidding and Award of Construction Contracts will require a Municipal Code amendment to allow digital signatures to facilitate contracts being awarded online.

The inability to accept electronic bids online and electronic contract signatures has reduced the capacity for accepting responsive bids. The benefit of these features is the reduction or elimination of errors in submittals, which will enable staff to process successful bids faster than at present. As bids/proposals are processed faster, the capacity of Public Works staff to award more contracts will increase. Staff estimate that this process for manually receiving documents could be reduced by three weeks if accepted electronically.

Public Works - Engineering & Capital Projects

Engineering & Capital Projects (E&CP) provides engineering services for the Capital Improvement Program (CIP). E&CP's responsibilities include planning, design, project management, and construction management of capital improvement projects for client departments, such as Transportation & Storm Water and Park & Recreation. E&CP also conducts quality control and inspection of private work permitted in the public right of way and surveying and materials testing.

E&CP is comprised of four divisions:

- Architectural Engineering & Parks
- Field Engineering
- Project Implementation
- Right-of-Way (ROW) Design

In the FY 2015 Budget, E&CP was transferred from the General Fund to a new E&CP Internal Service Fund. E&CP staff charge projects for services and are reimbursed directly from capital fund sources, as appropriate.

This change makes E&CP's charges for services more transparent and easier to track, and also helps to hold E&CP accountable for charging reasonable project delivery costs that are in line with industry standards. This transparency also makes it easier for E&CP to adjust staffing levels to the size of the CIP.

Mayor's FY 2016 Proposed Adjustments

E&CP's budget is based on projected revenue, which is \$75.8 million in the FY 2016 Proposed Budget. The increase of \$11.4 million from \$64.4 million in FY 2015 is based on increased revenue that will be generated by the following items:

- 99.00 new positions to support the expansion of the CIP
- 3.00 new FTEs for a new San Diego Gas & Electric (SDG&E) undergrounding section
- Revenue associated with the SAP Enterprise Asset Management (EAM) project
- Revised revenue projections based on hourly positions related to the Multi-Year Capital Planning (MYCP) report
- Facilities Condition Assessments Reimbursement

Budgeted expenditures of \$75.8 million include \$64.6 million in PE and \$11.2 million in NPE. The FY 2016 Proposed Budget adds 112.00 FTEs over FY 2015, including:

- 99.00 FTEs - Half of the positions are budgeted for full-year funding and half for half-year funding.
- 3.00 FTEs - New San Diego Gas & Electric (SDG&E) undergrounding section.
- 9.00 FTEs - Annualization of added Engi-

Department Review

neering FTEs in FY 2015.

- 1.00 FTE - Non-standard hourly personnel; this amount is adjusted every year and reflects existing staffing levels or positions the Department is actively working to fill.

Public Works staff noted that they have been working on leases for additional office space and build out for the significant increase in personnel being proposed.

Effective Implementation of Capital Projects

Per the MYCP report, Public Works Department (PWD) and Financial Management anticipate receiving revenue primarily through utility rate increases, lease revenue bonds, TransNet Funds, Proposition 42 funds and Facilities Benefit Assessments. These are expected to generate \$2.2 billion

over the next five years. Historically, PWD has executed projects totaling about \$300.0 million annually. E&CP will need to ramp up to a higher level of expenditures totaling approximately \$450.0 million annually to expend the full revenues identified in the MYCP.

The City of San Diego participates in the CIP Multi-Agency Benchmarking Study with six of California's largest cities to assess the appropriateness of E&CP's project delivery costs. In FY 2014, the Statewide Benchmarking found that average project-delivery costs (these include soft costs associated with engineering and architectural plans, environmental review, legal fees, etc.) were 45% of total project costs. This is consistent with the City's experience. E&CP is responsible for slightly less than half of all soft costs, with E&CP soft costs generally totaling 18 to 20 percent of a project's total

SUMMARY OF PUBLIC WORKS - E&CP BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	484.60	\$ 55,801,808	\$ 8,565,429	\$ 64,367,237	\$ 64,367,237
Programmatic Changes					
<i>CIP Support</i>	99.00	8,481,399	1,352,767	9,834,166	9,834,166
<i>SDG&E Underground Section</i>	3.00	319,980	-	319,980	319,980
<i>Transfer of Engineers</i>	2.00	265,357	-	265,357	-
<i>Transfers to Gen. Svs and Communications</i>	(2.00)	(192,518)	-	(192,518)	-
Other Changes					
<i>EAM Adjustment</i>	-	-	171,121	171,121	161,139
<i>Comptroller Services</i>	-	-	300,000	300,000	-
<i>Addition of Training</i>	-	-	356,000	356,000	-
<i>Revised Revenue</i>	-	-	-	-	933,749
<i>Facilities Condition Assmts Reimb.</i>	-	-	-	-	184,343
<i>Annualization of FY 2015 Added FTEs</i>	9.00	936,334	-	936,334	-
<i>Hourly Wages</i>	1.00	34,135	-	34,135	-
<i>Other Adjustments</i>	-	(1,002,667)	411,469	(591,198)	-
FY 2016 Proposed Budget	596.60	\$ 64,643,828	\$ 11,156,786	\$ 75,800,614	\$ 75,800,614
Difference from 2015 to 2016	112.00	\$ 8,842,020	\$ 2,591,357	\$ 11,433,377	\$ 11,433,377

Office of the Independent Budget Analyst

April 2015

Department Review

budget.

E&CP's portion of total project costs (18-20%) multiplied by the total CIP expenditures that will be necessary per the MYCP's identified funding amounts (which total up to \$450.0 million per year) is roughly \$81.0 million. Comparatively, E&CPs 2016 Proposed Budget includes \$75.8 million for E&CP expenditures, and includes an addition of 112.00 FTEs.

The additional 99.00 FTEs to support the CIP expansion will allow PWD to increase the number of CIP projects being released annually. The additional hires will also provide more available staff to manage ongoing construction projects underway. It is important to note that PWD anticipates hiring to take at least a year.

About half of the 99.00 FTEs are budgeted for full-year funding and half for half-year funding. The new positions are comprised of 34.00 new Assistant Engineers - Civil, 9.00 Associate Engineers - Civil, 15.00 Principal Engineering Aides, 9.00 Project Assistants, 6.00 Associate Management Analysts,

7.00 Land Surveying Analysts, and additional support staff.

The FY 2016 Proposed Budget also includes 1.00 FTE for an Assistant Deputy Director in Field Engineering Division. Public Works staff indicated that the increasing CIP work load and additional positions will require additional management oversight to handle day-to-day operations. This will allow deputy directors to focus on policies, collaboration with stakeholders, and process improvements.

Reduced Engineering Services

E&CP's Internal Service Fund will be 100% reimbursable from capital projects. However, in FY 2015, \$2.0 million from the General Fund was budgeted in the Citywide Program Expenditures for work performed by E&CP for General Fund departments that are not directly related to a capital project.

In the table below, each of the General Fund Departments that are projected to need engineering services are listed along with the respective funding amounts based

SUMMARY OF ENGINEERING SERVICES BUDGET CHANGES			
Departments (General Fund)	FY 2015 Adopted	FY 2016 Proposed	\$ Change
<i>City Attorney</i>	\$ -	\$ 40,000	\$ 40,000
<i>Citywide Program Expenditures</i>	2,000,000	250,000	(1,750,000)
<i>Environmental Services</i>	-	30,000	30,000
<i>Fire Rescue</i>	-	30,000	30,000
<i>Library</i>	-	30,000	30,000
<i>Office of the ACOO (ADA Compliance)</i>	-	40,000	40,000
<i>Park & Recreation</i>	-	210,000	210,000
<i>Police</i>	-	30,000	30,000
<i>Real Estate Assets</i>	-	30,000	30,000
<i>Transportation & Storm Water</i>	-	310,000	310,000
Total:	\$ 2,000,000	\$ 1,000,000	\$ (1,000,000)

Department Review

upon actual trends in FY 2015. The FY 2016 Proposed Budget includes a net reduction of \$1.8 million in non-personnel expenditures in the Citywide Program Expenditures Department for engineering services provided to General Fund Departments by the Public Works-E&CP Department. Based on actual trends in FY 2015, only \$250,000 of the \$2.0 million added in FY 2015 is anticipated to be needed in the Citywide Expenditures Department on an ongoing basis.

Issues to Consider

Current and Future Hiring Needs

Hiring 112.00 new FTEs is unprecedented for the Department. The Department will increase from 484.60 current budgeted positions to a total of 596.60 positions. Staff indicated that it will likely take all of FY 2016 to fill these positions, and they are developing a strategy to hire this large number of new personnel. E&CP also has approximately 40 vacancies, which they are in the process of filling and hope to fill by the end of FY 2015. Staff also anticipates up to 50.00 additional FTEs departing the department due to attrition in FY 2016.

The Proposed Budget for FY 2016 also includes \$356,000 in total expenditures for staff training. Additional training funds may be needed in future fiscal years as the new positions are filled.

Hiring Strategy

One hiring strategy PWD is looking into is

the possibility of holding Hiring Halls. The key to be successful in this effort is centralized coordination and scheduling. The primary activities involved in conducting Hiring Halls include:

- Outreach to local universities
- Open recruitment and obtain a certified list of candidates from Personnel
- Invite candidates for resume submissions
- Day of Hiring Hall(s), hold multiple interview panels to interview candidates
- Perform reference checks for all qualified interviewees
- Hold post-Hiring Hall meeting with all hiring section heads to pre-determine candidate selections
- Make offers of employment and send to Personnel for clearance if external to the City

Performance Measures for the CIP

The FY 2016 Proposed Budget (Vol III) includes CIP performance measures reported to the Infrastructure Committee twice a year as part of the State of the CIP report. Below is a table of some of the Department's performance measures, current practices and projected goals.

As discussed previously, PWD currently executes approximately \$300.0 million in

SUMMARY OF PUBLIC WORKS E&CP PERFORMANCE MEASURES		
Performance Measures	Current Practice	Goal
<i>Value of all CIP contracts awarded for construction annually</i>	\$300,000,000	\$ 450,000,000
<i>Average number of days from bid opening to award</i>	90.00	60.00
<i>Average value of CIP contracts awarded for construction</i>	\$1,000,000	\$5,000,000

Office of the Independent Budget Analyst

April 2015

Department Review

total CIP expenditures annually. The Department intends to ramp up to approximately \$450.0 million in total expenditures annually.

The average number of days from contract bid to award for PWD is currently 90 days, which is the industry standard. The Department hopes to decrease that number to 60 days once it implements On-Line Bidding and Award of Construction Contracts. This proposed measure will require a Municipal Code amendment. PWD anticipates it being implemented by July 2016.

Increasing the size of CIP contracts from the current median size of \$1.0 million to \$5.0 million is a streamlining measure proposed by PWD. This is necessary for the department to continue to release approximately 150 contracts annually. The Department indicated that the average number of annual contracts up to \$500,000, which are awarded through a competitive bid process only open to City certified SLBE and ELBE firms, will remain the same. This measure will need to be monitored to ensure that new streamlining measures have not impacted performance.

In our Review of the City's Key Performance Indicators (IBA-14-09), we recommended that a measure be added regarding CIP project delivery on time and on budget. Given pending discussions regarding the need for an infrastructure bond in the near future, performance measures on project delivery and completion will be important.

When the Performance & Analytics Department discussed the City's Strategic Plan at Council recently, Councilmember Kersey indicated he would address E&CPs tactical plan and performance measures specifically at the Committee on Infrastructure.

Department Review

Public Works - General Services

The General Services Branch provides direct support to other City departments, including facilities maintenance & repair (M&R), vehicle maintenance, and publishing services. To accomplish its mission, General Services includes four divisions:

- Facilities
- General Services Administration
- Fleet Services
- Publishing

Facilities and Administration are General Fund Divisions, and Fleet and Publishing are internal service funds. Fleet Services is funded by the Fleet Services Operating and Replacement Funds, and Publishing is funded by the Publishing Services Fund.

Mayor's FY 2016 Proposed Adjustments

In the Proposed Budget for FY 2016, the Fleet Services Division of Public Works - General Services Department now reports

directly to the Deputy Chief Operating Officer of the Internal Operations Branch, rather than the Infrastructure/Public Works Branch.

According to staff, this change is to focus on providing services to all City departments. This also provides the City Engineer the ability to focus on capital improvement projects and deferred maintenance.

The FY 2016 Proposed Budget for General Services' General Fund divisions is \$24.5 million, an increase of \$6.7 million over the FY 2015 Adopted Budget. This includes 151.00 FTEs, an addition of 21.00 positions from FY 2015. Increases in General Services' expenditures are due to the addition of 21.00 positions and \$1.1 million in personnel expenses and \$5.6 million in related non-personnel expenses for the Facilities Division to provide M&R services.

The non-General Fund or internal service funds in General Services Proposed FY 2016 Budget totals \$86.0 million. This is an in-

SUMMARY OF PUBLIC WORKS - GENERAL SERVICES EXPENDITURES						
Description	FY 2015 FTE	FY 2016 FTE	CHANGE	FY 2015	FY 2016	CHANGE
General Fund						
<i>Administration</i>	7.00	10.00	3.00	\$ 1,030,270	\$ 1,443,379	\$ 413,109
<i>Facilities</i>	123.00	141.00	18.00	16,715,068	23,002,369	6,287,301
<i>General Fund Subtotal</i>	130.00	151.00	21.00	17,745,338	24,445,748	6,700,410
Non-General Fund						
<i>Fleet Services Operating Fund</i>	177.50	193.50	16.00	50,837,774	51,245,753	407,979
<i>Fleet Services Replacement Fund</i>	-	-	-	20,663,453	31,090,607	10,427,154
<i>Publishing Services Fund</i>	10.00	10.00	-	3,221,261	3,678,966	457,705
<i>Non-General Fund Subtotal</i>	187.50	203.50	16.00	74,722,488	86,015,326	11,292,838
Total General Services	317.50	354.50	37.00	\$ 92,467,826	\$ 110,461,074	\$ 17,993,248

Office of the Independent Budget Analyst

April 2015

Department Review

SUMMARY OF CHANGES IN REVENUE				
Description	FY 2015	FY 2016	\$ Change	% Change
General Fund (Facilities)	\$ 3,881,596	\$ 3,673,786	\$ (207,810)	-5.4%
<i>Fleet Services Operating Fund</i>	50,229,234	50,007,775	(221,459)	-0.4%
<i>Fleet Services Replacement Fund</i>	27,296,552	23,064,458	(4,232,094)	-15.5%
<i>Publishing Services Fund</i>	3,221,261	3,221,261	-	0.0%
Total Revenues	\$ 84,628,643	\$ 79,967,280	\$ (4,661,363)	-5.5%

crease of \$11.3 million from FY 2015 largely due to a \$11.2 million increase in expenditures for fitting out and acquiring vehicles.

Revenue Adjustments

General Services' General Fund and internal service fund revenues included in the FY 2016 Proposed Budget total about \$80.0 million as shown in the table above. This represents a decrease of 5.5% or about \$4.7 million less than FY 2015. The decrease is primarily attributable to reductions of \$4.2 million in Fleet Services Replacement Fund revenue.

Facilities

The Facilities Division provides day-to-day Maintenance & Repair (M&R) services for all 1,600 City-owned facilities/buildings, including libraries, Park & Recreation facilities, Police and Fire-Rescue facilities, and the City Administration Building complex. Services provided by Facilities staff include building maintenance, custodial service, and emergency repairs when needed on roofs, HVAC systems, and electrical systems.

Although departments such as the Police, Fire and Library have their own maintenance budget, Facilities Division is still responsible for providing various M&R services to these departments due to the limi-

tations in the scope of work their budgeted trades can provide.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget represents an increase of about \$6.3 million over FY 2015 to \$23.0 million. Budgeted FTEs are increased by 18.00 to 141.00 FTEs in FY 2016.

Additional 18.00 FTEs

In the Mayor's Five-Year Outlook for FY 2016-2020, the Department requested 37.00 FTEs to get to the standard level of M&R funding. An additional 18.00 FTEs are funded in the Proposed Budget for FY 2016. Of the 18.00 FTEs, 16.00 are Facilities Maintenance positions to increase the facilities maintenance and repair service levels. An additional 2.00 Project Assistants and 2.00 Apprenticeship positions are also supporting the Facilities Division. The FTEs are offset by a transfer of 2.00 FTEs to the Public Works - E&CP Department. The additional staff and funding in the FY 2016 Proposed Budget will help Facilities to:

- Complete 10,000 work orders and
- Increase the focus on preventative maintenance

Department Review

Benefits of Additional M&R Staff and Challenges Funding M&R

The National Research Council states that annual routine M&R should be between 2% to 4% of the current replacement value of City General Fund facilities. Staff have indicated that achieving even the minimum of 2% is difficult for the City as well as other jurisdictions given tight budgetary constraints.

Revenue Adjustments

Revenues for Facilities Division in the FY 2016 Proposed Budget are about \$3.7 million, a slight decrease of about \$208,000 from FY 2015. As was the trend in FY 2015, the Division is no longer focused primarily on bringing in revenue, which is highly dependent on as-needed CIP and Enterprise Funds work. The main focus will be to address tasks on a priority level basis. This will help them to reduce the significant backlog of work order requests as well as focus on preventative maintenance.

General Services Administration

This Division provides administrative and technical support to the Public Works Director and General Services Division. The FY 2016 Proposed Budget for the Administrative Division totals \$1.4 million, including 10.00 FTEs. This is an increase in funding of \$413,000 from FY 2015, and positions increase from 7.00 to 10.00 FTEs.

Two of the 3.00 FTEs are for the addition of a Program Manager and Assistant Trainer. The positions will provide centralized budget, human resources, and informa-

tion technology functions to the department. The total expenditures of \$211,000 are offset by revenue totaling \$177,000. The remaining new position is a transfer from the Public Works - Engineering & Capital Projects Department to the Public Works - General Services Department due to a reorganization of the administration support unit. Total expenditures associated with this position are \$120,000.

Fleet Services

Fleet Services provides City departments with motive equipment and support, including vehicle acquisition, maintenance, repair, and provision of fuel. Fleet Services is a non-General Fund division funded by the Fleet Services Operating Fund and Fleet Services Replacement Fund which receive revenue by charging customer departments.

Changes to Budget

The FY 2016 Proposed Budget for Fleet Services in both the Operating and Replacement Fund includes \$82.3 million in expenditures, an increase of \$10.8 million or 15.2% over the FY 2015 Adopted Budget. The increase is largely due to an increase in cash funding for vehicle replacement. Revenues in the Proposed Budget total \$73.1 million, a decrease of \$4.5 million from the FY 2015 Adopted Budget. This decrease is due to an increased use of fund balance.

The FY 2016 Proposed Budget includes an additional 16.00 FTEs in Fleet Services. Fleet reports that these positions are necessary to maintain current operating service levels.

Department Review

Issues to Consider

Fleet Services went through a Managed Competition in FY 2012, and the employee bid was accepted. However, the full proposal was never accepted with agreements on all the meet and confer items until January 2015. Since the initial bid, the size and makeup of the City's fleet has changed significantly. Staff is currently evaluating the changes to the size and makeup of the fleet, as well as other changes to time, materials, and billable work being done by the City's fabrication/body and repair shops. A detailed reconciliation between current operations, long-term needs, and the initially accepted employee bid will be necessary before the full effects of Fleet's managed competition process will be known.

Publishing Services

The Publishing Services Division provides full service, in-house reproduction and graphics center, and manages the Citywide Photocopier Program for all City departments. The Division is funded by charging customer departments for its service through the Publishing Services Fund.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for the Publish Services Division is approximately \$3.7 million, an increase of approximately \$450,000 over the FY 2015 Adopted Budget. Positions have remained at 10.00 FTE - constant from the previous year. Division revenues are projected to total approximately \$3.2 million, reflecting no change from FY 2015 Adopted Budget.

Significant Budget Adjustments

The FY2016 Proposed Budget includes the following significant budget adjustments:

- An addition of \$270,000 to address costs related to hardware and software maintenance, help desk support, and other information and technology services.
- An addition of approximately \$150,000 to support the development of the SAP Enterprise Asset Management Project.

Department Review

Purchasing & Contracting

Mayor's FY 2016 Proposed Adjustments

The FY 2016 proposed expenditure budget for the Purchasing & Contracting Department (P&C) is approximately \$20.6 million, an increase of \$970,000 or 4.9% over FY 2015. This net increase is almost entirely due to an approximate \$1.3 million increase in the Department's Information Technology (IT) budget and is off-set by a \$386,000 reduction in personnel expenses due largely to a \$369,000 reduction in P&C's proposed fringe benefits budget.

P&C's FY 2016 proposed revenue budget is approximately \$14.8 million, a decrease of \$157,000 or 1.1% from FY 2015. The Department's projected revenue for FY 2016 decreased primarily as a result of a decrease in staff time spent on reimbursable work in the service of non-General Fund departments, due to the streamlining efforts put in place in FY 2014. This decrease is partially mitigated by a \$92,000 increase in revenue

for reimbursable work associated with the implementation of the new SAP Enterprise Asset Management (EAM) system.

Additions

As stated previously, P&C's largest addition to their FY 2016 proposed budget is approximately \$1.3 million for IT expenditures. While some of these expenses are put in place to maintain current IT contracts such as with PlanetBids—the City's vendor registration system—or to replace aging hardware, approximately \$946,000 of this budget was requested for new applications. The majority of the one-time IT budget requests are to replace legacy databases that are no longer supported, but that maintain data that staff requires on an ongoing basis. P&C also received approximately \$220,000 as part of this IT budget, for the purchase and installation of SAP catalog management technology.

Both P&C and citywide staff have raised concerns that SAP's procurement module, as currently configured, does not reflect

SUMMARY OF PURCHASING & CONTRACTING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	78.55	\$ 6,926,011	\$ 12,707,001	\$ 19,633,012	\$ 14,949,133
Programmatic Changes					
<i>Information Technology Costs (includes discretionary project costs)</i>	-	-	1,348,812	1,348,812	-
<i>Payroll Supervisor for IO Branch</i>	1.00	69,766	2,500	72,266	-
<i>Hourly Wages</i>	(0.59)	(20,456)	-	(20,456)	-
<i>Enterprise Asset Management Revenue</i>	-	-	-	-	92,056
Other Changes					
<i>Other Adjustments</i>	-	(435,792)	5,270	(430,522)	(249,104)
FY 2016 Proposed Budget	78.96	\$ 6,539,529	\$ 14,063,583	\$ 20,603,112	\$ 14,792,085
Difference from 2015 to 2016	0.41	\$ (386,482)	\$ 1,356,582	\$ 970,100	\$ (157,048)

Department Review

City procurement processes or meet reporting and monitoring needs. As recommended in the Huron Report, in FY 2015 P&C worked with the Department of IT to request that SAP conduct an analysis to determine what changes need to be made to allow staff in P&C, as well as staff citywide who initiate and track procurements for their departments, to monitor contracts and procure goods and services more easily and efficiently. The Department of IT has budgeted \$900,000 in the OneSD Fund for FY 2016 to implement upgrades suggested in the SAP analysis.

Issues to Consider

In FY 2014 Council approved P&C's proposed changes to the Municipal Code that modified the approval of purchase requisitions and contract award thresholds. These changes were intended to streamline the City's procurement process by reducing the time involved in procuring goods and services, simplifying vendor registration, and increasing customer satisfaction with the procurement process. P&C notes that overall these streamlining measures are working as intended, but indicates that as City department budgets grow and the number of procurements rise, additional staffing may be required to mitigate the increased workload. The Department has indicated that it plans to request additional staff in the May Revision in anticipation of an increase in workload due to the addition of positions and non-personnel expenses added to the FY 2016 Proposed Budget.

On April 24, 2015, the Office of the City Auditor released their report: Performance Audit of Citywide Contract Oversight. This report raised concerns about the City's cur-

rent decentralized contract oversight process and provided nine recommendations to address those concerns, all of which City management agreed to implement. Management pointed to the analysis already done by SAP on the City's procurement module, as an indication that the City is working to make changes and investments in its technology infrastructure in order to appropriately track and monitor contracts in SAP. As noted above, funding to implement recommended SAP upgrades has been budgeted in the OneSD Fund for FY 2016.

The Auditor's report offered a number of other suggestions that may become fully or partially the responsibility of the Purchasing & Contracting Department:

- Establish procedures detailing requirements for contract administrators
- Design policies and procedures detailing a standardized citywide contract administration process, including preparation of a Quality Assurance Surveillance Plan for each contract awarded
- Define the contract close-out process for goods and services (this task was specifically assigned to P&C in the report)
- Develop policies and procedures for vendor performance evaluations
- Design policies and procedures detailing a vendor debarment process
- Develop a debarment appeals policy and procedure

Management noted that the additional contract monitoring and oversight work detailed in these recommendations was not a

Department Review

part of the work associated with the current Procurement Specialist job classifications, and that it would take time to update this job description. Additionally, management notes that increases in FTEs may be necessary in order to provide centralized contract administration oversight, but that a full assessment would not be made until the SAP upgrades were complete. **Our office suggests that a consultant with expertise in contract administration could help develop and oversee a strategy for the processes that the City needs to put in place.**

Key Performance Indicators

After Council approved P&C's proposed changes to the Municipal Code in FY 2014, P&C worked with our office to draft 15 new performance measures that would monitor the City's procurement changes in order to ensure that the proposed efficiencies are achieved, and that appropriate oversight is in place. Six of these performance indicators, displayed in the table below, are included in the FY 2016 Proposed

Budget and indicate positive trends between FY 2014 and FY 2015. Updates on all 15 of the performance measures will be presented to the Budget and Government Efficiency Committee in the fall of 2015.

Our office also notes that the percentage of contracts awarded to Small and Local Business Enterprises (SLBEs) is estimated to be 15% in FY 2015 and targeted for 20% in FY 2016, as displayed in the table on the following page. Both the FY 2015 estimate and the FY 2016 target fall short of the 30% actual share of contracts awarded to SLBEs in FY 2014. The Department indicates that the reason for this change is two-fold: 1) the 15% estimate for FY 2015 is a conservative estimate based upon the data that the Department had at the time they submitted their performance measure; and 2) the 20% target for FY 2016 is based on an average of performance data for the fiscal years 2011 through 2014. At this time, SBLE awards are only tracked for construction, and architects and engineering contracts; in FY 2016

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Total number of formal bids completed by Purchasing & Contracting	N/A ¹	69	N/A ¹	98	130
Average processing time between submission of a completed requisition and placement of a purchase order	N/A ¹	35.17 days	N/A ¹	27.58 days	15 days
Average cycle time for completion of request for proposal (RFP)/invitation to bid (ITB)	N/A ¹	90-160 days	N/A ¹	90-120 days	60-100 days
Average completion time of purchases under \$150,000	N/A ¹	32.89 days	N/A ¹	27.53 days	15 days
Total number of trainings conducted with City staff	N/A ¹	10	N/A ¹	23	25
Percent increase of SLBE firms registered annually in PlanetBids	N/A ¹	N/A ¹	N/A ¹	10%	10%

¹Measures were created in Fiscal Year 2015, prior year data is not available.

Department Review

the Department intends to begin to track SBLE awards for goods and services contracts as a result of the SAP procurement module upgrades.

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Percent of contracts, based on total dollar value, awarded to SLBEs	15%	30%	15%	15%	20%

Department Review

QUALCOMM Stadium

The Qualcomm Stadium Fund is a special revenue fund that supports the day-to-day operations at the stadium. Management of Qualcomm Stadium is provided by the Real Estate Assets Department.

Mayor's FY 2016 Proposed Adjustments

The FY 2016 proposed expenditure budget for Qualcomm Stadium is approximately \$19.3 million, which is a \$1.4 million or 7.6% increase over the FY 2015 Adopted Budget. This increase is mainly due to a \$978,000 increase in supplies and services for stadium maintenance and event services, a \$429,000 increase in the energy and utilities budget category, and a one-time addition of \$201,000 to replace stadium maintenance vehicles.

Qualcomm Stadium's proposed revenue budget in FY 2016 is set at approximately \$18.0 million, a \$1.3 or 7.8% increase from FY 2015. This increase is wholly due to an increase in the transfer to the stadium from the Transient Occupancy Tax (TOT) Fund.

Despite this increase in TOT, Qualcomm Stadium will operate at a deficit of almost \$1.4 million in FY 2016, which will require the use of fund balance.

Issues to Consider

Use of Fund Balance

Qualcomm Stadium does not generate enough revenue each year to cover its operations and maintenance budget, despite a revenue budget that includes a transfer of funds from the City's TOT Fund. The stadium's budget is balanced each year through the use of fund balance, a one-time source of revenue. Qualcomm Stadium's fund balance is projected to be fully utilized by FY 2016 year-end, while the need for continued investment in stadium repairs, maintenance, and supplies will likely continue to increase in future fiscal years. This is an ongoing issue that continues to be a risk to the General Fund, as increasing amounts of TOT that could be utilized for other City TOT-eligible expenses are transferred to pay for stadium costs.

SUMMARY OF QUALCOMM STADIUM BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	38.00	\$ 3,573,828	\$ 14,389,736	\$ 17,963,564	\$ 16,652,809
Programmatic Changes					
<i>Ongoing stadium maintenance (supplies)</i>	-	-	978,429	978,429	-
<i>Electricity</i>	-	-	428,858	428,858	-
<i>Vehicles for stadium maintenance (one-time)</i>	-	-	201,000	201,000	-
<i>Transfer from TOT</i>	-	-	-	-	1,304,637
Other Changes					
<i>Other Adjustments</i>	-	(5,570)	(229,444)	(235,014)	-
FY 2016 Proposed Budget	38.00	\$ 3,568,258	\$ 15,768,579	\$ 19,336,837	\$ 17,957,446
Difference from 2015 to 2016	-	\$ (5,570)	\$ 1,378,843	\$ 1,373,273	\$ 1,304,637

Department Review

The Future of Qualcomm Stadium

In February of this year, the San Diego Chargers, the primary tenant of Qualcomm Stadium, announced plans to move forward with constructing a new stadium in Carson, California, absent any immediate and tangible progress toward construction of a new NFL stadium in San Diego. Upon the Chargers' announcement, the San Diego Citizens' Stadium Advisory Group (CSAG) increased its efforts to prepare a stadium construction and financing plan and moved up the date by which that plan will be turned over to the City to May 20, 2015. At present, CSAG is preparing a potential financing plan for a new NFL stadium, and has indicated that any new stadium should be built in Mission Valley.

The Chargers are committed to playing the upcoming 2015 season at Qualcomm Stadium. Should the Chargers elect to leave the City at the conclusion of the 2015 NFL season, they can terminate their existing lease upon payment of a \$15.2 million fee.

Department Review

Real Estate Assets

Mayor's FY 2016 Proposed Adjustments

The Real Estate Assets Department (READ) manages the City's real estate portfolio, including the administration of over 500 of the City's existing leases, permits, operating agreements, and subleases.

The FY 2016 Proposed Budget for the General Fund portion of READ includes expenditures of \$6.2 million, an increase of approximately \$1.5 million over the FY 2015 Adopted Budget. READ's General Fund revenues in the FY 2016 Proposed Budget total \$45.4 million, an increase of \$309,000 over the FY 2015 Adopted Budget.

Significant Budget Adjustments

- The Proposed Budget includes an increase in expenditures of \$1.0 million to fund tenant improvements and office relocations. These expenditures will support the expansion of Public Works staff into offices at 525 B Street and Kearny Mesa, expansion of Transporta-

tion and Stormwater staff at Chesapeake Drive and Kearny Mesa, and relocation of Planning Department staff from 525 B Street to the Executive Complex.

- 3.00 Property Agents and 1.00 Supervising Property Agent are being added to READ's personnel to support expansion of the City's Capital Improvements Program (CIP). As discussed in the Public Works section of our report, the budget for the Public Works Department's Engineering & Capital Projects division includes the addition of 99.00 FTEs to expand the City's CIP. CIP projects often require some form of easement or property acquisition; READ staff indicates that an increase of 4.00 FTEs in READ to support the expansion of the CIP is appropriate.
- READ's Proposed Budget includes the addition of 1.00 Supervising Property Agent, which is proposed to work on the backlog of existing month-to-month

SUMMARY OF REAL ESTATE ASSETS DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	28.00	\$ 3,281,303	\$ 1,387,894	\$ 4,669,197	\$ 45,129,495
Programmatic Changes					
<i>Office Relocation/Tenant Improvements</i>	-	-	1,000,000	1,000,000	-
<i>Capital Improvement Program Staff Support</i>	4.00	338,873	-	338,873	338,873
<i>Addition of Supervising Property Agent</i>	1.00	91,003	-	91,003	-
<i>Appraisal Services</i>	-	-	40,000	40,000	-
<i>Engineering Services</i>	-	-	30,000	30,000	-
Other Changes					
<i>Revised Revenue Projections</i>	-	-	-	-	(29,540)
<i>Other Adjustments</i>	-	25,510	(10,058)	15,452	-
FY 2016 Proposed Budget	33.00	\$ 3,736,689	\$ 2,447,836	\$ 6,184,525	\$ 45,438,828
Difference from 2015 to 2016	5.00	\$ 455,386	\$ 1,059,942	\$ 1,515,328	\$ 309,333

Office of the Independent Budget Analyst

April 2015

Department Review

leases and additional lease amendments and/or extensions.

Concourse & Parking Garage Operating Fund

The FY 2016 Proposed Budget for the Concourse and Parking Garage Operating Fund includes \$4.4 million in expenditures, an increase of \$1.7 million from the FY 2015 Adopted Budget. The majority of this increase in expenditures is the result of an increase in the transfer of funds to the General Fund of \$1.6 million, including CCP lease amounts discussed below.

Additional revenues of \$1.1 million result from the lease-to-own agreement the City entered into with CCP, LLC in January 2015. These revenues partially offset the increased transfer to the City's General Fund discussed above.

A summary of other changes in the Concourse and Parking Garage Operating Fund budget is included below.

SUMMARY OF CONCOURSE AND PARKING GARAGE OPERATING FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	2.00	\$ 212,310	\$ 2,496,953	\$ 2,709,263	\$ 2,713,422
Programmatic Changes					
<i>Civic Center Plaza Lease-to-Own Revenue</i>	-	-	1,061,237	1,061,237	1,061,237
<i>Increase in General Fund Transfer</i>	-	-	567,645	567,645	-
<i>Contractual Expenditures</i>	-	-	174,658	174,658	-
Other Changes					
<i>Other Adjustments</i>	-	(11,257)	(62,362)	(73,619)	-
FY 2016 Proposed Budget	2.00	\$ 201,053	\$ 4,238,131	\$ 4,439,184	\$ 3,774,659
Difference from 2015 to 2016	-	\$ (11,257)	\$ 1,741,178	\$ 1,729,921	\$ 1,061,237

Department Review

Risk Management

Mayor's FY 2016 Proposed Adjustments

The Risk Management Department manages the City's self-insured Workers' Compensation Program; coordinates public liability and loss control measures; and administers employee health and safety programs, employee savings plans, the Long-Term Disability Plan, and the Employee Assistance Program (EAP).

The Risk Management Administration Fund is an internal service fund from which risk management administration costs are paid. In order to operate, an internal service fund needs sufficient revenues to cover expenditures.

Both revenues and expenditures in Risk Management's FY 2016 Proposed Budget total \$10.6 million. The revenue increase of \$1.2 million is partly due to \$297,000 in increased expenditures. The remaining

\$951,000 is related to FY 2015 Adopted Budget expenditures exceeding revenues, with the Risk Management Administration Fund Balance covering the difference. Fund balance is projected to be sufficiently depleted in FY 2015 so that there will not be any fund balance used to cover expenditures in FY 2016. The addition of the \$951,000 increases the baseline revenue budget to match baseline expenditures.

City departments contribute to the Risk Management Administration Fund revenues, on a per employee basis, as part of Fringe Benefits. Fringe benefits are non-wage costs related to personnel, such as Worker' Compensation, Long-Term Disability, the Actuarially Determined Contribution pension payment, Flexible Benefits, and Medicare.

General Fund Fringe Benefits contributions of \$7.0 million comprise approximately 66% of the revenues to the Risk Management

SUMMARY OF RISK MANAGEMENT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	82.13	\$ 7,892,207	\$ 2,373,722	\$ 10,265,929	\$ 9,314,487
Programmatic Changes					
<i>Payroll Specialist 1</i>	1.00	62,181	2,500	64,681	-
<i>Workers' Compensation Claims Representative 2</i>	0.50	51,370	2,500	53,870	-
<i>Workers' Compensation Temporary Staffing</i>	-	-	250,000	250,000	-
Other Changes					
<i>Hourly Wages</i>	(0.35)	(12,518)	-	(12,518)	-
<i>Revenue Increase due to Prior Use of Fund Balance</i>	-	-	-	-	951,442
<i>Revenue Increase due to Expenditures Increase</i>	-	-	-	-	296,636
<i>Other Adjustments</i>	-	(23,990)	(35,407)	(59,397)	-
FY 2016 Proposed Budget	83.28	\$ 7,969,250	\$ 2,593,315	\$ 10,562,565	\$ 10,562,565
Difference from 2015 to 2016	1.15	\$ 77,043	\$ 219,593	\$ 296,636	\$ 1,248,078

Office of the Independent Budget Analyst

April 2015

Department Review

Administration Fund, with Non-General Fund departments contributing \$3.6 million, or approximately 34%.

The number of FTEs in the FY 2016 Proposed Budget has increased by 1.15 FTEs, from 82.13 to 83.28 FTEs, over the FY 2015 Adopted Budget as follows:

- A 1.00 FTE increase for a Payroll Specialist I to support payroll work requirements which are currently performed by hourly personnel.
- A 0.50 FTE increase for a Workers' Compensation Claims Representative 2 will assist in handling State reporting requirements.
- A 0.35 FTE decrease in non-standard hourly personnel—from 1.63 to 1.28 FTEs.

NPE additions include \$250,000 for temporary Workers' Compensation staffing which will be utilized until four vacant positions can be filled.

Lastly, the \$250,000 revenue and corresponding expenditure budget for benefits consulting and brokerage services is being removed from the Risk Management budget. This is not shown in the table on the preceding page, as there is no impact to the fund balance. These expenses will be paid directly from the benefits fund.

Issues to Consider

Risk Management Administration oversees the Public Liability, Workers' Compensation, and Long-Term Disability Funds. Information on these three funds is presented in

separate sections, under Significant City-wide Issues.

Key Performance Indicators

The data in Risk Management's performance measures relates to the Workers' Compensation and Public Liability Reserves. Estimated FY 2015 and Target FY 2016 reserve amounts will be updated in the Adopted Budget to reflect updated goals (which will be based on updated three-year averages of outstanding liability figures for the funds). Although the target amounts will change, the FY 2016 percent funding requirements per the City Reserve Policy will remain the same, at 40% for the Public Liability Fund and 25% for the Workers' Compensation Fund.

Department Review

Special Promotional Programs

Mayor's FY 2016 Proposed Adjustments

The FY 2016 proposed expenditure budget allocations for Special Promotional Programs is approximately \$95.2 million, a \$6.0 million or 3.6% increase over FY 2015. This increase is due to the 5.5% projected growth in transient occupancy tax (TOT) revenue, partially offset by an approximate \$3.9 million reduction in the use of fund balance from the prior fiscal year. The ex-

penditure and revenue budgets displayed in the table below incorporates the projected use of approximately \$3.9 million in fund balance in FY 2016, as well as allocations that support the FY 2016 proposed operating budgets for the Commission for Arts and Culture (almost \$1.1 million included as part of the \$10.9 million in the Arts, Culture, and Community Festivals line item) and Special Events departments (\$1.4 million).

Per the San Diego Municipal Code, 5.5

SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS BUDGET CHANGES			
	FY 2015 ADOPTED	FY 2016 PROPOSED	CHANGE
Revenue			
<i>Transient Occupancy Tax (TOT)</i>	\$ 83,938,446	\$ 91,161,931	\$ 7,223,485
<i>Special Events Department</i>	150,000	150,000	-
<i>Use of TOT Fund Balance</i>	10,143,594	3,873,917	(6,269,677)
Total Revenue	\$ 94,232,040	\$ 95,185,848	\$ 953,808
Allocations			
<i>Arts, Culture, and Community Festivals</i>	\$ 10,040,703	\$ 10,912,169	\$ 871,466
<i>Capital Improvements</i>	31,363,272	31,364,321	1,049
<i>Balboa/Mission Bay Park Improvements</i>	1,675,700	1,673,526	(2,174)
<i>Convention Center</i>	12,560,650	12,563,450	2,800
<i>PETCO Park</i>	11,317,415	11,319,000	1,585
<i>Qualcomm</i>	4,750,307	4,746,120	(4,187)
<i>Trolley Extension</i>	1,059,200	1,062,225	3,025
<i>Economic Development Programs</i>	2,095,000	2,145,000	50,000
<i>Major Events</i>	150,000	150,000	-
<i>Operating Support</i>	13,965,000	14,747,883	782,883
<i>Balboa/Mission Bay Park Improvements</i>	284,300	451,474	167,174
<i>Convention Center</i>	4,600,343	4,049,543	(550,800)
<i>PETCO Park</i>	2,498,335	1,980,074	(518,261)
<i>Qualcomm</i>	5,524,693	6,833,517	1,308,824
<i>Special Events Department</i>	1,044,801	1,423,772	378,971
<i>Trolley Extension Reserve</i>	12,528	9,503	(3,025)
<i>Discretionary TOT to General Fund</i>	16,387,689	17,832,386	1,444,697
<i>Expenditures</i>	17,844,626	18,034,089	189,463
Total Allocations	\$ 91,846,290	\$ 95,185,848	\$ 6,031,106

Department Review

cents of the City's 10.5 cent TOT levy are deposited into the General Fund, while the remaining 5 cents are deposited into the TOT Fund and allocated for various purposes via the Special Promotional Programs budget. Of the 5 cents deposited into the TOT Fund, the Municipal Code requires that 4 cents be used solely for the purpose of promoting the City, while the remaining 1 cent can be used for any purpose as directed by the City Council.

Changes to the Budget

Arts & Culture Funding

The Special Promotions FY 2016 proposed Arts, Culture, and Community Festivals funding for FY 2016 increased by approximately \$871,000 over FY 2015. This increase is almost entirely due to a change in the Penny for the Arts allocation that increases the dollar amount of the allocation while retaining the 5.7% of the Penny for the Arts Blueprint goal that was budgeted in FY 2015.

The Penny for the Arts Five-Year Blueprint (Blueprint) was adopted by City Council on October 22, 2012, with the goal of restoring Arts, Culture, and Community Festivals allocations within the annual Special Promotional Programs budget to FY 2002 funding

levels. The Penny for the Arts funding in the FY 2016 Proposed Budget falls short of the FY 2016 Blueprint goal of 8.55% of 1 cent of TOT as displayed in the table below, but it does reflect the funding that was allocated to this program in the Mayor's Five-Year Financial Outlook for FY 2016-2020.

Discretionary TOT to the General Fund

In addition to the 5.5 cent General Fund TOT discussed in the major revenues section of this report, the General Fund receives 1 cent of TOT revenue as a discretionary transfer. The 1 cent transfer to the General Fund in the FY 2016 Proposed Budget increased approximately \$1.4 million from FY 2015, as a result of the City's projected increase in TOT revenue.

General Fund Promotion-Related Expenditures

In FY 2009, the City began allocating TOT revenues for promotion-related expenses within the General Fund, such as the maintenance of parks and facilities in areas frequently visited by tourists, in compliance with the Municipal Code requirement for promotional funding. The FY 2016 allocation for General Fund promotion-related expenditures is \$18.0 million, a \$189,000 increase over FY 2015.

PENNY FOR THE ARTS		
	FY 2015	FY 2016
<i>Penny for the Arts Blueprint Goal (%)</i>	8.08%	8.55%
<i>Transient Occupancy Tax Projection (10.5 cent)¹</i>	176,270,736	191,440,055
<i>Penny for the Arts Blueprint Goal (\$, based on Goal %)</i>	14,242,675	16,368,125
<i>Penny for the Arts Budgeted Funding (based on 5.7%)²</i>	10,040,703	10,912,169
Variance in Budgeted Funding from the Blueprint Goal (\$)	\$ (4,201,972)	\$ (5,455,956)

¹ 10.5 cent Transient Occupancy Tax projections as included in the FY 2015 Adopted Budget and FY 2016 Proposed Budget.

² As budgeted in the FY 2015 Adopted Budget and the FY 2016 Proposed Budget.

Department Review

Mission Bay Park/Balboa Park Improvements Fund

The FY 2016 proposed TOT allocation for the Mission Bay Park/Balboa Park Improvements Fund is comprised of capital improvements and operating support, and totals approximately \$2.1 million, a \$165,000 increase over FY 2015, due to operating expenditures related to the Balboa Park trams.

PETCO Park Fund

The Special Promotional Programs FY 2016 PETCO Park allocation is comprised of capital improvements and operating support, and totals approximately \$13.3 million, a \$517,000 decrease from FY 2015. The \$11.3 million debt service payment included in this allocation has not materially changed from FY 2015.

Qualcomm Stadium Operations Fund

The budgeted transfer to the Qualcomm Stadium Operations Fund for debt service and operating support in the FY 2016 Proposed Budget totals approximately \$11.6 million, a \$1.3 million increase over FY 2015 due to increased operational costs.

Transfer to Convention Center Expansion Administration and New Convention Facilities Funds

The FY 2016 transfer to the Convention Center Expansion Administration and New Convention Facilities Funds is comprised of capital improvements and operating support, and totals approximately \$16.6 million, a decrease of \$548,000 from FY 2015.

Department Review

Transportation & Storm Water

Transportation & Storm Water (TSW) is responsible for the operation and maintenance of streets, sidewalks, and storm drains, and plans and coordinates the City's right-of-way. The Department also performs traffic and transportation engineering, and leads efforts to protect and improve water quality in the City's rivers, creeks, bays, and the ocean. To accomplish these missions, TSW has four divisions:

- Street
- Storm Water

- Right-of-Way (ROW) Management
- Transportation Engineering Operations (TEO)

In addition to the General Fund, the Department receives both operating and Capital Improvement Program (CIP) funds from various sources, including transfers from the Prop 42 Replacement—Transportation Relief Fund, the Underground Surcharge Fund, the Gasoline Tax, TransNet, and the Storm Drain Fund.

SUMMARY OF TRANSPORTATION & STORM WATER GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	476.33	\$ 43,112,570	\$ 60,982,017	\$ 104,094,587	\$ 48,245,274
Programmatic Changes					
<i>Storm Water Permit Compliance</i>	28.00	1,989,182	9,820,442	11,809,624	-
<i>Low Flow Diversion Program</i>	10.00	640,197	2,070,532	2,710,729	-
<i>Sidewalk Repairs and Assessments</i>	2.00	173,091	3,800,000	3,973,091	173,091
<i>Streetlight Improvements, Additions and Repairs</i>	2.00	173,091	3,700,000	3,873,091	173,091
<i>Increased Tree-Trimming</i>	-	-	1,600,000	1,600,000	-
<i>Graffiti Abatement</i>	2.35	123,635	648,235	771,870	20,000
<i>Bicycle Master Plan Implementation</i>	2.00	105,148	219,769	324,917	-
<i>Sidewalks, Gutters, Ramps, & Crosswalks Installation</i>	12.00	733,242	393,974	1,127,216	828,552
<i>Mill-and-Pave Roadway Improvements</i>	5.00	321,051	850,000	1,171,051	-
<i>Minor Contracts Crew</i>	7.00	568,721	195,492	764,213	606,533
<i>Trench Repair Crew</i>	12.00	717,213	-	717,213	717,213
<i>Street Repair Crew</i>	7.00	556,341	149,838	706,179	556,341
<i>Traffic Signal Upgrades & Traffic Improvements</i>	8.00	598,349	246,489	844,838	638,838
<i>Support for CIP and Engineering/Capital Projects</i>	4.00	406,884	310,000	716,884	293,838
<i>Transportation Planner for Climate Action Plan</i>	1.00	96,576	-	96,576	96,576
<i>Support for SAP EAM Project</i>	-	-	3,288,832	3,288,832	513,115
<i>Addition of Other Management and Financial Staff</i>	3.00	418,364	4,800	423,164	-
Other Changes					
<i>One-Time Reductions and Annualizations</i>	-	-	(9,204,000)	(9,204,000)	-
<i>Non-Discretionary Adjustments</i>	-	-	247,977	247,977	-
<i>Revised Revenue Projections</i>	-	-	-	-	4,308,668
<i>Other Adjustments</i>	(0.94)	(971,434)	343,625	(627,809)	(114,393)
FY 2016 Proposed Budget	580.74	\$ 49,762,221	\$ 79,668,022	\$ 129,430,243	\$ 57,056,737
Difference from 2015 to 2016	104.41	\$ 6,649,651	\$ 18,686,005	\$ 25,335,656	\$ 8,811,463

Department Review

Mayor's FY 2016 Proposed Adjustments

The FY 2016 Proposed Budget for TSW includes both General Fund and Underground Surcharge Fund expenditures and revenues. A summary of General Fund changes is included on the previous page, and a summary of Underground Surcharge changes is included below. The total expenditures in the Proposed Budget are \$187.8 million, an increase of \$33.1 million, or 21.4%, over what was included in the FY 2015 Adopted Budget. Combined revenues in the Proposed Budget total \$120.4 million, an increase of \$21.6 million, or 21.9% over FY 2015 levels.

Issues to Consider

The Proposed Budget for TSW includes an increase of 106.41 FTEs. This represents a 22.0% increase in TSW positions.

The bulk of these FTE adds are proposed in the Storm Water division (41.72 FTEs) to support the City's storm water compliance efforts, and the Street division (48.69 FTEs) to support increased street repair goals. Both of these areas represent critical City programs.

Over the past several years, TSW has operated with 45 to 55 vacancies at any given time. As of January 5, 2015, TSW had 54 vacant positions. While 52 of those positions are anticipated to be filled by the end of FY 2015, additional personnel departing the department in the interim may increase the total number of vacant positions that will need to be filled.

Filling existing and new vacancies, while at the same time hiring the additional 106.41 positions in the Proposed Budget, represents a significant challenge that will require coordination among many different City departments. The addition of 112.00 new FTEs in the Public Works Department also proposed in the budget magnifies the importance of coordinating hiring efforts. TSW staff have indicated that work is already underway to update personnel lists and prepare for interviews and hiring. **Should the additional positions for TSW be approved, it would be appropriate to receive periodic updates on hiring throughout the year, including during Council's First Quarter and Mid-Year reviews.**

A review of the FY 2016 Proposed Budget and significant programmatic items for each TSW division follows.

SUMMARY OF TSW UNDERGROUND SURCHARGE FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	7.00	\$ 809,032	\$ 49,783,707	\$ 50,592,739	\$ 50,592,739
Programmatic Changes					
<i>Increased Surcharge Expenditures</i>	-	-	7,719,039	7,719,039	-
<i>Addition of Senior Planner</i>	1.00	89,391	1,800	91,191	-
<i>Addition of Public Information Clerk</i>	1.00	51,405	1,800	53,205	-
Other Changes					
<i>Other Adjustments</i>	-	(33,874)	(33,759)	(67,633)	-
<i>Revised Revenue Projections</i>	-	-	-	-	12,795,802
FY 2016 Proposed Budget	9.00	\$ 915,954	\$ 57,472,587	\$ 58,388,541	\$ 63,388,541
Difference from 2015 to 2016	2.00	\$ 106,922	\$ 7,688,880	\$ 7,795,802	\$ 12,795,802

Office of the Independent Budget Analyst

April 2015

Department Review

Street

The Street Division maintains and repairs all streets, alleys, sidewalks, bridges, guardrails, and fences. This includes administering annual resurfacing and slurry seal contracts; performing traffic lane striping; and painting and removing traffic markings and legends. Street Division also maintains and repairs street lights and traffic signals, signs, and street trees.

In addition to the General Fund, Street Division receives funds for operating and maintenance from other sources, including:

- Prop 42 Replacement—Transportation Relief Fund
- TransNet
- Gasoline Tax

Changes to Budget

The FY 2016 Proposed Budget for the Street Division totals \$60.4 million, an increase of \$11.0 million or 22.2% over the FY 2015 Adopted Budget. The Proposed Budget includes 321.79 FTEs, a net increase of 48.69 FTEs from the FY 2015 Adopted Budget. Significant programmatic changes are discussed below.

Additional Street Repair

Earlier this year, the Mayor established a goal of repairing 1,000 miles of City streets

over the next five years, and increasing the Overall Condition Index (OCI) of City Streets to 70 over the next 10 years. The Proposed Budget includes 24.00 new FTEs and \$2.8 million in expenditures to support that goal. Slurry-seal repairs of City streets are planned to increase to 210 miles, and asphalt-overlay is planned to increase to 94 miles, as indicated on the chart below.

Sidewalk Repairs

The Proposed Budget includes a \$3.2 million transfer to the City’s CIP for sidewalk repair and replacement, and an additional \$600,000 in expenditures to support the City’s sidewalk repair contract. TSW released a condition assessment of City sidewalks on April 17, 2015 that identified over 70,000 sidewalk deficiencies. This funding is intended to mitigate the most severe sidewalk tripping hazards identified in that assessment.

Increased Tree Trimming

In FY 2015, the City entered into a 1-year contract for tree-trimming services, with four 1-year extension options. The Proposed Budget adds \$1.6 million in related expenditures for FY 2016, and proposes increasing the number of street trees trimmed from an estimated 15,000 in FY 2015 to 45,000 in FY 2016.

Streetlight Installation and Replacement

The Proposed Budget adds \$1.0 million in

KEY PERFORMANCE MEASURES - STREET DIVISION					
Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Asphalt Overlay (miles)	80	90	95	50	94
Slurry-Seal (miles)	125	88	125	125	210
Trees Trimmed	N/A	8,900	9,000	15,000	45,000

Department Review

expenditures for installation of new streetlights, and an additional \$2.7 million in expenditures for upgrades to older streetlights that currently operate on series circuits (when one streetlight on a series circuit goes out, all other lights on that circuit go out as well). TSW staff estimates that this funding will allow for installation of 80 to 100 new streetlights, and replacement of two series circuits.

Graffiti Abatement Program

In FY 2015, TSW began implementation of a pilot program that allows the department to act as the main point of contact for all graffiti complaints in the City. The Proposed Budget includes the addition of 2.35 FTEs and \$772,000 to support continuation of the program, and to allow TSW to manage all graffiti abatement work in the City.

Storm Water

The Storm Water Division leads the City's efforts to protect and improve the water quality in the City's waterways and water bodies. The Division's efforts are focused on ensuring compliance with the Municipal Storm Water Permit and other surface water quality regulations issued by governing bodies, as well as engaging in flood risk management activities.

On May 8, 2013, the new Municipal Storm

Water Permit (permit) was adopted by the San Diego Regional Water Quality Control Board (Regional Board). That permit mandates more stringent regulations which require a significant increase in municipal costs over the next several years to ensure compliance with the permit.

In FY 2014, the City prepared a Watershed Asset Management Plan (WAMP), which incorporates both the costs of permit compliance and flood risk management activities. The WAMP is used by the City as a planning tool to project how much funding is necessary for compliance, including costs associated with Total Maximum Daily Loads (TMDLs), Areas of Special Biological Significance (ASBS), upcoming compliance deadlines, the deferred capital backlog, and the Division's operational activities.

The WAMP projects compliance costs through FY 2040 as totaling \$3.4 billion. TSW staff is proactively working with environmental stakeholders and the Regional Board to refine regulations and decrease compliance costs. It is currently hoped that an amendment to the Bacteria TMDL may result in \$350 million in savings, and moving towards fairly sharing cost allocations among other responsible entities may result in a further reduction in City costs by \$458 million over that time period. Even with those reductions, however, compliance costs will continue to remain high. To en-

KEY PERFORMANCE MEASURES - STORM WATER DIVISION

Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Miles of Street Sweeping	104,000	94,574	121,000	95,000	121,000
Storm Drain Pipes Cleaned (linear feet)	8,000	43,137	14,000	11,000	11,000
Number of Failed Storm Drain Pipes	0	12	0	3	0

Office of the Independent Budget Analyst

April 2015

Department Review

sure long-term compliance with storm water regulations, additional funding will be necessary in future years.

Development of the Division's Proposed FY 2016 Budget was guided by the WAMP. Over the next five years, operational costs identified in the WAMP total \$277.9 million, with CIP costs adding another \$777.2 million over that same five-year time period. Additional funding will need to be identified to fully fund CIP needs.

Changes to Budget

The FY 2016 Proposed Budget for the Storm Water Division totals \$55.4 million, an increase of \$10.9 million or 24.6% over the FY 2015 Adopted Budget. The Proposed Budget includes 172.95 FTEs in the Storm Water Division, an increase of 41.72 FTEs from the FY 2015 Adopted Budget. Significant programmatic changes are discussed below.

Storm Water Permit Compliance

The Proposed Budget includes the addition of 28.00 FTEs and \$11.8 million in expenditures to support Bacteria TMDL and municipal storm water permit requirements.

Work supported by these amounts includes channel cleaning, catch-basin cleaning, street sweeping, and additional maintenance of storm water BMPs.

Low Flow Diversion Program

The Proposed Budget includes the addition of 10.00 FTEs and \$2.7 million to support the City's Low Flow Diversion Program. The Low Flow Diversion program prevents contamination of storm water by diverting low flow street runoff into the sewer system, rather than the storm drain system.

In prior years, the Public Utilities Department managed the City's Low Flow Diversion Program; the Proposed Budget begins the process of transferring responsibility for the program to TSW. In FY 2016, half of the program is proposed to be transferred to TSW, with the remaining half to be transferred in FY 2017.

Transportation Engineering Operations

Transportation Engineering Operations (TEO) serves as the asset manager of the City's roadway infrastructure within the public right of way. These responsibilities include performing operational functions for the City's transportation systems and planning and programming CIP projects.

Changes to Budget

The FY 2016 Proposed Budget for TEO is \$10.5 million, which is an increase of \$2.4 million or 30.3% over the FY 2015 Adopted Budget. The Proposed Budget includes 70.00 FTEs in the Division, an increase of 11.00 over the FY 2015 Adopted Budget.

CIP Planning Support

A significant portion of this increase includes the addition of 4.00 FTEs and \$407,000 to support CIP planning and implementation.

Climate Action Plan Support

The Division's budget includes the addition of 1.00 Senior Planner and \$97,000 in associated costs to assist with implementation of the City's Climate Action Plan.

Department Review

ROW Management

program's efforts to communicate effectively with the public.

The ROW Management Division of TSW is responsible for right-of-way planning, control, and coordination between City departments, franchise utilities, developers, and other private entities that perform work in the public right of way. The Division also plans and manages the Utilities Undergrounding Program, which is funded through the Underground Surcharge Fund.

Changes to Budget

The FY 2016 Proposed Budget for ROW Management includes \$61.4 million in expenditures across the General Fund and the Underground Surcharge Fund. This is an increase of \$8.8 million, or 16.7% from the FY 2015 Adopted Budget. ROW FTEs in the Proposed Budget total 25.00, an increase of 5.00 FTEs from the FY 2015 Adopted Budget.

Utilities Undergrounding

The bulk of increases to ROW's budget come in the Utilities Undergrounding Program. The Proposed Budget includes an addition of \$7.8 million in expenditures from the Underground Surcharge Fund, offset by an increase in Fund revenue of \$12.8 million. Increases in Fund revenue are associated with increased SDG&E revenues and surcharge payments.

The Proposed Budget includes the addition of a Public Information Clerk to support the

KEY PERFORMANCE MEASURES - ROW DIVISION					
Performance Measure	Target FY 2014	Actual FY 2014	Target FY 2015	Estimated FY 2015	Target FY 2016
Miles of Overhead Utilities Undergrounded	15.0	7.4	15.0	20.0	15.0

Department Review

Other Departments

Airports

The FY 2016 Proposed Budget for the Airports Division is approximately \$4.7 million, a decrease of approximately \$575,000 from the FY 2015 Adopted Budget. Fund revenues are budgeted at \$4.9 million, an increase of \$103,000 from FY 2015.

Significant budget adjustments include a \$550,000 decrease in one-time funding that was used to restore sensitive habitat associated with the Montgomery Field Localizer Antenna.

Ethics Commission

The FY 2016 Proposed Budget for the Ethics Commission is approximately \$1.0 million, an increase of \$57,000 or 5.8% from the FY 2015 Adopted Budget. This change is primarily due to an increase of approximately \$80,000 in salaries and wages, additional modest overall increases in non-personnel costs, and an off-setting decrease of \$30,000 in the Department's fringe benefits budget.

The increase in the Department's personnel budget is due to the addition of 2.00 Program Managers and 1.00 Program Coordinator that were approved by the City Council on February 3, 2015. These additions are off-set by the reduction of 3.00 positions: 1.00 Accountant 2, 1.00 Administrative Aide 2, and 1.00 Senior City Attorney Investigator.

Internal Operations

The FY 2016 Proposed Budget for the Internal Operations Branch is approximately \$396,000, an increase of \$8,000 or 2.1% from the FY 2015 Adopted Budget. This change is explained by a modest decrease in salaries, an increase in fringe benefit costs and an increase in non-personnel expenses.

The Internal Operations Branch is comprised of 1.00 Deputy Chief Operating Officer for Internal Operations (overseeing Fleet Services, Human Resources, Information Technology, Purchasing & Contracting, and Real Estate Assets) and 0.50 Executive Secretary. Staffing remains unchanged from the FY 2015 Budget at 1.50 FTE positions.

Neighborhood Services

The FY 2016 Proposed Budget for the Neighborhood Services Branch is approximately \$858,000, a decrease of approximately \$113,000 from the FY 2015 Adopted Budget. The decrease is primarily due to reduced pension expenses.

The number of positions in the Neighborhood Services Branch remains unchanged at 5.50 FTEs including 1.00 Deputy Chief Operating Officer for Neighborhood Services, 3.0 Executive Directors, and 1.50 Executive Secretary positions.

Department Review

Office of the CFO

The FY 2016 Proposed Budget for the Office of the Chief Financial Officer (CFO) is approximately \$581,000, an increase of \$15,000 or 2.6% from the FY 2015 Adopted Budget. This change is explained by a modest increase in salaries, a decrease in fringe benefit costs and an increase in non-personnel expenses.

The Office of the CFO is comprised of 1.00 Chief Financial Officer and 1.00 Executive Secretary. Office staffing remains unchanged from the FY 2015 Budget at 2.00 FTE positions.

Office of the COO

The FY 2016 Proposed Budget for the Office of the Chief Operating Officer (COO) is approximately \$961,000, an increase of \$36,000 or 3.9% from the FY 2015 Adopted Budget. This change is primarily due to increases in fringe benefit costs and non-personnel expenses.

The Office of the COO is comprised of the Chief Operating Officer, 1.00 Confidential Secretary, 1.00 Docket Liaison, 1.00 Docket Coordinator and a 0.35 FTE position for hourly support. Office staffing remains unchanged from the FY 2015 Budget. The FY 2016 Proposed Budget for the Office of the Chief Financial Officer (CFO) is approximately \$581,000, an increase of \$15,000 or 2.6% from the FY 2015 Adopted Budget. This change is explained by a modest increase in salaries, a decrease in fringe benefit costs and an increase in non-personnel expenses.

Office of Homeland Security

The FY 2016 Proposed Budget for the Office of Homeland Security (OHS) is \$2.1 million, an increase of approximately \$96,000 from the FY 2015 Budget. The FY 2016 Proposed Budget results in a net increase of 0.80 FTE, due to the addition of two provisional hourly employees, for a total of 14.40 FTEs at OHS. However, OHS has indicated that 2.00 FTE Supervising Homeland Security Coordinators added during the FY 2015 Mid-Year Budget Adjustments were inadvertently not counted in the FY 2016 Proposed Budget. This is anticipated to be corrected in the May Revision. Therefore, as proposed, OHS will have 16.40 FTE in FY 2016. OHS personnel will consist of 14 full-time employees supplemented with six provisional hourly employees.

Office of the IBA

The FY 2016 Proposed Budget for the Office of the Independent Budget Analyst (IBA) is approximately \$1.8 million, an increase of \$81,000 or 4.7% from the FY 2015 Adopted Budget. This change is primarily due to an increase of approximately \$77,000 in fringe, additional modest increases in salaries and wages and non-discretionary costs, and a small off-setting decrease in the Department's information technology budget.

Department Review

PETCO Park

The FY 2016 Proposed Budget for the PETCO Park Fund is approximately \$16.1 million, a decrease of approximately \$1.5 million from the FY 2015 Adopted Budget. Of that reduction, \$1.4 million is due to lower debt service payments on newly refinanced ballpark bonds.

Revenue is budgeted at \$15.2 million, a decrease of \$516,000 from FY 2015.

needs of the film production community.

Special Events

The FY 2016 Proposed Budget for the Special Events Department is approximately \$1.4 million, an increase of 1.00 FTE and approximately \$379,000 from the FY 2015 Adopted Budget.

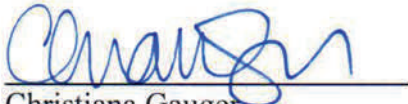
The FY2016 Proposed Budget includes the following significant budget adjustments:

- An increase of 1.00 FTE Program Manager and approximately \$141,000 to assist the department with permitting film productions in the City. The position's primary responsibilities would include facilitating filming on City public property, establishing customer service and industry relationship programs to generate increased filming in the City, and support staff with large special event coordination.
- An increase of \$125,000 in non-personnel expenditures to collaborate with the County of San Diego to issue a Request for Information to evaluate the feasibility of a regional public-private or nonprofit organization to address the


Budget Review for City Agencies


The IBA will release a review of the City Retirement System on May 1st, 2015, ahead of its budget hearing. Budget reviews for the San Diego Housing Commission, Civic San Diego, the Successor Agency for the former Redevelopment Agency, and the Convention Center will be released on May 4th, 2015, in anticipation of their budget hearings on May 7th, 2015.

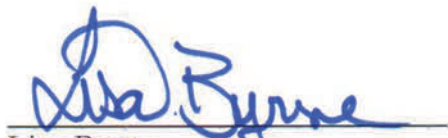
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