

# Review of the Fiscal Year 2017 Proposed Budget

Analysis by the Office of the Independent Budget Analyst | Report 16-05



*Cover images one and four are of Niki de Saint Phalle's sculpture, Coming Together, which is located outside of the San Diego Convention Center. Images two and three are from murals located in Chicano Park. Image two, Sueño Serpiente, was designed by Soccoro Gamboa and was painted by Felipe Adame and Roger Lucero in 1978; it was renovated in 1989 by Mario Torero and Mano Lima, and again in 1991 by Felipe Adame and Laurie Manzano. Image three, Luna Del Nuevo Amanecer, was designed and painted by Victor Ochoa and local students.*

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## **City Agencies**

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# High Level Review of the Mayor's FY 2017 Proposed Budget

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***The Mayor's FY 2017 Proposed Budget is a solid proposal adhering to City financial policies and best practices, incorporating reasonable revenue assumptions, and focusing on a wide range of priority core services supported by the City Council.***

## Overview of Expenditures

The Mayor has proposed his budget outlining his funding priorities as well as addressing many of the City Councils'. Now the City Council will meet as the Budget Review Committee to discuss the proposal in full as they review each department's budget and hear from the public. The budget reviews with City staff, as well as public testimony at the Budget Review Committee hearings, will inform Council as they finalize their budget priorities that they will submit to our Office, and that will be used to establish the City Council's FY 2017 Adopted Budget.

***“Now the City Council will meet as the Budget Review Committee to discuss the proposal in full as they review each department's budget and hear from the public.”***

The Proposed Budget is reflective of past and continuing efforts in service restorations and attention to infrastructure. Revenue projections are appropriately conservative and support expenditure increases for FY 2017. The FY 2017 Proposed General Fund Budget for expenditures is \$1.33 billion, compared to the FY 2016 Adopted General Fund Budget of \$1.29 billion—an increase of approximately \$38.2 million or

3%. The total number of General Fund FTE positions is increasing by 217.96 from 7,299.48 to 7,517.44.

New General Fund expenditures for FY 2017 focus on four main service areas that closely match the Mayor's goals as identified in his Strategic Vision: Repairing Streets and Investing in Infrastructure, Safe and Livable Neighborhoods, An Economically Prosperous City with Opportunity in Every Community, and Excellent Customer Service and Open Government. Other notable expenditures include funding for reserves, including increases for the General Fund, Workers'

Compensation Fund, and Public Liability Fund; increases from labor negotiations, including a set-aside for pending labor negotiations; and increases in pension payments.

## Overview of Revenues

The FY 2017 Proposed Budget includes approximately \$1.33 billion in projected General Fund revenues, an increase of \$44.3 million or 3.5% over the FY 2016 Adopted Budget. This projected increase reflects the

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stable but slowing economic forecast that was included in the FY 2017-2021 Five-Year Financial Outlook (Outlook), with the exception of a larger than expected decline in sales tax revenue due to ongoing reductions in fuel prices.

Four major General Fund revenues: property tax, sales tax, transient occupancy tax (TOT), and franchise fees, account for almost three-quarters of the General Fund's revenue and total \$968.4 million in FY 2017, an increase of \$29.7 million or 3.2% over FY 2016. While growth in major General Fund revenues remains positive in FY 2017, the amount of year-over-year growth is projected to slow for some revenues as over-all positive economic indicators are tempered somewhat by fluctuating returns in others. Significant indicators include:

- An increase in the county's median home price
- An increase in the number of home sales
- Decreasing unemployment levels
- A recent, slight reduction in consumer confidence

Our Office believes that the projected major General Fund revenues in the FY 2017 Proposed Budget are appropriate, based on FY 2016 revenue projections and the current economic forecast. A more detailed discussion of each of the major General Fund revenues is included in the "General

Fund Revenue Overview" section of this report, while a discussion on the changes in revenue projections from the Mayor's most recent Outlook is included in the "Looking Ahead to FY 2018" portion of this section.

## Strengths of Proposed Budget

### ***Highest General Fund Reserves in History***

Proposed funding levels for the City's FY 2017 General Fund Reserves are the highest in history. In FY 2006, the first year of the

Strong Mayor/Strong Council form of government, the City's Reserve Policy (adopted by City Council in 2002) established a General Fund Reserve minimum of 3% of General Fund revenues.

For FY 2017 the General Fund Reserves will be funded at 14.75%, with a six-year funding plan in place to achieve 16.7% by 2021 that is consistent with Government Financial Officers' Association best practices. This increased funding goal was initiated and recently adopted by City Council as part of the update to the City's Reserve Policy. Recent ratings reports issued by Fitch (February 4, 2016) and Moody's (February 12, 2016) highlighted the City's decision to increase its General Fund Reserves to 16.7%.

### ***Mayor's Funding Proposals Closely Mirror Council Budget Priorities***

With its strong focus on addressing core City services, the FY 2017 Proposed Budget includes significant funding for 18 of the 21

***"Proposed funding levels for the City's FY 2017 General Fund Reserves are the highest in history."***

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highest City Council budget priorities as identified in Resolution R-310237 "City Council Budget Priorities for FY 2017". This resolution was approved by the Council on February 8, 2016 and transmitted to the Mayor on February 11, 2016 to provide input and guidance to the Mayor as he developed the Proposed Budget.

A matrix which compares the Proposed Budget to the Council's 21 top priorities is available on pages 11 to 14, at the end of this section.

## **Street Paving Funding Gap Remedied for FY 2017**

The FY 2017 Proposed Budget closes a funding gap which we identified during our review of the Mayor's FY 2016-2021 Street Pavement Repair Program in April 2015.

This increase in street repair funding should make the goal of an OCI of 70 by 2025 more achievable. At that time, we estimated the street funding program proposed last year could fall \$206 million short in funding needed for the first five years to stay reasonably on track for meeting the ten year goal, including a shortfall of \$18.9 million in FY 2017. An additional \$19.7 million has now been budgeted for street repair in FY 2017 which will facilitate achieving the OCI of 70 by 2025. (Note: Our funding projections were based on an OCI of 54 from 2011 assessments. Updated OCI data from new street condition assessments, expected to be released

***"This increase in street repair funding should make the goal of an OCI of 70 by 2025 more achievable."***

in May, could alter these projections. In fact, early indications are that the updated OCI will exceed 54 which could lower the funding needed to achieve goals.)

## **Fire and Police Overtime Right-Sized**

The FY 2017 Proposed Budget includes additional overtime funding of \$3.0 million for

Police and an adjustment to the way overtime and other personnel expenditures are allocated for Fire-Rescue. These changes better align the two budgets

with recent actual annual expenditures. During the past several budget processes, we have recommended addressing past expenditure overruns up front when the budget is developed rather than waiting to address short-falls at mid-year. In our recent review of the FY 2017- 2021 Five-Year

Financial Outlook we projected the Police Department would likely expend an additional \$3 to \$5 million annually over the next five years, and Fire's overtime would also increase sig-

nificantly over projections based on past needs.

## **Citywide Parks System Master Plan Will Begin in FY 2017**

Funding to begin the long awaited update of the Citywide Parks System Master Plan has been included in the Planning Department's FY 2017 proposed budget. The last Parks System Master Plan dates back to 1956. This effort will entail a three-year work

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program which will result in a comprehensive evaluation of existing parks and a plan for identifying and providing needed park facilities throughout the community. While a Parks Master Plan has been a priority for many years, it was determined that undertaking this work in conjunction with the parks condition assessments, which are currently underway, would be most beneficial.

## ***Budget Continues Focus on Identifying City's Deferred Capital Needs***

Like cities across the country, this City has recognized for many years that we face significant deferred capital needs. However, the magnitude of the problem has not been known. Over the past three years a series of condition assessments for City facilities, streets, sidewalks, and parks were funded in the Adopted Budgets.

Many of these have been completed, and others are underway or will be in the near future. Condition assessments are not a one-time effort and must be

ongoing to ensure information on the condition of our assets and related funding requirements are as current as possible.

The assessments completed to date have begun to provide the first reliable information on the City's unmet deferred capital needs. This information resulted in the development of the City's first five-year Capital Infrastructure Planning Outlook, issued in November 2014 and updated in December 2015. This plan matches deferred capital needs, identified through the assess-

ments, with resources available to pay for them. As a result, the City is gathering, for the first time, reliable information on funding gaps that exist for adequately maintaining our valuable community assets. The Mayor has provided funding once again for condition assessments in the FY 2017 Proposed Budget and has identified funding for this purpose in each year of the FY 2017-2021 Outlook.

## **Weaknesses of Proposed Budget**

### ***Police Recruitment and Retention Challenges are Persistent***

The FY 2017 Proposed Budget includes \$2.4 million in increased expenditures for flexible benefits pursuant to the Police Of-

ficers Association (POA) memorandum of understanding (MOU) for FY 2016-2020. The benefit increase is non-pensionable, as are all MOU-related compensation increases through

FY 2018, and is available only to Police officers with eight or more years of service. The intent of the POA MOU was to enhance the Police Department's recruitment and retention efforts in order to mitigate the effect of recent above-normal attrition and to support the staffing goals outlined in the Police Department Five-Year Plan. After close to one year of being in effect, however, the MOU has not significantly reduced sworn office attrition, although the Police Chief points out that the problem would be

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worse if those benefits were not in place. Officers continue to leave the Department at a rate of 13 departures per month in FY 2016, the same as FY 2015. This is a multi-faceted, complicated, and serious matter. It is not known what further solutions are being considered, but at this point the FY 2017 Budget does not include any new initiatives or resources aimed at improving police recruitment and retention beyond what was negotiated in 2015.

## **Unmet Needs Could Require New Resources in Near Future**

As discussed in the prior section on budget strengths, over the past several years the City has made significant progress toward assessing the needs of the community in the area of infrastructure and deferred capital, as well as in City services and programs. These assessments are vital to understanding, prioritizing, and identifying funding for a wide range of community needs. In a relatively short time period, numerous plans have been developed and, where appropriate, either accepted or adopted by the Council: multi-year department plans for Police, and Lifeguards; the Citygate Report on Fire Standards of Coverage; the Penny for the Arts Blueprint; the City's first five-year Capital Infrastructure Planning Outlook; community plan updates for Encanto, and Southeastern; the Bicycle Master Plan; Stormwater Watershed Asset Management Plan; Vision Zero Plan; the Climate Action

Plan; and the Library Ordinance. A new Citywide Parks System Master Plan will begin next year with funding included in the FY 2017 Proposed Budget. As previously noted, numerous condition assessments of our capital assets have also been completed or are underway.

***“These plans and assessments are identifying significant needs and funding requirements above and beyond what our existing resources will likely be able to support in the future.”***

These plans and assessments are identifying significant needs and funding requirements above and beyond what our existing resources will likely be able to support in the future. While the FY 2017-2021 Financial Outlook released in November 2015 showed modest surpluses in the outer years after the Mayor's Priority Initiatives were accounted for, many of the needs identified in the plans and assessments have not yet been addressed. It is likely that new resources will need to be considered in the near future if City plans are to be implemented.

## **Performance Measures Provided in the FY 2017 Budget**

Over the years the Executive Branch's approaches to performance measurement have changed numerous times. In FY 2012 the Budget and Finance Committee, working with our Office, adopted a focused list of 60 performance measures based on areas of high interest to the community and relevance to the budget. The Committee requested these measures be consistently tracked and made available to the Council and the public through the annual budget documents and ultimately the City's web-

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site. These measures were refined working closely with City departments in order to meet their needs, and most were included in the budget documents through FY 2016.

For the FY 2017 Proposed Budget, City departments were asked to update their tactical plans to ensure consistency with the City's Strategic Plan, and at the same time revise their performance measures

as appropriate for their operation. Fortunately, several large key departments including Police, Fire, Environmental Services, Transportation and Storm Water, and Public Utilities retained many of the measures that have been tracked over time, while adding some new ones as well. However, many departments dropped Council-requested and other measures tracked in recent years that helped to understand levels of service being provided, and the Proposed Budget does not include this trending information. While the new measures will likely be meaningful once established, nearly all of them are missing data from prior years (FY 2015 and FY 2016) and have no historical context or baseline information to be meaningful for the FY 2017 budget process. Additional concerns are discussed in the Performance Measures Section of this report.

## Comparing Mayor and Council Priorities

As noted in the discussion on "Strengths" the Mayor supported funding for 18 of the

21 top Council priorities included in the FY 2017 City Council Budget Priorities Resolution. The table on pages 11 to 14 at the end of this section is a "high level review," indicating whether funding has been provided in the Proposed Budget. Desired funding levels, specific purposes and/or locations for the funding may vary among the Mayor and individual members of City Council. As displayed in the table, the

Proposed Budget does not include **new** funding for three programs of high Council Priority:

- ADA Improvements
- Restoration of Swimming Pool Hours
- Penny for the Arts Blueprint Funding Increases Above Current 6.44%

## Looking Ahead to FY 2018

In looking ahead to FY 2018 we identify the following issues as potentially impacting financial projections beyond FY 2017.

### ***Impacts of Potentially Softening Economy on Revenues***

The Proposed Budget for FY 2017 assumes appropriately modest growth rates for the City's four main General Fund revenues. Each of those revenues is broadly dependent on the overall condition of the economy. Over the last several years, the City has experienced significant increases in all of its major General Fund revenues that largely track the economy's overall recovery from the 2008 recession. Economic recovery and

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associated revenue growth, however, has begun to slow, as the economy shifts out of a phase of rapid recovery.

Additionally, future adjustments to Federal interest rates, increases in home prices, and changes to employment rates and consumer confidence levels are likely to continue to impact City revenues. As such, increases in revenues in FY 2018 and beyond may be smaller in magnitude than we have seen during the recovery years that initially followed the 2008 recession.

## **SDCERS Assumption Changes and Impact on ADC**

SDCERS' actuary, Cheiron, is in the process of completing an "experience study" for Board review this coming July, which will be the basis for Cheiron's recommended changes in the pension plan's actuarial assumptions. It is anticipated by Cheiron that there could be a "meaningful cost increase (2% to 6%)" related to assumptions regarding mortality. Any Board-approved assumption changes would be included in the calculation of the FY 2018 ADC.

## **Future Investments in Police Recruitment and Retention**

Despite significant investments made by the Mayor and Council in Police recruitment and retention, the sworn staffing challenges

faced by the Department continue to be a concern. While the FY 2017 Proposed Budget continues funding for expanded academies and increased compensation for officers per the POA MOU, it does

not include any new initiatives aimed at improving Police recruitment and retention. If staffing trends do not improve in FY 2017, additional resources and programmatic initiatives may be required in FY 2018 and beyond. Potential expenditures on future recruitment and retention efforts would be in addition to the estimated \$6.7 million increase in non-pensionable compensation already planned for FY 2018 pursuant to the POA MOU.

## **Bayside Fire Station FY 2018 Operating Costs**

The new Bayside Fire Station (FS 2), which broke ground in March 2016, is anticipated to become operational in FY 2018. At that time, the Fire-Rescue Department will require the addition of firefighter positions and ongoing personnel and non-personnel expenses to support the fire station. The FY 2017-2021 Five-Year Financial Outlook includes 12.00 FTE positions and \$1.3 million in associated expenditures for Bayside Fire Station operations beginning in FY 2018.

***"Economic recovery and associated revenue growth, however, has begun to slow, as the economy shifts out of a phase of rapid recovery."***

***"Despite significant investments made by the Mayor and Council in Police recruitment and retention, the sworn staffing challenges faced by the Department continue to be a concern."***

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## **Customer Service System Future Costs**

The FY 2017 Proposed Budget includes funding and additional positions in the Performance & Analytics (P&A) Department to support the first phase of a potential multi-phase “311-like” customer service system. The approximately \$1.1 million investment adds three positions and \$766,000 in non-personnel expense to the customer service system that was started in FY 2016 with the addition to the Department of one Program Coordinator position. At this time the customer service system is planned for a phased implementation over five years, an approach that should alter the scope of the program to grow to match resident needs and City resources.

Our Office notes that P&A has preliminarily discussed web-based applications as the focus of the program, as opposed to creating a customer call center, and that their estimate for the project is a cost of \$3.0 to \$4.0 million over five years. As the scope of the project is not fully defined at this time, our Office recommends that updates on the implementation of a customer service system be reported to Council on a regular basis, and that these updates include implementation status and ongoing costs, as well as the expected benefits to City residents.

## **Future General Fund IAM Costs**

IAM is an integrated SAP-based software solution that will improve the City's management of infrastructure assets. The total cost for the Project over three years is estimated to be \$54.2 million, including both

capital and O&M expenses. Approximately 70% of the Project will be funded by Public Utilities' enterprise funds with the remaining 30% to be funded by the General Fund and the Wireless Technology Fund. The portion of the annual capital and O&M costs attributable to the General Fund in FY 2018 is expected to be \$3.9 million. However, General Fund capital costs are expected to be lease-financed over a 7 to 10 year term, which will reduce the FY 2018 General Fund contribution to approximately \$2.1 million.

## **Status of Excess Equity**

Excess Equity—available reserve balance above the 14.5% reserve requirement for FY 2016—can be utilized to support one-time expenditures including Council-initiated one-time priorities identified through the budget review process. Based on the Mid-Year Report, Excess Equity totaled approximately \$6.0 million, which could be an additional resource for the FY 2017 budget.

However, labor negotiations have recently been completed. If labor contracts are approved, increases in the estimated costs for labor contracts that are set aside in the Proposed Budget would need to be incorporated into the May Revise. These potential increases, any other unforeseen expenditures in FY 2016, and any FY 2017 May Revise adjustments that are not supported by increased revenues or reductions in other expenditures, could reduce the Excess Equity estimate.

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## **Items Expected in the May Revise**

On April 20, 2016, Financial Management issued its call to departments for FY 2017 May Revision requests. At this time, we are aware of the following likely requests:

### ***Office of the City Attorney***

The Office of the City Attorney has indicated that it will request the addition of 1.00 Program Manager for the Community Justice Initiative and \$140,000 in associated expenditures in the May Revision. A request to exempt the Program Manager position from the classified service was approved by Council in February 2016. The position has not yet been filled and the Office of the City Attorney requested but did not receive funding in the FY 2017 Proposed Budget to do so.

### ***Citizens' Review Board on Police Practices (CRB)***

The issue of providing outside counsel for the CRB has been discussed recently at the Public Safety & Livable Neighborhoods Committee and the Rules Committee as part of the consideration of a broader potential ballot measure proposal regarding the CRB. At both committee hearings, a motion was passed unanimously that recommended that the Mayor include funding in FY 2017 for independent outside counsel for the CRB. Our office recommends that funding for this purpose be added to the Neighborhood Services Branch budget in the May Revision at a level deemed appropriate by the CRB.

### ***Kinder Morgan***

Although funding for the Kinder Morgan lawsuit has been removed from the Special Consulting Services budget, the lawsuit is ongoing and is anticipated to incur expenditures. Appropriate funding is expected to be included in the May Revise.

### ***Real Estate Assets Department***

Real Estate Assets has indicated that it will make a request of \$17,000 for its DocuLynx contract. DocuLynx is a company that scans all of READ's lease and property documents and stores them in an electronic retrieval system that is accessible by staff. The Department indicates that this is necessary to support the its day-to-day operations.

## **Next Steps in the Process**

We appreciate the timely responses from City departments and agencies to our numerous questions over the past two weeks. The FY 2017 Proposed Budget responsibly strengthens City programs and services, and provides a positive message to our residents about the future of our City.

The release of the Mayor's Proposed Budget is only the first step in the annual budget development process. We look forward to working with the City Council over the next critical stages of the process when the Council reviews and considers the IBA's analysis of the budget; examines the budget proposals of all departments and agencies; listens to feedback from the community at numerous public hearings; develops the priorities of the legislative branch for possible inclusion in, or revision to, the FY 2017 Proposed Budget; and makes final decisions

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when formally adopting the FY 2017 budget.  
Key dates for these activities are as follows:

**May 4-5, 9-10:** Budget Review Committee hears "IBA Review of the FY 2017 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals

**May 16:** City Council holds evening hearing to receive further input from the public

**May 19:** Budget Review Committee reviews the Mayor's May Revise for consideration in final budget decisions

**May 27:** City Councilmembers issue final budget modification priority memoranda to the Office of the IBA

**June 8:** Office of the IBA issues final report on recommended revisions to the Mayor's FY 2017 Proposed Budget based on input from City Council memoranda and analysis of unresolved issues

**June 13:** City Council makes final FY 2017 budget decisions and takes action on any FY 2017 budget revisions

**July 11:** City Council introduces and adopts the FY 2017 Appropriation Ordinance

# High Level Review of the Mayor's FY 2017 Proposed Budget

<b>COMPARISON OF COUNCIL FY 2017 BUDGET PRIORITIES RECEIVING A MAJORITY OF MENTIONS TO MAYOR'S PROPOSED BUDGET</b>		
<b>BUDGET PRIORITY</b>	<b>IN FY 2017 BUDGET*</b>	<b>NOTES</b>
<b>Public Safety</b>		
Civilian Positions - Communications/PISOs	Y	Funding included for the addition of 5.00 FTE civilian positions to support Police Department operations, particularly within the Communications Division. Added positions include 3.00 FTEs for Police Investigative Service Officers (PISOs), 1.00 FTE for a Police Dispatcher, and 1.00 FTE for an Associate Management Analyst. A discussion of Communications Division staffing challenges is included in our Police Department Review.
Police Officer Retention & Recruitment	Y	\$2.4 million included for increased flexible benefits for police officers with eight or more years of service, pursuant to the POA MOU for FY 2016-2020. Continued expanded police academies are also included in the base budget. However, no new initiatives are included to improve recruitment and retention.
Firefighter Staffing - Convert South University City Fast Response Squad (FRS) to a 24-hour Temporary Fire Station	N	Funding for this item was not included in the FY 2017 Proposed Budget, nor was it requested by the Fire-Rescue Department. Further details on this request, including funding estimates, are provided in our Fire-Rescue Department Review.
Lifeguard Division Five-Year Needs Assessment	Y	Full funding included for the addition of 7.51 FTE Lifeguard positions identified by the Assessment. Other items not funded are described in detail in our Fire-Rescue Department Review.
<b>Infrastructure</b>		
Park Capital Improvements	Y	The FY 2017 Proposed Budget includes \$13.3 million in funding for capital improvements for several parks and recreation facilities. While a majority of Councilmembers prioritized park capital improvements in their budget priority memoranda, some of the individual projects included in the Proposed Budget may not correspond to specific Council priorities.
Pedestrian & Cycling Safety	Y	The FY 2017 Proposed Budget includes 20.50 FTE positions and \$2.3 million in the Transportation & Storm Water Department's Transportation Engineering Operations Division for pedestrian and cycling safety.
ADA Improvements	P	The FY 2017 Proposed Budget includes \$760,000 of DIF funding that will be used to install curb ramps in certain DIF communities; however, no new General Funds are allocated to projects administered by the Office of ADA Compliance & Accessibility. It should be noted that the City's asset owning departments (i.e., Park & Recreation) also address ADA requirements as part of their capital improvement programs.
Streetlight Installation, Maintenance, & Repair	Y	The FY 2017 Proposed Budget includes \$6.7 million for streetlight maintenance/repair. An additional \$1.3 million is included for installation of new streetlights, and \$1.4 million for upgrades to series-circuit streetlights.

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BUDGET PRIORITY	IN FY 2017 BUDGET*	NOTES
Storm Drain Maintenance	Y	The Proposed Budget includes additions of 13.00 FTEs and \$3.5 million for storm channel maintenance, 6.00 FTEs and \$1.6 million for pipe repairs to the City's storm drain system, and 5.00 FTEs and \$1.9 million for catch-basin cleaning.
Sidewalk Maintenance, Repair, and Installation	Y	The Proposed Budget includes \$2.0 million for sidewalk repair and \$1.7 million for new sidewalk installation.
Street Maintenance and Repair	Y	The Proposed Budget includes \$109.1 million for street repairs. TSW's goal is to repair 308 miles of streets in FY 2017.
Public Safety Facilities	P	\$1.0 million included for maintenance and improvement of Police Department facilities. No additional capital funding identified for new Citygate-related fire stations beyond what was added in prior fiscal years.
Youth Programs and Services		
Connect2Careers Program	Y	The FY 2017 Proposed Budget includes \$250,000 to support the City's Connect2Careers program, which is a continuation of FY 2016 program funding.
Restoration of Swimming Pool Hours	N	While the FY 2017 Proposed Budget does include an addition of \$37,000 to support an increase in aquatics programming at City pools, no additional funding was included to support expanding pool system hours as prioritized in Councilmember memoranda. Staff has indicated that in order to expand pool system service they would first reach out to the community to evaluate need.  The FY 2017 Proposed Budget also does not include any funding for the expansion of the City's temporary pool program.
Community and Youth Library Programs	Y	The FY 2017 Proposed Budget includes a number of items in support of community and youth programs: <ul style="list-style-type: none"> <li>- \$214,000 and 4.29 FTEs to establish a Youth Education Center at the Valencia Park/Malcolm X Branch Library</li> <li>- \$202,000 and 3.36 FTEs to increase support for the Do Your Homework @ the Library program</li> <li>- \$178,000 and 2.00 FTEs to support programming and public outreach efforts, including youth literacy programs</li> </ul> The Department also plans to open a third speciality lab in the Valencia Park/Malcolm X Branch library in FY 2017, and will continue to evaluate the need for future labs.



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BUDGET PRIORITY	IN FY 2017 BUDGET*	NOTES
<b>Penny for the Arts</b>		
Penny for the Arts Blueprint (Blueprint) Funding Increased Above Current 6.44%	N	<p>The Blueprint allocation increased by \$1.4 million in the FY 2017 Proposed Budget over FY 2016, to \$13.9 million. This increase is wholly due to the projected FY 2017 increase in transient occupancy tax (TOT) revenue as opposed to an increase in the percent of TOT allocated for arts and culture funding. The Blueprint specifies that 9.52% of TOT—\$20.6 million in FY 2017—be allocated to arts and culture funding, a difference of \$6.7 million from the Proposed Budget.</p> <p>Our Office notes options for increasing Blueprint funding: raising the percent allocated by 0.5% would increase arts and culture funding by \$1.1 million for an FY 2017 total of \$15.0 million. An increase of \$500,000 in Blueprint funding would mean an increase to 6.67% of TOT, and an FY 2017 allocation of \$14.4 million.</p>
<b>Economic Development</b>		
Support for Small Businesses	P	<p>The FY 2017 Proposed Budget includes \$200,000 to launch an online business portal that will enable citizens and businesses to learn which licenses, permits, data, and fees are required to pursue a project or business in a specific location within the City.</p> <p>Although the Department requested a Community Development Specialist 2 position to better support small businesses, the position was not included in the FY 2017 Proposed Budget. The Department indicated staff would be monitoring the need for this position and request it at a later date if necessary.</p> <p>No funding was included in the FY 2017 Proposed Budget for the establishment of a Small Business Bonding Assistance Program. The Department is considering such a program as a future economic development initiative.</p>
<b>Climate Action Plan (CAP)</b>		
Support for CAP Implementation Plan	Y	<p>The FY 2017 Proposed Budget includes \$132.8 million of funding for Phase I activities related to the City's Climate Action Plan (CAP) implementation plan. Programs and projects supported as part of the CAP include: bike and pedestrian improvements, installation of solar/photovoltaic systems at municipal facilities, sidewalk repairs, and water conservation efforts.</p> <p>Funds to support planting 2000 trees in FY 2017 are included in the FY 2017 Proposed Budget baseline, and a vacant Tree Warden position is included in the DSD's Code Enforcement Division.</p>

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BUDGET PRIORITY	IN FY 2017 BUDGET*	NOTES
<b>Code Enforcement</b>		
Additional Personnel to Improve Code Enforcement Operational Efficiencies Including Administrative Support, Inspectors, and Zoning Investigators	N	No additional funding was allocated to the City's Code Enforcement Program in FY 2017. The Development Services Department will be evaluating internal needs after all positions added in FY 2016 are filled, and all recommendations from the Division's performance audit are implemented.
<b>Programs for the Homeless</b>		
Funding and Resources to Assist San Diego's Homeless Population	Y	<p>\$170,000 additional funding included for a total of \$290,000 for the Serial Inebriate Program (SIP) to increase the number of transitional housing beds from 32 to a total of 56. Funding also included for the addition of 2.00 FTE Deputy City Attorneys to support the Community Justice Initiative and SIP.</p> <p>\$105,000 in new funding included for the operation of restrooms for the homeless 24 hours a day, 7 days a week. St. Vincent de Paul will continue to provide these services.</p> <p>The Housing Authority authorized funding for the 1,000 Homeless Veterans Initiative in February 2016, amending the SDHC's FY 2016 Budget. No additional funds for the Initiative were added in FY 2017; however, any remaining FY 2016 unspent funds will be rolled over into FY 2017.</p>
<b>Parks, Recreation, and Libraries</b>		
Increased Funding Support for Parks and Libraries	Y	<p>The FY 2017 Proposed Budget includes support for a number of Parks &amp; Recreation and Libraries facilities and maintenance including:</p> <ul style="list-style-type: none"> <li>- furnishing/equipment for the Youth Education Center at the Valencia Park/Malcolm X Branch Library</li> <li>- the addition of \$474,000 and 10.00 FTEs to increase hours at eight recreation centers</li> <li>- the addition of \$853,000 to support maintenance in new City parks</li> </ul>

\* Y=Yes; N= No; P= Partially

# General Fund Overview: Expenditure

## Expenditure Overview

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the General Fund totals \$1.33 billion, and reflects an increase of \$38.2 million from the FY 2016 Adopted Budget, a 3% increase. Increased revenues anticipated for FY 2017 allow for service level enhancements and other expenditure increases that are addressed throughout our review of the FY 2017 Proposed Budget. A summary of changes by expenditure category appears in the table below.

Some notable expenditure changes in the General Fund budget are highlighted in this section, with more detailed information discussed in the Department Review sections of this report.

### Salaries and Wages

Salaries and wages are increasing by a net \$8.7 million from the FY 2016 Adopted Budget to the FY 2017 Proposed Budget. Some of the more significant increases include the following:

- \$14.1 million increase in salaries, largely due to \$11.1 million in position increases across departments
- \$3.0 million in overtime for the Police Department

The above increases are offset by an \$8.9 million increase in vacancy savings (which reduces the salary budget).

### Fringe Benefits

Fringe Benefits are increasing by \$21.3 million. The largest increases include:

SUMMARY OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL					
(in millions)					
EXPENDITURE CATEGORY	FY 2015 ACTUAL	FY 2016 ADOPTED	FY 2017 PROPOSED	FY 2016-FY 2017 CHANGE	% CHANGE
Salaries and Wages	\$ 498.4	\$ 522.4	\$ 531.1	\$ 8.7	1.7%
Fringe Benefits	345.9	356.3	377.6	21.3	6.0%
Supplies	29.1	28.7	31.1	2.4	8.5%
Contracts	177.9	220.3	237.8	17.4	7.9%
Information Technology	25.4	26.8	28.8	2.0	7.3%
Energy and Utilities	41.2	47.1	46.9	(0.2)	-0.5%
Other Expenditures	4.8	5.6	5.3	(0.3)	-5.4%
Transfers Out	74.4	71.3	59.6	(11.7)	-16.4%
Capital Expenditures	2.9	5.8	3.4	(2.4)	-40.9%
Debt	3.3	3.7	4.6	0.9	25.0%
<b>Total General Fund</b>	<b>\$ 1,203.3</b>	<b>\$ 1,288.0</b>	<b>\$ 1,326.2</b>	<b>\$ 38.2</b>	<b>3.0%</b>

Table may not total due to rounding.

# General Fund Overview: Expenditure

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- \$3.3 million increase for the General Fund contribution to the defined benefit pension plan. (This is largely due to the SDCERS Board-approved changes in economic assumptions in the FY 2015 actuarial valuation, as well as lower investment returns than expected for FY 2015 (For additional information see the Pension section of this report under Significant Citywide Issues.)
- \$11.6 million for Flexible Benefits, including:
  - \$4.3 million as a set-aside in anticipation of non-pensionable compensation increases which could result from labor negotiations that began this past winter
  - \$5.7 million for increases from prior labor agreements with the San Diego Police Officer’s Association (POA) and Municipal Employees Association (MEA) employees
  - \$2.1 million for position increases across departments
- \$4.1 million for Workers’ Compensation, due to estimates for increasing claims costs and for an increasing reserve requirement (See the Workers’ Compensation section, under Significant Citywide Issues.)
- \$1.6 million increase for the Supplemental Pension Savings Plan (SPSP and SPSP-H), largely due to the increased number of positions

## **Contracts**

Contracts show a net increase for the Gen-

eral Fund of \$17.4 million. Some of the larger increases are discussed below:

- \$7.8 million for certain Transportation and Storm Water (TSW) Contracts increases, including those related to storm drain channel cleaning and pipe repair activities (including Fleet Services vehicle purchases) as well as environmental permitting and catch basin cleaning activities
- \$7.3 million for the Fleet Division’s “usage” and “assignment” charges (These are rates charged to City departments for the maintenance and repair of City vehicles, as well as for costs for planned scheduled replacements based on the useful life of the vehicles.)
- \$6.6 million increase in the Public Liability contribution for claims payouts and insurance (For additional information see the Public Liability Funds section of this report under Significant Citywide Issues.)
- \$1.6 million in Citywide Program Expenditures for corporate master lease rent expenditures

Contracts decreases are partially offsetting to the increases described above. Some of the larger decreases include:

- \$3.6 million decrease in TSW’s SAP support allocation
- \$2.2 million decrease in the Information Technology Fund’s cost allocation to the General Fund
- \$2.0 million decrease related to park improvement projects

# General Fund Overview: Expenditure

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## **Transfers Out**

Transfers Out show a net decrease for the General Fund of \$11.7 million. Some of the larger decreases include:

- \$7.7 million net decrease in the TSW budget:
  - Increases of \$3.0 million are related to streetlight upgrades and sidewalk repair and replacement
  - These increases are more than offset by the removal of \$10.6 million in FY 2016 budget items that were identified as one-time expenditures
- Other decreases include the removal of FY 2016 one-time transfers to Capital Improvements Program (CIP) projects:
  - \$5.1 million for the Police Computer Aided Dispatch (CAD) system
  - \$5.0 million for the Bayside Fire Station
  - \$5.3 million for facilities work

Increases to Transfers Out are partially offsetting to the decreases described above, some of which include:

- \$7.6 million General Fund Reserve contribution increase (For additional information see the General Fund Reserve section of this report under Significant Citywide Issues.)
- \$2.8 million Public Liability Reserve contribution increase

## **Capital Expenditures**

The largest change in the Capital Expenditures budget is in TSW, with a decrease of

\$1.6 million. This decrease is largely due to removal of the FY 2016 one-time expenditures for vehicles related to the street sweeping program.

## **Salaries and Wages Considerations**

An area that we have discussed in prior reports is vacation pay in lieu (pay in lieu of annual leave), which is budgeted at \$5.1 million, the same amount as FY 2016.

Over the past five completed fiscal years (FY 2011 through FY 2015), pay in lieu of annual leave expenditures have averaged approximately \$7.1 million and been over-budget. For FY 2016, the Mid-Year projection for vacation pay in lieu expenditures is \$6.8 million, or \$1.7 million over budget.

The Mid-Year projection shows vacancy savings offsetting other salary and wages overages, including vacation pay and lieu, termination pay, and overtime. Since vacancy savings for FY 2017 has been increased by \$8.9 million, there may not be as much leeway to compensate for these other overages, should they occur in FY 2017 (and depending on how quickly new positions can be filled).

Most of vacation pay in lieu is budgeted in three departments: Police, Fire-Rescue and Park and Recreation. Some other departments may be comfortable projecting these expenditures. Although 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.

# General Fund Overview: Revenue

## Revenue Overview

The FY 2017 Proposed Budget for the General Fund includes approximately \$1.33 billion in revenues, an increase of \$44.3 million or 3.5% over the FY 2016 Adopted Budget. The four major General Fund revenues: property tax, sales tax, transient occupancy tax (TOT), and franchise fees, total approximately \$968.4 million or 73% of all General Fund revenues. In FY 2017, major General Fund revenues increased \$29.7 million or 3.2% over FY 2016.

### Economic Outlook

The FY 2017 Proposed Budget includes major General Fund revenue projections based on a positive, albeit slowing, economic forecast that encompasses a number of factors including: an increase in the county's median home price, decreasing unemployment levels, a recent slight reduction in consumer confidence, and an increase in home sales. While most of these factors signal positive growth in major General Fund revenues, the Proposed Budget appropriately reflects moderate growth rates in all major revenues that, with the exception of Sales Tax

as discussed in the "Sales Tax" section below, closely resemble the growth rates projected in the FY 2017-2021 Five-Year Financial Outlook (Outlook).

Our Office believes that the major General Fund revenue projections included in the FY 2017 Proposed Budget are appropriate based on FY 2016 year-end revenue projections and the current economic forecast. A more detailed discussion of each of the City's four major General Fund revenues follows in the sections below.

### Property Tax

In the FY 2017 Proposed Budget, property tax is budgeted at approximately \$499.7 million, a \$29.6 million or 6.3% increase over FY 2016. This increase reflects a projected FY 2017 growth rate of 5.25%, an increase over the 5% rate that was projected in the FY 2016 Adopted Budget and in the Outlook.

The FY 2017 proposed property tax budget

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)					
	FY 2016 ADOPTED	FY 2016 PROJECTED YEAR-END	FY 2017 PROPOSED	CHANGE, ADOPTED/ PROPOSED	CHANGE, PROJECTED/ PROPOSED
Major General Fund Revenues	\$938.8	\$937.5	\$968.4	\$29.7	\$30.9
Property Tax	470.1	467.8	499.7	29.6	31.9
Sales Tax	285.8	282.5	272.8	(13.0)	(9.7)
Transient Occupancy Tax	102.2	106.0	113.4	11.2	7.4
Franchise Fees	80.8	81.2	82.6	1.8	1.4
Property Transfer Tax	8.4	9.4	9.6	1.2	0.2
Other General Fund Revenue	334.7	338.7	348.2	13.4	9.5
<b>Total Revenue</b>	<b>\$1,281.9</b>	<b>\$1,285.6</b>	<b>\$1,326.2</b>	<b>\$44.3</b>	<b>\$40.6</b>

# General Fund Overview: Revenue

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is a \$31.9 million or 6.8% increase over the year-end property tax projection included in the Mid-Year Budget Monitoring Report (Mid-Year), a larger change than the increase of the FY 2017 Proposed Budget over the FY 2016 Adopted Budget. This larger difference is due to a projected decrease in residual Redevelopment Property Tax Trust Fund (RPTTF) payments to the City in FY 2016 as a result of reinstated recognized obligations on the City's most recent Recognized Obligation Payment Schedule (ROPS), as opposed to a reflection of a decline in the real estate market. Therefore, our Office believes that the FY 2017 proposed property tax growth rate is appropriate as home prices and home sales in San Diego continue to rise, and as overall economic indicators remain positive.

Our Office notes that several Councilmembers have expressed interest in dedicating RPTTF payments to former redevelopment areas. In the FY 2017 Proposed Budget, residual RPTTF is projected to be \$13.6 million and is recognized as unrestricted General Fund revenue, all of which has been fully allocated to support proposed General Fund expenditures. If the City Council is interested in dedicating RPTTF to former redevelopment areas, a policy could be considered for future fiscal years. If the policy were in place for FY 2017, \$13.6 million of proposed budget expenditures would need to be reduced or supported with any as-yet unallocated General Fund resources.

## **Property Transfer Tax**

The FY 2017 Proposed Budget includes a budget of \$9.6 million for property transfer tax, an increase of \$1.2 million or 14.7% over the FY 2016 Adopted Budget. Proper-

ty transfer tax is revenue that the City receives from the sale of real property. The FY 2017 Proposed Budget maintains the 3% growth rate assumed in FY 2016, and is based on on-going moderate growth in home sales and prices.

## **Sales Tax**

The FY 2017 Proposed Budget for sales tax revenue is \$272.8 million. This represents an approximately \$9.7 million or 3.4% decrease from the Mid Year's projected year-end sales tax receipts of \$282.5 million which is in turn \$3.3 million below the \$285.8 million that was included in the FY 2016 Adopted Budget.

The Proposed Budget assumes that actual taxable sales will increase by 3.5% throughout FY 2017. The decrease in total receipts is due to the end of the Triple-Flip (additional details are provided below), which resulted in a one-time increase in sales tax receipts in FY 2016 of \$12.7 million.

While growth in taxable sales in FY 2016 has been less than projected, as discussed below, the proposed growth rate of 3.5% is consistent with the most recent forecasts for taxable sales in California from UCLA Anderson, and with local projections from HDL Companies, the City's sales tax consultant. Actual receipts should be monitored closely throughout the year.

## **Taxable Sales Growth Rate**

Sales tax revenue is highly sensitive to economic conditions, including job growth, consumer spending, and business investment. While the overall economy has continued to slowly grow, sales tax revenues in

# General Fund Overview: Revenue

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FY 2016 have largely lagged behind, with annual sales tax growth in the first three quarters of the year averaging just 0.8%. A steep decline in fuel prices and associated sales taxes on that fuel has contributed significantly to the slow growth seen in FY 2016, but other categories of taxable sales—including general consumer goods—have also shown only small amounts of growth.

Because the decline in fuel prices has now impacted taxable sales for a full year, the proposed year-over-year growth rate of 3.5% is less likely to be impacted by that decline in FY 2017, as each quarter in FY 2016 to which the FY 2017 growth rate will be applied has already experienced the reduction in fuel prices. As noted above, however, it will still be important to continually monitor quarterly sales tax revenue throughout FY 2017.

## ***End of the Triple-Flip***

As we noted in our review of the FY 2016 Proposed Budget, the end of the Triple-Flip was associated with a one-time increase to sales tax revenues in FY 2016. The Triple-Flip required local governments to shift one-quarter of the Bradley-Burns Sales and Use Tax to the State in exchange for receiving an equivalent amount of property tax in an annual true-up payment. This payment lagged behind the transfer of sales-tax revenue.

Because the Triple-Flip ended in FY 2016, the final true-up payment resulted in an additional \$12.7 million in revenue recognized that year, and the City began collecting the full one-cent amount allowed by the Bradley-Burns sales tax. In FY 2017, the full one-

cent will be collected, and no transfer or associated true-up payment will occur.

## **Transient Occupancy Tax**

The General Fund is allocated 5.5 cents of the City's total 10.5 cent TOT rate per the San Diego Municipal Code. In FY 2017, the City's 10.5 cent allocation is projected to be approximately \$216.5 million, while the General Fund portion of the TOT totals \$113.4 million, an increase of \$11.2 million or 11% over FY 2016. The FY 2017 Proposed Budget maintains the 6% growth rate in TOT that was incorporated into the most recent Outlook and the FY 2016 Adopted Budget.

The 6% growth rate in TOT is also consistent with the Tourism Marketing District's (TMD) projected rate, and tempers the increase to 7% growth incorporated into the Mid-Year Report, or the 8% growth rate that is expected in the FY 2016 Year-End Budget Monitoring Report that will be released in May. While no immediate challenges to the 6% growth rate are projected for FY 2017, the most recent Outlook included positive but declining TOT growth rate projections after FY 2017. Our Office agrees with those projections, and will continue to closely monitor TOT over the upcoming fiscal year.

## **Franchise Fees**

The FY 2017 Proposed Budget projects General Fund franchise fees at \$82.6 million, an increase of \$1.8 million or 2.2% over the FY 2016 Adopted Budget.

FY 2016 franchise fees are currently pro-



# General Fund Overview: Revenue

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jected to be \$81.2 million at year-end, \$417,000 above franchise fee revenues in the FY 2016 Budget. General Fund franchise fees in the FY 2017 Proposed Budget represent a 1.7% increase over projected FY 2016 revenues.

Franchise fee revenue is derived primarily from three sources: 1) a 3% San Diego Gas & Electric (SDG&E) surcharge on total gross sales; 2) a 5% surcharge on cable television provider subscriptions in the City; and 3) charges to private refuse haulers based on tonnage of refuse disposed. Additional smaller franchise fee revenues are received from other energy, railroad, and towing franchises in the City.

## **SDG&E**

The largest source in General Fund franchise fee revenue is the surcharge on SDG&E, which accounts for \$49.2 million, or 60.0%, of the franchise fees included in the FY 2017 Proposed Budget. This is 3.7% above current year-end projections for FY 2016.

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 volatile, with individual year growths ranging from -7.4% in 2010 to 21.1% in 2015.

## **Cable**

The second largest portion of franchise fee revenue is from cable television franchise

fees, which total \$18.7 million, or 22.6%, of franchise fees in the Proposed Budget. This amount assumes no growth or decline in cable revenue over projected FY 2016 receipts.

Growth in cable television franchise fee revenue showed year-over-year declines from FY 2011 to FY 2014, with negative growth occurring in FY 2014. While cable revenue did rise in FY 2015, current FY 2016 projections show no growth.

## **Refuse Hauling**

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

The City's General Fund refuse hauler franchise fee revenue in the Proposed Budget is \$10.5 million, or 12.7% of franchise fees in the Proposed Budget. This amount includes an increase of \$850,000 over projected year-end receipts.

# Significant Citywide Issues: General Fund Reserve

## General Fund Reserve

### Reserve Policy Changes and Funding Needs

On April 12, 2016 the City Council updated the City Reserve Policy, increasing the required General Fund (GF) Reserve from 14% to 16.7% of the previous three-year average of audited General Fund operating revenues. As outlined in the City Reserve Policy, the components of the 16.7% GF Reserve include an 8% Emergency Reserve and an 8.7% Stability Reserve—a 2.7% increase to the 6% Stability Reserve in the previous Reserve Policy.

The new 16.7% reserve level is to be phased in over six years, beginning in FY 2016 and ending in FY 2021, as shown in

the table below—see the highlighted line entitled, “Reserve Requirement Target %”.

As shown in the last line of the table below (“Increase from Prior Reserve Requirement”), funding of \$5.7 million beyond what was previously anticipated in the Mid-Year Report will be needed to bring the GF Reserve from 14% to its new FY 2016 target of 14.5%, or \$164.7 million. For FY 2017, \$7.6 million is budgeted as the GF Reserve contribution amount, which is estimated to bring the Reserve to its FY 2017 target of 14.75%.

Contribution amounts for the subsequent years would track the “Increase from Prior Reserve Requirement” line of the table, as-

General Fund Reserve Requirement Calculation							
(dollars in millions)	FY 2016 <sup>3</sup>	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
FY 2020 - Outlook Revenues <sup>1</sup>							\$ 1,363.5
FY 2019 - Outlook Revenues <sup>1</sup>						\$ 1,316.6	1,316.6
FY 2018 - Outlook Revenues <sup>1</sup>					\$ 1,269.5	1,269.5	1,269.5
FY 2017 - Outlook Revenues <sup>1</sup>				\$ 1,219.5	1,219.5	1,219.5	
FY 2016 - Budgeted Revenues <sup>2</sup>			\$ 1,188.2	1,188.2	1,188.2		
FY 2015 - Audited Revenues	\$ 1,144.5	\$ 1,144.5	1,144.5	1,144.5			
FY 2014 - Audited Revenues	1,171.7	1,171.7	1,171.7				
FY 2013 - Audited Revenues	1,092.0	1,092.0					
3-Year Average Revenues	\$ 1,136.1	\$ 1,136.1	\$ 1,168.1	\$ 1,184.1	\$ 1,225.8	\$ 1,268.6	\$ 1,316.6
Reserve Requirement Target %	14%	14.5%	14.75%	15.25%	15.75%	16.25%	16.7%
<b>Reserve Requirement</b>	<b>\$ 159.0</b>	<b>\$ 164.7</b>	<b>\$ 172.3</b>	<b>\$ 180.6</b>	<b>\$ 193.1</b>	<b>\$ 206.1</b>	<b>\$ 219.9</b>
Increase from Prior Reserve Requirement	N/A	\$ 5.7	\$ 7.6	\$ 8.3	\$ 12.5	\$ 13.1	\$ 13.7

<sup>1</sup> Estimated operating revenues per the FY 2017-2021 Five-Year Financial Outlook, prepared by the Financial Management Department.

<sup>2</sup> Per the FY 2016 budgeted revenues—the difference between the budget and the Mid-Year projection produces an immaterial effect for purposes of these estimates.

<sup>3</sup> This column contains the FY 2016 Reserve requirement prior to Council’s approval of the updated Reserve Policy on April 12, 2016.

# Significant Citywide Issues: General Fund Reserve

<b>Current Excess Equity Estimate (\$ in millions)</b>	
Beginning FY 2016 Reserve Balance	\$ 196.5
Projected Surplus from Mid-Year Report	1.5
Adjustment for FY 2015 Accrued Low Flow Diversion Capacity Charges	1.0
Set-Aside for Estimated FY 2017 Community Projects, Programs and Services	(1.0)
Mid-Year Budget Adjustment - Public Liability Reserve Contribution	(5.8)
Year-End FY 2016 Reserve Estimate	\$ 192.2
FY 2016 14.5% Reserve Requirement	\$ 164.7
<b>FY 2016 Ending Excess Equity Estimate</b>	<b>\$ 27.5</b>

suming there is no available Excess Equity and no surpluses or deficits in those future years. These amounts are based on projected revenues included in the most recent Five-Year Outlook, which are shown in the top section of the table on the previous page. These figures will change with actual results.

### **Estimated Excess Equity**

Referring to the table above, the estimated FY 2016 beginning Reserve balance is \$196.5 million. Based on the Mid-Year Budget Monitoring Report, a number of activities are projected to impact the reserve:

- \$1.5 million addition for the FY 2016 Mid-Year projected surplus from General Fund operations
- \$1.0 million addition to adjust for a FY 2015 accrual of capacity charges (to avoid double-counting the \$1.0 million

expenditure occurring in FY 2016)

- \$1.0 million in estimated Council budgetary savings to be re-budgeted as City Council Community Projects, Programs, and Services (CPPS) in FY 2017
- \$5.8 million that has been transferred to the Public Liability Reserve

Adjusting the beginning Reserve for the items described above leaves \$192.2 million in FY 2016 estimated year-end Reserve. Comparing the estimated year-end Reserve to the FY 2016 Reserve requirement of \$164.7 million yields projected Excess Equity of \$27.5 million for FY 2016. It is anticipated that a Year-End Budget Adjustment request will be made to transfer most of this projected Excess Equity to other reserves. If approved, this would leave a relatively small excess of \$6.0 million, as shown in the table below.

<b>Anticipated Excess Equity (\$ in millions)</b>	
FY 2016 Ending Excess Equity Estimate	\$ 27.5
<i>Anticipated Year-End Budget Adjustment Requests for Reserve Funding</i>	
Pension Payment Stabilization Reserve	(16.0)
Public Liability Reserve	(3.0)
Workers' Compensation Reserve	(2.5)
<b>FY 2016 Anticipated Excess Equity Estimate</b>	<b>\$ 6.0</b>

# Public Liability Funds

The Public Liability (PL) Funds are supported by transfers from the General Fund's Citywide Program Expenditures budget. The PL Funds section will be discussed in the PL Operating Fund and PL Reserve Fund sub-sections below.

### **Public Liability Operating Fund**

The FY 2017 Proposed Budget includes \$25.2 million to support FY 2017 PL operating expenses, up \$6.6 million from the \$18.6 million in the FY 2016 Adopted Budget.

For FY 2016, additional resources have been needed above the \$18.6 million Adopted Budget amount. FY 2016 claims payouts, expenses, and insurance for the PL Operating Fund are estimated to be \$74.7 million. These projected costs are offset with the \$18.6 million budgeted and transferred from the General Fund, as well as the following sources:

- \$24.4 million in beginning cash balance
- \$11.4 million in insurance reimbursements for current year claims expenditures
- \$15.0 million from the PL Reserve to help cover Aglio settlement expenses
- \$2.0 million from the De Anza Operating Fund for Aglio settlement expenses
- \$3.1 million additional contribution amount noted in the Mid-Year Report for increased claims and settlement payments

### **Public Liability Reserve Fund**

For FY 2016 there was no budgeted General Fund transfer to support the PL Reserve, as the required amounts had been pre-funded in FY 2015. However, as stated above, the PL Reserve was reduced in FY 2016 by a \$15.0 million transfer to the PL Operating Fund.

To increase the Reserve balance, a FY 2016 Mid-Year Budget Adjustment of \$5.8 million was requested by the Financial Management Department and approved by Council. Also, a \$5.0 million insurance reimbursement (related to the De La Fuente settlement) increased the PL Reserve balance.

For the PL Reserve to reach its FY 2016 40% reserve requirement of \$36.7 million, it is anticipated that the PL Reserve will need an additional \$3.0 million transfer from General Fund Excess Equity. This amount is anticipated to be included in the FY 2016 Year-End Budget Adjustment requests.

The overall reserve target of 50% funding of the PL actuarial liability is \$45.9 million. This is based on the average value of annual actuarial liabilities for the three fiscal years ending in 2015, which equals \$91.8 million.

The 50% target is anticipated to be achieved with an additional \$9.2 million from FY 2017 through FY 2019, with \$2.8 million included in the FY 2017 Proposed Budget.

# 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 \$30.3 million budgeted in the FY 2017 Proposed Budget for citywide fringe payments to the WC Fund has increased by \$5.1 million, from \$25.2 million in the FY 2016 Adopted Budget. Of the \$5.1 million increase, \$2.5 million is related to the estimated increase in the reserve requirement; and \$2.6 million is related to estimated increases in operating costs.

The General Fund portion of the WC budget is increasing by \$4.1 million, from \$20.6 million to \$24.7 million. The total portion of WC Fringe Benefits costs attributable to the General Fund budget is 81.6%.

### **Workers Compensation Reserve**

The overall WC reserve target in the City Reserve Policy is 25% funding of the WC actuarial liability, which is based on the most recent three-year average of actuarial liabilities. With the June 30, 2015 valuation completed, that average increased from \$193.7 million to \$218.1 million. Thus, the 25% reserve target increased by \$6.1 million, from \$48.4 million to \$54.5 million. Although the target amount changed, the 25% funding requirement per the City Re-

serve Policy remains the same.

To help meet the FY 2016 target amount, \$3.1 million in additional Reserve contributions (citywide) are projected, per the Mid-Year Report. Furthermore, it is anticipated that the WC Reserve will need an additional \$3.0 million transfer (\$2.5 million from General Fund Excess Equity) to reach the \$54.5 million Reserve target. This amount is anticipated to be included in the FY 2016 Year-End Budget Adjustment requests.

# Long-Term Disability Fund

Estimated costs for Long-Term Disability (LTD) are based on a three-year average of actual annual payments combined with an 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 2017 proposed budget for citywide fringe payments to the LTD Fund is \$2.1 million (\$1.4 million General Fund). This is unchanged from the 2016 Adopted Budget. For both years, only pay-go amounts are budgeted, as the reserve requirement has been met. The total portion of LTD Fringe Benefits costs attributable to the General Fund budget is 67.8%.

Per the City Reserve Policy, the LTD overall target reserve level is 100% of the outstanding actuarial liability for LTD. The outstanding liability is based on the average of the annual actuarial liabilities for the three most recent fiscal years. With the June 30, 2015 valuation completed, that average decreased from \$18.3 million to \$14.9 million. The current reserve balance of \$18.4 million exceeds that target by approximately \$3.5 million.

Lastly, the City has negotiated and will continue to negotiate the LTD program and its administration with its recognized employee organizations. Negotiations are in accordance with the City's Memorandums of Understanding (MOUs) with its employee or-

ganizations and the Meyers-Milias-Brown Act (MMBA), which governs labor-management relations and collective bargaining in California.

# Other Post-Employment Benefits

Retiree health obligations, or Other Post-Employment Benefits (OPEB), total \$60.7 million (\$39.9 million for the General Fund) in the FY 2017 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.<sup>(1)</sup>

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 of 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, 2015. The OPEB Unfunded Actuarial Liability (UAL) at June 30, 2015 is \$537.3 million, down from \$1.1 billion at June 30, 2011.

However, since June 30, 2013, the UAL has increased by \$93.2 million—from \$444.1 million at June 30, 2013 to \$537.3 million at June 30, 2015. One of the main factors for the increase occurred in the FY 2015 valuation, where there was a "change in mortality assumption, which resulted in an increase in the Actuarial Accrued Liability of about 11%," as stated in the valuation. Another notable factor in the UAL increase occurred in the FY 2014 valuation, with adjustments to account for the higher costs associated with non-Medicare participants over the age of 65.

The June 30, 2015 OPEB Annual Required Contribution (ARC) projected for FY 2017 is \$47.3 million, as compared to the June 30, 2013 valuation's projected FY 2015 ARC of \$38.1 million. The \$47.3 million ARC amount is essentially related to the amortization of the UAL of the defined benefit plan, which is closed to new participants.

The ARC figure does not reflect the payment components the City plans to make

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(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: OPEB

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 below shows the different retiree health payment components the City estimates it will make through FY 2021 and is based on estimates provided by Buck Consultants.<sup>1</sup> This table reflects the citywide fiscal impact of the newly restructured retiree health benefit, which was \$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 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 2016 through 2021.

- 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 pay-

OPEB/Retiree Health Forecast (in millions)	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
1 PAYGO	\$ 43.2	\$ 44.7	\$ 46.4	\$ 48.2	\$ 48.9	\$ 49.2
CalPERS Trust						
2 Contribution/(Withdrawal)	(14.4)	(15.7)	(14.3)	(14.6)	(15.0)	(21.0)
3 Contribution to HRA Accounts	30.8	31.8	30.0	29.9	31.1	38.3
4 Benefit Administration by SDCERS	0.6	0.6	0.6	0.7	0.7	0.7
5 Less: Employee Contributions	(1.0)	(0.7)	(0.5)	(0.4)	(0.3)	(0.2)
<b>Total City Contribution</b>	<b>\$ 59.2</b>	<b>\$ 60.7</b>	<b>\$ 62.2</b>	<b>\$ 63.8</b>	<b>\$ 65.4</b>	<b>\$ 67.0</b>

<sup>1</sup> The retiree health payment estimates provided by Buck Consultants and shown in the table on this page are based on the June 30, 2014 valuation results. The updated estimates based on the June 30, 2015 valuation were not available for this report.



# Significant Citywide Issues: OPEB

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ments to be made each fiscal year.

## ***Annual Required Contribution (ARC)***

Despite its name, the City is not required to pay the OPEB ARC, but as of FY 2008 the cumulative difference between the ARCs and the payments made by the City is reported as the Net OPEB Liability in the financial statements. The full amount of the unfunded OPEB liability is disclosed in the notes to the financial statements, in accordance with Governmental Accounting Standards Board (GASB) requirements.

New GASB requirements will be in effect for FY 2018 which parallel the recently implemented pension requirements in the City's FY 2015 CAFR (Comprehensive Annual Financial Report). These requirements include incorporating the total OPEB liability less the fair value of assets, or Net OPEB Liability, into the citywide financial statements.

Information regarding the OPEB ARC and Unfunded Actuarial Liability are available in the June 30, 2015 valuation—which was performed by Buck Consultants and provided to the City in December 2015.

# Significant Citywide Issues: Pension

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## Pension

### **Defined Benefit (DB) Pension**

The FY 2017 Proposed Budget includes \$261.1 million for the Actuarially Determined Contribution (ADC), which is the City's defined benefit (DB) pension contribution requirement. This is an increase of \$6.2 million from the FY 2016 Adopted Budget amount of \$254.9 million. The General Fund portion of the FY 2017 budgeted payment is \$191.0 million—an increase of \$3.3 million from the FY 2016 Adopted Budget of \$187.7 million.

The FY 2017 ADC of \$261.1 million is based on the FY 2015 actuarial valuation. The valuation shows that the pension system's Unfunded Actuarial Liability (UAL) totals \$2.0 billion as of June 30, 2015.

The City's pension system liabilities as of June 30, 2015 are funded at a rate of 75.6%—increased from the 74.2% funding ratio at June 30, 2014. The ADC is 7.8% of total budgeted expenditures for the City and is 14.4% 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.

### **Increases to the Defined Benefit ADC from Prior Assumptions**

The FY 2017 ADC of \$261.1 million is \$13.0 million higher than the \$248.1 million

contribution estimated in the previous (FY 2014) valuation, which was also included in the FY 2017-2021 Five-Year Outlook. The increase is largely due to the items outlined below.

- A \$6.8 million increase related to SDCERS Board-approved changes in economic assumptions. The Board approved reducing both the discount rate and the wage inflation rate assumptions by 0.125% for the FY 2015 valuation, and again by 0.125% for FY 2016.
- A \$5.4 million increase related to a lower than assumed investment return for FY 2015. The FY 2015 investment return of 3.3% was lower than the 7.25% return assumed in the FY 2014 valuation.

### **Future ADC Considerations**

There are a couple of items that could potentially impact the City's FY 2018 ADC or other funding requirements. First, pension fund investment returns have been trending at less than 7.125%, the current assumed rate of return. If the annual return for FY 2016 ends up being less than the 7.125% return assumed when calculating the ADC, there would be an investment experience loss that could increase the FY 2018 ADC. Whatever the FY 2016 investment return ends up being, the preliminary impact will likely be quantifiable by August 2016.

Second, the SDCERS actuary, Cheiron, is in the process of completing an "experience study" for Board review this coming July. The experience study involves historical

# Significant Citywide Issues: Pension

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analysis of pension plan assumptions, including the rate of investment return, wage inflation, and retirement and mortality rates. The period under review is FY 2011 through FY 2015.

The experience study and related analysis will be the basis for Cheiron's recommended changes in the plan's actuarial assumptions. The Board will consider any recommended assumption changes, and any approved changes would be included in the calculation of the FY 2018 ADC. Any such changes would affect estimated ADCs in future years as well. It is anticipated by Cheiron that there could be a "meaningful cost increase (2% to 6%)" related to assumptions regarding mortality.

## ***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% of eligible compensation for general members and safety members, respectively.

The FY 2017 proposed SPSP-H budget is \$12.7 million citywide. This figure includes amounts for the interim defined contribution plan, as well as hourly workers (\$11.8 million and \$919,000, respectively). The SPSP-H budget for the interim DC plan has increased by \$2.5 million from FY 2016, primarily due to the assumption that vacant and new positions will be filled by employees who will become members of SPSP-H.

Some terms of the interim DC plan include that employee contributions are mandatory, 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.

Proposition B was challenged by four of the City's recognized employee organizations, alleging a violation of the Meyers-Milias-Brown Act (MMBA)—the State law that governs collective bargaining for public agency employers, like the City. On December 29, 2015 the Public Employment Relations Board (PERB)—the State administrative body that enforces the MMBA—decided that the City violated the MMBA by refusing to meet and confer prior to placement of Proposition B on the June 2012 ballot. The City is appealing the PERB decision to the California Court of Appeal.

# Infrastructure & Financing Issues

In December 2015, the City released its second Five-Year Capital Infrastructure Planning Outlook (Capital Outlook) for fiscal years 2017 through 2021, which identified known capital needs and funding sources over the next five years. The Capital Outlook identified \$4.2 billion of capital needs, and \$2.8 billion of available funding for capital projects through FY 2021. This leaves a gap of \$1.4 billion in needed funding.

While the Capital Outlook includes many of the City's important future capital needs, it does not comprehensively cover all of the known capital needs, including but not limited to the following:

- Additional Funding for Sidewalk Repairs
- New Fire Stations
- Facilities identified in the most recent condition assessments (286 of the 560 General Fund buildings occupied by City staff or the public)
- Facilities and Parks that have pending condition assessments (about half of the 240 leased General Fund facilities, approximately 160 developed parks including Balboa Park, and approximately 300 Public Utilities buildings)
- Convention Center Expansion
- Information Technology Improvements
- Sea Walls, Piers and Coastal Assets

The following sections provide an overview of funding included for infrastructure in the FY 2017 Proposed Budget, and issues and challenges facing the City as it moves forward in tackling its infrastructure backlog.

## Funding for Infrastructure in FY 2017 Proposed Budget

### *Cash Funding*

In his FY 2015 Adopted Budget, the Mayor committed to dedicating 50% of each year's growth in major revenues to infrastructure spending. Major revenue growth in the FY 2017 Proposed Budget is projected to be \$29.6 million; therefore, \$14.8 million represents the commitment to fund 50% of that amount. However, the Mayor has elected to exceed the 50% commitment and included 71% or \$20.9 million of projected major revenue growth for infrastructure spending in the FY 2017 Proposed Budget.

Significant infrastructure areas to be addressed with \$20.9 million include:

- \$11.6 million for flood control and storm water quality improvement projects and programs
- \$4.3 million to repair City streets
- \$3.2 million to maintain and repair City facilities, including police stations
- \$942,000 for a fueling station for clean Compressed Natural Gas powered vehicles
- \$850,000 to repair playgrounds and playground equipment

## Significant Citywide Issues: Infra. & Financing Issues

### Lease Revenue Bond Funding

The chart below shows the deferred capital lease revenue bonds the City has issued to date and infrastructure bonds planned in the Five-Year Financial Outlook for fiscal years 2017 through 2021.

Fiscal Year	Bonds Already Issued or Planned in Outlook
FY 10	\$103.3
FY 11	-
FY 12	75.0
FY 13	35.0
FY 14	-
FY 15	120.0
FY 16	-
FY 17*	90.0
FY 18*	90.0
FY 19*	90.0
FY 20	-
FY 21	-
<b>Total:</b>	<b>\$603.3</b>

\* Bond Amounts (millions) planned in Five-Year Financial Outlook

The Capital Outlook indicates the \$333.0 million of bonds issued to date have been allocated to projects as follows: \$157.0 million for streets and sidewalks, \$107.0 million for facilities, \$45.0 million for storm

drains, and \$24.0 million for other (ADA, parks, street lights, etc.) The table below provides an update on the expenditure of bond proceeds through April 21, 2016. Approximately \$81.0 million has yet to be encumbered or expended.

Although a \$90.0 million deferred capital bond is planned for FY 2017, the timing of the bonds will depend on project funding needs and potential utilization of commercial paper borrowing. The Chief Financial Officer (CFO) is planning to return to the Council early in calendar 2017 for approval of a Commercial Paper Program for General Fund needs. Commercial paper is a short-term borrowing tool whereby the City borrows funds for a term that would rarely exceed 270 days. When the short-term loan matures, the City can either renew another short-term loan or issue long-term bonds to generate replacement capital and pay off accumulated short-term commercial paper.

If approved, this Program would enable the City to quickly borrow funds to more nimbly meet immediate project funding needs. The CFO may recommend commercial paper borrowing before moving forward with the next deferred capital bond. Given the amount of remaining funds from previously issued deferred capital bonds and the possibility of issuing commercial paper to meet

UPDATE ON DEFERRED CAPITAL BOND SPENDING (as of April 21, 2016)					
Year Issued	Bond	Total	Encumbered	Expended	Remaining Funds
FY 10	DC 1	\$ 103,300,000	\$ -	\$ 103,300,000	\$ -
FY 12	DC 2	75,000,000	-	75,000,000	-
FY 13	DC 2A	35,000,000	7,457,201	27,463,438	79,361
FY 15	DC3	120,000,000	29,812,963	9,218,391	80,968,646

# Significant Citywide Issues: Infra. & Financing Issues

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project needs in FY 2017, the next deferred capital bond issuance may not take place until FY 2018 although borrowing capacity would be available when needed.

Over the last several years, deferred capital lease revenue bonds have been a primary source of funds for the General Fund capital projects. However, it is important to note that 1) debt service for lease revenue bonds creates a long-term obligation for the General Fund and 2) lease revenue bonds are not a sufficient or sustainable solution for addressing the magnitude of the City's significant infrastructure needs.

## **Cash Management and Streamlining Improvements**

The Financial Management Department issued the Semi-Annual Budget Monitoring Report (Report) in December 2015. The Report provided an update on the implementation status of CIP cash management improvement measures. It also provided information on efficiencies gained, as well a consolidated request for supporting Council actions which were approved. Process improvements include:

- New internal CIP monitoring process
- New CIP budget review process
- Reallocation of funds from projects that are technically complete
- Establishment of an aggregate contingency for multiple projects to free up funds for other projects
- Deappropriation of annual allocations at year-end
- Encumbrance policy improvements
- Development of a commercial paper

borrowing program

These improvements are intended to manage cash in the CIP as efficiently and effectively as possible. The Report detailed \$74.4 million of project savings and reallocations from cash management and streamlining improvements.

## **Condition Assessments**

### **General Fund Facilities/Buildings**

The FY 2017 Proposed Budget provides \$250,000 in non-personnel expenditures for continuing General Fund facility condition assessments. In March of this year, Public Works presented the results from the facilities condition assessment for 560 City-occupied buildings. A more detailed review of the assessment's findings can be found in the Public Works: Facilities Division section of this report. An assessment of about half of an additional 240 General Fund facilities that the City owns but leases to tenants is expected to be completed in the fall of this year.

### **Park Assets**

The FY 2017 Proposed Budget includes \$300,000 to continue the park assessment process initiated in FY 2015. The Park and Recreation Department normally anticipates 30 to 50 parks assessments will be completed on an annual basis, depending upon the size and amenities of each park. However, because the Department is currently undertaking the assessment of Balboa Park, the number of other completed park assessments will be significantly reduced until the Balboa Park assessment is completed.

The Mayor's FY 2017 – 2021 Five-Year Financial Outlook continues annual funding in the amount of \$300,000 as a baseline ex-

# Significant Citywide Issues: Infra. & Financing Issues

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pense through FY 2021 (anticipated completion for all the park assessments). The Park and Recreation Department anticipates providing a report on the completed park assessments in late calendar year 2016.

Information from the completed park assessments will support the development of the Parks Master Plan (PMP) being initiated by the Planning Department in FY 2017. The Planning Department anticipates the Parks Master Plan to be a three-year work project. Funding for the PMP has been included in the proposed Planning Department budget for FY 2017 and is carried forward through FY 2019 in the Mayor's 2017 – 2021 Five-Year Financial Outlook.

## **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 2017 Proposed Budget for PUD includes a combined \$10.2 million in funding from the Water and Wastewater Funds for ongoing condition assessments of the Department's assets.

## **Infrastructure Asset Management (IAM)**

The City owns and maintains billions of dollars of infrastructure assets. The IAM San Diego Project (formerly Enterprise Asset Management or EAM), is a citywide strategic initiative being led by the Office of the DCOO for Infrastructure/Public Works, to develop and implement an integrated SAP-based software solution that will improve the City's management of infrastructure assets.

The Project began in FY 2016 and will be implemented over a three year period with a projected go-live date in early FY 2018. Originally initiated in the Public Utilities Department in FY 2014, this project is now a citywide strategic initiative with four departments participating in Phase I, the foundational phase, including: Department of Information Technology, Public Utilities, Public Works, and Transportation & Storm Water.

IAM will replace existing disparate and outdated maintenance management systems in these departments, including 32 applications citywide, and will serve as the foundation for future phases of implementation by other City departments. IAM will provide City staff with state-of-the-art technology to support their work, including mobile work management solutions.

The IAM system will improve the way the City plans, prioritizes, and delivers needed maintenance and capital projects by transforming the City's process for managing non-Utility assets—from a predominantly reactive, break-down maintenance and repair approach to a proactive asset lifecycle approach that is standardized across all asset classes.

For example, the IAM asset-based planning tool will enable staff to use information on assets, such as current conditions, to develop optimal maintenance and CIP investment strategies. Once implemented, this system will greatly support the development of the Five-Year CIP Outlook.

On April 5, 2016, Council approved an Agreement with Deloitte for System Integrator (SI) consulting services in an amount

# Significant Citywide Issues: Infra. & Financing Issues

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not to exceed \$20.6 million. This is an important step for moving the Project forward as the SI will have the primary responsibility of gathering and analyzing the City's business and system requirements, designing and implementing business process and technology solutions, and deploying these complex IAM solutions in the City's existing Enterprise Resource Planning (ERP) landscape.

The total cost for the Project over the three years is estimated to be \$54.2 million, including both capital and O&M expenses. Approximately 70% of the Project will be funded by Public Utilities' enterprise funds, with the remaining 30% to be funded by the General Fund and the Wireless Technology Fund.

The FY 2017 Proposed Budget includes \$24.4 million for the IAM Project comprised of \$22.7 million in capital expenditures and \$1.7 million in citywide O&M funding. It is anticipated that the General Fund's share of capital costs will be lease financed over a seven to ten year term, which reduces the capital expense in FY 2017 by spreading payments over several years. The total allocation of IAM Project costs to the General Fund in the FY 2017 Proposed Budget is approximately \$1.0 million, including: \$523,000 for lease payments on the financed debt, \$330,000 for software licensing costs, \$75,000 for training, and \$40,000 for archiving legacy systems.

## Capacity to Implement Capital Projects

Engineering & Capital Projects (E&CP) provides engineering services for the CIP. E&CP's responsibilities include planning, de-

sign, 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 2017 Proposed Budget reflects an increase of 46.10 FTEs and \$7.5 million in personnel and non-personnel expenditures to support additional expansion of the CIP. This continues the expansion of E&CP's CIP support that began in FY 2016 with the addition of 99.00 FTEs in the FY 2016 Adopted Budget. E&CP staff will continue to charge CIP projects for services and will be reimbursed directly from capital fund sources as appropriate.

This additional staff will be needed to address the expectation for a significant increase in projects over the next five fiscal years. As noted in the Capital Outlook, projected capital funding has increased from \$2.2 billion to \$2.8 billion over the Outlook period. The additional funding increases the number and dollar value of projects to be undertaken in the coming years as follows:

FY 2017: \$634.0 million

FY 2018: \$458.0 million

FY 2019: \$399.0 million

FY 2020: \$522.0 million

FY 2021: \$836.0 million

In previous fiscal years, the Public Works Department has implemented between



## Significant Citywide Issues: Infra. & Financing Issues

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\$300.0 and \$350.0 million in capital projects each year. As noted above, the Capital Outlook has identified annual funding for projects ranging from \$399.0 to \$836.0 million over the next five years. E&CP has indicated that its capacity to implement and administer capital projects is increasing. This is attributable to project streamlining efficiencies that have been implemented in the last year, and a significant increase in budgeted staff.

It is important to mention that factors other than the number of E&CP staff can significantly impact the Department's ability to complete projects identified in the Capital Outlook over the next five years. These other factors include but are not limited to:

- The size of projects (smaller projects often require as much or more time to administer as larger projects)
- Market demand for qualified engineers and project managers
- Ability to compete with other major hiring agencies/firms (Navy, County, private sector, etc.) to attract capable and experienced contractors
- Laws and environmental regulations that often impact project timelines
- Need to coordinate projects internally and externally with other entities (i.e., public utilities) working in the same public right-of-way

## Performance Measures

### ***Performance Measures Provided in the FY 2017 Budget***

Over the years, the Executive Branch's approaches to performance measurement have changed numerous times. Measures were not available for the first several years of the Strong Mayor/Strong Council form of government. They were included in the FY 2009 budget for the first time and continued through FY 2010. For the FY 2011 budget, following a period of significant service reductions due to the recession, no measures were provided to the Council or the public. In FY 2012, measures returned to the budget but were cut back significantly.

In 2012, our Office worked with the Mayor's Office and City staff to bring back to the FY 2013 budget some of the measures of high interest to the community and Council. In February 2012, the Budget and Finance Committee adopted a focused list of 60 performance measures that the Committee requested be consistently measured and tracked and made visible to the public through the City's budget document and ultimately the City's website. Our Office worked closely with departments to refine or improve upon the suggested measures to meet their needs. Most of these measures were included in the budget documents through the FY 2016 budget.

For the FY 2017 budget, City departments were asked to update their tactical plans to ensure consistency with the City's Strategic Plan and revise their performance measures as they determined appropriate for their

operation. Fortunately, several large key departments including Police, Fire, Environmental Services, Transportation and Storm Water, and Public Utilities have retained existing measures while adding some new ones as well. However, numerous "old" measures in other operational areas (including many requested by Council), have been dropped. As a result, some valuable and frequently requested trending information is not available in the Proposed Budget. The new measures are important as well, but most are missing data from prior years (FY 2015 and FY 2016) and have no historical context or baseline information.

In the future, we would like to see some of the "old" measures, which have been tracked for some time, return to the budget documents such as: library circulation per capita; number of annual or weekly library and recreation center operating hours; value of commercial and residential building permits; and number of aquatics users, to name a few. The International City/County Management Association (ICMA) Center for Performance Analytics refers to these input and output measures as "descriptors" as they assist the public in understanding what levels of service are being provided with tax dollars, and are of value along with "outcome" or "efficiency" measures. A cursory review of several other large cities' performance measures showed a common or core set of descriptor measures. During the reductions of the recent recession and in the years following, historical information on library circulation, library and recreation

## Significant Citywide Issues: Performance Measures

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center operating hours, number of potholes repaired, length of time to repair potholes, etc. provided important baseline and historical service level information, and provided goal posts for future budget decisions relative to service restorations.

Another concern is how and when a performance measure dashboard, which is intended to provide access to a very broad range of performance measures and could substitute for the quarterly reporting of measures requested by Council beginning in FY 2015, will be implemented. Two departments are currently working to implement “dash boarding” software: Performance & Analytics is working to have a dashboard in place for “external measures” by July 1, 2016, while the Department of IT is scoping an SAP dashboard project although at this time no concrete timetable is in place. It is unclear how these dashboards will work together, and what information will be provided and to whom.

Last, we have previously advocated for more robust “on time and on budget” CIP project delivery measures. We think this is important for accountability should additional resources for infrastructure need to be pursued in the future. In reviewing the City of San Antonio’s Quarterly Performance Report, we noted that their key performance measures include “completing projects 100% on time and on budget.”

# Significant Citywide Issues: Climate Action Plan

## Climate Action Plan

On December 15, 2015, the City Council adopted the Climate Action Plan (CAP) for the City of San Diego. The CAP is an organized plan of focused actions to support the City achieving greenhouse gas reduction goals of 15% by 2020, and 50% by 2035. The plan leverages existing City programs to assist in achieving early goals and set a foundation for the development of future programs/actions. Implementation of the CAP involves multiple City departments and outside stakeholders. Many City programs will be developed to directly support the CAP while other programs, already existing or planned, will provide indirect contributions to the goals of the CAP.

The CAP is divided into five strategies:

### Strategy 1: Water & Energy Efficient Buildings

Goals: Reduce residential building consumption, establish a residential energy conservation ordinance, and reduce water consumption.

### Strategy 2: Clean & Renewable Energy

Goals: Achieve 100% renewable energy by 2035, convert City passenger fleet to zero emission, convert municipal packers/vehicles to low emission fuel (compressed natural gas).

### Strategy 3: Bicycling, Walking, Transit & Land Use

Goals: Increase mass transit, commuter walking, and bicycling; and reduce miles traveled by vehicle.

### Strategy 4: Zero Waste

Goals: Divert solid waste from the landfills and capture methane from Wastewater Treatment.

### Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage. The FY 2017 Proposed Budget establishes multiple programs and projects to directly and indirectly support the implementation of these strategies. Examples include bike and pedestrian improvements, installation of solar/photovoltaic systems at municipal facilities, sidewalk repairs, and water conservation efforts.

The FY 2017 Proposed Budget funding for the various CAP strategies is shown in the table below. It should be noted that as the CAP is a newly developed plan, the calculation of the contributions to the respective strategies is under evaluation. The figures provided in the table are preliminary estimates developed by staff and may vary as further refinement of the programs to be included/excluded are defined.

Strategies	FY 2017 Proposed Budget
1. Water & Energy Efficient Buildings	\$2.5
2. Clean & Renewable Energy	\$7.2
3. Bicycling, Walking, Transit & Land Use	\$31.8
4. Zero Waste (Gas & Waste Management)	\$2.6
5. Climate Resiliency	\$84.1
Overarching <sup>1</sup>	\$0.2
<b>Grand Total</b>	<b>\$128.4</b>

<sup>1</sup>Programs include multiple strategies.

# Significant Citywide Issues: Climate Action Plan

The CAP is an involved plan which will require contributions from multiple City departments to achieve the targeted goals. Each project in the CAP will provide varying benefits and vary in costs. Examples of different sized projects being undertaken by different departments are: the Urban Forestry Management (UFM) Plan and the Pure Water System. The UFM Plan (led by the Planning Department) is a planning document to recommend future actions to enhance trees in the community and it is funded via a CalFire grant. The Pure Water System (Public Utilities Department) is a multi-million dollar, capital intensive project which will require debt financing. The table below provides the a preliminary summary of the CAP funding allocated in the FY 2017 Proposed Budget from the contributing departments.

Department	FY 2017 Proposed Budget <sup>1</sup> (in millions)
Public Utilities	\$66.6
Transportation & Storm Water	\$46.7
Environmental Services	\$9.1
Park & Recreation	\$2.7
Police	\$1.2
Economic Development	\$1.1
Fire-Rescue	\$0.7
Planning	\$0.2
Development Services	\$0.1
<b>Grand Total</b>	<b>\$128.4</b>

The CAP implementation plan is divided into three general phases: early actions (Phase 1), mid-term actions (Phase 2), and longer-term actions (Phase 3). Actions incorporated into Phase 1 (January 2016 to

December 2017) are to develop programs and establish a foundation for later actions. Phase 2 (January 2018 to December 2020) are actions focused on achieving the 2020 greenhouse gas reduction targets. Phase 3 (2021 to 2035) actions are driven toward assisting the City in achieving the 2035 reduction goals. This table shows the anticipated implementation timing for the actions identified in the CAP.

Strategies	Phase		
	1	2	3
<b>Water &amp; Energy Efficient Buildings</b>			
1.1 Residential Energy Conserv & Disclosure Ord.			
1.2 City's Municipal Energy Strategy & Imp Plan			
1.3 New Water Rate and Billing Structure			
1.4 Water Conservation and Disclosure Ord.			
1.5 Outdoor Landscaping Ord.			
<b>Clean &amp; Renewable Energy</b>			
2.1 Community Choice Aggreg Program or Alt.			
2.2 Municipal Zero Emission Vehicles			
2.3 Convert Muni. Waste Coll. Trucks to Low Emission Fuel			
<b>Bicycling, Walking, Transit, and Land Use</b>			
3.1 Mass Transit			
3.2 Commuter Walking			
3.3 Commuter Biking			
3.4 Retiming Traffic Signals			
3.5 Install Roundabouts			
3.6 Promote Effect. Land Use to Reduce Vehicle Miles Traveled			
<b>Zero Waste (Gas &amp; Management)</b>			
4.1 Divert Solid Waste & Capture Landfill Emissions			
4.2 Capture Methane from Wastewater Treatment			
<b>Climate Resiliency</b>			
5.1 Urban Tree Planting Program			

## Significant Citywide Issues: Climate Action Plan

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The CAP includes a requirement for an Annual Monitoring Report to provide an updated status on the City's progress toward achieving the set goals. A copy of the CAP can be found in the Planning Department on the City's website for additional information related to the CAP. Additional information on the implementation of the CAP can be found in a forthcoming funding and implementation plan from Mayoral staff.

# Department Review: City Attorney

## City Attorney

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Office of the City Attorney is approximately \$49.3 million, an increase of \$2.6 million from the FY 2016 Adopted Budget. The FY 2017 Proposed Budget includes 361.10 FTE positions, an increase of 5.52 FTE positions over FY 2016. Budgeted revenue totaling \$4.2 million represents an increase of \$104,000.

### Additions

#### Addition of Deputy City Attorneys for Homelessness Issues

The FY 2017 Proposed Budget includes the addition of 2.00 Deputy City Attorney positions and \$273,000 in expenditures to support the City's efforts in addressing homelessness. The positions are currently filled and are not new to the Office of the City Attorney, as they were added as supplemental positions in FY 2016. The Proposed Budget adds these existing positions to the

General Fund, making them permanent. The Deputy City Attorneys are assigned to the Neighborhood Prosecution and Collaborative Courts Unit, where they perform work related to expanding existing programs that include the Community Justice Initiative (formerly known as the San Diego Community Court) and the Serial Inebriate Program (SIP). The deputies support a unit that seeks to address the underlying needs of high-risk chronic offenders by collaborating with service partners to offer case management and housing placement as an alternative to incarceration. The Office of the City Attorney has indicated that these efforts are currently being implemented as the San Diego Misdemeanants At-Risk Track (SMART).

#### Addition of Deputy City Attorney for CIP Support

The FY 2017 Proposed Budget includes the addition of 1.00 Deputy City Attorney and \$140,000 in expenditures to support the Capital Improvement Program (CIP). The Office of the City Attorney indicates that

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	355.58	\$ 43,438,874	\$ 3,270,814	\$ 46,709,688	\$ 4,056,165
<b>Programmatic Changes</b>					
Addition of Deputy City Attorneys for Homelessness	2.00	265,003	8,000	273,003	-
Addition of Deputy City Attorney for CIP Support	1.00	132,502	8,000	140,502	-
Addition of Deputy City Attorney for READ Support	1.00	132,502	4,000	136,502	-
Addition of Paralegal for Community Justice Division	1.00	75,813	2,000	77,813	103,798
Conversion of Deputy City Attorney from Part- to Full-	0.25	35,469	-	35,469	-
<b>Other Changes</b>					
Salary and Benefit Adjustments	-	1,833,973	-	1,833,973	-
Other Adjustments	0.27	2,596	106,831	109,427	-
<b>FY 2017 Proposed Budget</b>	<b>361.10</b>	<b>\$ 45,916,732</b>	<b>\$ 3,399,645</b>	<b>\$ 49,316,377</b>	<b>\$ 4,159,963</b>
<b>Difference from 2016 to 2017</b>	<b>5.52</b>	<b>\$ 2,477,858</b>	<b>\$ 128,831</b>	<b>\$ 2,606,689</b>	<b>\$ 103,798</b>

# Department Review: City Attorney

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this position was requested by the Public Works Director due to recent growth in the CIP and the resulting increase in legal services required to support the program. As noted in our review of the FY 2016 Proposed Budget, the Office of the City Attorney at that time expressed concern that its workload would increase due to an expanded CIP and that no additional resources were provided for that purpose in FY 2016. During the FY 2017 budget development process, the Office of the City Attorney requested 2.00 Deputy City Attorney positions. The Proposed Budget includes funding for 1.00 FTE position. The Office of the City Attorney has indicated it will re-evaluate its CIP-related workload throughout FY 2017 as needed.

## ***Addition of Deputy City Attorney for READ Support***

The FY 2017 Proposed Budget includes the addition of 1.00 Deputy City Attorney position and \$137,000 in expenditures to provide legal support to the Real Estate Assets Department. The position is currently filled and is not new to the Office of the City Attorney, as it was added as a supplemental position in FY 2016. The Proposed Budget adds this existing position to the General Fund and makes it permanent.

## ***Addition of Paralegal for Consumer and Environmental Protection Unit***

The FY 2017 Proposed Budget adds 1.00 Paralegal position and \$78,000 in related expenditures to support the Consumer and Environmental Protection Unit, which is housed in the Community Justice Division. The additional position is funded by a corresponding \$104,000 increase in budgeted revenue. The new paralegal position will

support the increased litigation workload of the unit, which enforces consumer protection laws.

## **Issues to Consider**

The Office of the City Attorney has expressed concern that the lack of a Program Manager position for the Community Justice Initiative (formerly known as the San Diego Community Court), which was requested but not included in the FY 2017 Proposed Budget, will hinder the expansion of the program. A request to exempt the Program Manager position from the classified service was approved by Council in February 2016. The position has not yet been filled and the Office of the City Attorney requested but did not receive funding in the FY 2017 Proposed Budget to do so. The Office of the City Attorney will request the addition of 1.00 Program Manager for the Community Justice Initiative and \$140,000 in associated expenditures in the May Revision.



# Department Review: City Auditor

## City Auditor

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Office of the City Auditor is approximately \$3.9 million, an increase of \$134,000 from the FY 2016 Adopted Budget. The Office has no budgeted revenue.

The number of positions remains unchanged from FY 2016, at 22.00 FTEs. However, the FY 2017 Proposed Budget staffing configuration was modified from FY 2016 to better address current and future needs of the office.

The City Auditor decreased the number of Performance Audit Managers from 3.00 to 2.00 FTEs, and gave the two remaining Managers more responsibilities and the new title of Deputy City Auditor. The City Auditor also established the role of the Supervising Senior Performance Auditor and Principal IT Auditor position. As a result, the number of Performance Auditors increased from 15.00 to 16.00 FTEs. The remaining four positions include 1.00 City Auditor, 1.00

Assistant City Auditor, and 2.00 Administrative Assistants.

Adjustments between the FY 2016 Adopted Budget and FY 2017 Proposed Budget include a \$55,000 decrease in the City Auditor's budget for the CAFR audit contract, which is offset by a \$55,000 increase in Supplies. The increase in Supplies is for carpet, as well as cubicles to provide additional work space and enhanced privacy.

On April 27, 2016 the City Auditor's Office presented its budget (which is included in the Mayor's FY 2017 Proposed Budget) to the Audit Committee. The Committee forwarded the City Auditor's Budget to the Budget Review Committee with a recommendation for approval without modification.

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	22.00	\$ 2,990,277	\$ 727,383	\$ 3,717,660	\$ -
Salaried Wages	-	36,370	-	36,370	-
Fringe Benefits	-	60,844	-	60,844	-
Contract Costs for City CAFR Audit	-	-	(55,000)	(55,000)	-
Supplies	-	-	55,000	55,000	-
Non-Discretionary Items (Including Info Technology)	-	-	36,361	36,361	-
Net Other Adjustments	-	-	248	248	-
<b>FY 2017 Proposed Budget</b>	<b>22.00</b>	<b>\$ 3,087,491</b>	<b>\$ 763,992</b>	<b>\$ 3,851,483</b>	<b>\$ -</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 97,214</b>	<b>\$ 36,609</b>	<b>\$ 133,823</b>	<b>\$ -</b>

# Department Review: City Clerk

## City Clerk

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Office of the City Clerk totals approximately \$5.7 million, an increase of approximately \$272,000 from the FY 2016 Adopted Budget. The number of FTE positions in the Office is 46.32, an increase of 1.00 FTE from FY 2016.

due to increased requests for passport services and associated fees collected, and the remaining \$6,000 is associated with increased registration fees for lobbyists.

These revenue increases are offset by a reduction of approximately \$6,000 in election filing fees.

### Significant Budget Adjustments

- An increase of 1.00 FTE and \$107,000 in expenditures for the addition of a Program Coordinator, which will coordinate administrative functions for the City Clerk in the Budget, Information Technology, Volunteer Program, and HR/Personnel/Training areas.
- An increase of \$25,000 in NPE for shelving in the recently acquired storage space in the Concourse that formerly belonged to Library Services.
- An increase in revenues of approximately \$31,000. \$25,000 of this increase is

SUMMARY OF CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	45.32	\$ 4,150,809	\$ 1,245,327	\$ 5,396,136	\$ 69,575
<b>Programmatic Changes</b>					
Addition of Program Coordinator	1.00	107,000	-	107,000	-
Shelving for Records Storage	-	-	25,000	25,000	-
<b>Other Changes</b>					
Revenue Adjustments	-	-	-	-	25,007
Salary and Benefit Adjustments	-	251,806	-	251,806	-
Non-Discretionary/IT Support	-	-	(94,762)	(94,762)	-
Other Adjustments	-	(2)	(17,368)	(17,370)	-
<b>FY 2017 Proposed Budget</b>	<b>46.32</b>	<b>\$ 4,509,613</b>	<b>\$ 1,158,197</b>	<b>\$ 5,667,810</b>	<b>\$ 94,582</b>
<b>Difference from 2016 to 2017</b>	<b>1.00</b>	<b>\$ 358,804</b>	<b>\$ (87,130)</b>	<b>\$ 271,674</b>	<b>\$ 25,007</b>

Office of the Independent Budget Analyst  
April 2016

# Department Review: City Comptroller

## City Comptroller

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 proposed budget for the Office of the City Comptroller is approximately \$11.4 million, an increase of \$310,000 from the FY 2016 Adopted Budget. The Proposed Budget also includes 87.51 FTEs, which is an increase of 2.76 FTEs over the previous fiscal year.

#### Significant Additions

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

- 1.00 Accountant 4 in the Payroll and Disbursements section to support various financial accounting and audit functions
- 1.26 FTE positions for two student interns who will support the internal controls section, and will assist with process documentation

- 0.25 Principal Accountant who will increase from 0.50 to 0.75 FTE and provide internal controls and grant oversight support
- 0.25 Accountant 4 whose position will increase from 0.75 to 1.00 in the Government Accounting Grants and CIP section

#### Revenue Adjustments

In FY 2016, the Office of the Comptroller was budgeted to receive \$304,000 in reimbursable revenue from its work on the Enterprise Asset Management (EAM) System. In FY 2017, the Office of the Comptroller is expecting to play a smaller role in the renamed Infrastructure Asset Management (IAM) program, and is projecting approximately \$31,000 in reimbursement revenue for its work.

Significant reductions in revenue include:

- A decrease of \$70,000 due to a one-time signing bonus that occurred in FY

SUMMARY OF CITY COMPTROLLER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	84.75	\$ 10,236,967	\$ 874,971	\$ 11,111,938	\$ 2,772,259
<b>Programmatic Changes</b>					
Accountant 4 for Payroll and Disbursements	1.00	92,119	-	92,119	-
Student Interns for Internal Controls	1.26	25,964	-	25,964	-
Principal Accountant	0.25	24,110	-	24,110	-
Accountant 4	0.25	18,957	-	18,957	-
Infrastructure Asset Management Revenue	-	-	-	-	30,926
Purchase Card Rebate Revenue	-	-	-	-	(70,000)
<b>Other Changes</b>					
Revised Revenue	-	-	-	-	(298,547)
Other Adjustments	-	183,110	(34,683)	148,427	(303,712)
<b>FY 2017 Proposed Budget</b>	<b>87.51</b>	<b>\$ 10,581,227</b>	<b>\$ 840,288</b>	<b>\$ 11,421,515</b>	<b>\$ 2,130,926</b>
<b>Difference from 2016 to 2017</b>	<b>2.76</b>	<b>\$ 344,260</b>	<b>\$ (34,683)</b>	<b>\$ 309,577</b>	<b>\$ (641,333)</b>

Office of the Independent Budget Analyst

April 2016

# Department Review: City Comptroller

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2016 and was related to the new Purchase Card program

- A \$299,000 decrease in revised revenue, which is largely due to right-sizing of the Office's budget

lenge, the Office anticipates that current staffing levels are sufficient to fully document all significant financial processes within the next three fiscal years.

## Issues to Consider

### ***Unfunded Request***

For the FY 2017 Proposed Budget, the City Comptroller requested the addition of \$130,000 for vacation pay in lieu; however, it was not included in the budget. When asked about the ramifications of not including this item in the budget, the Comptroller noted that this request has not been included in the Proposed Budget in past years, and is often handled at the Mid-Year or is covered by vacancy savings. Although vacation pay in lieu can be hard to forecast, the City Comptroller's expenditures for this item have remained fairly consistent for the last four years. As is noted in the General Fund Overview Section of this report, we recommend that the City reexamine potential methodologies for estimating pay in lieu so that a more accurate citywide budget for those expenditures can be established.

### ***Internal Controls***

In April 2016, the Comptroller's Office brought its Annual Report on Internal 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. According to the Report, documenting processes remains one of the City's greatest challenges due to the large amount of time and resources required. Despite this chal-

# Department Review: City Council

## City Council

### Council Offices

Each Council Office has an operating budget and a budget for Community Projects, Programs, and Services (CPPS). The FY 2017 proposed operating and CPPS budget for the nine City Council district offices totals approximately \$11.2 million, a \$316,000 or 2.91% increase from the FY 2016 Adopted Budget. The increase is due to a \$40,000 increase in fringe benefit costs, a \$39,000 increase in CPPS funds, and a \$237,000 increase for other adjustments to salary, benefits, and non-personnel expense (NPE).

The \$11.2 million budget for the Council offices is comprised of \$10.2 million for the nine operating budgets and \$1.0 million for CPPS budgets. The total operating budget is increasing by 2.8% and the CPPS budget is increasing by 4% as compared to the FY 2016 Adopted Budget.

Although each Council Office has the same number of budgeted positions (10.00), annual operating budgets vary in amount. There is a \$397,000 difference between the highest and lowest operating budget in the

FY 2017 Proposed Budget. This difference is primarily explained by differences in fringe benefits that are based on staff hire dates and other non-discretionary costs. The balance of the Council office operating budget variance is largely explained by total wage differences.

### Budget Allocations for CPPS Funds

City Council Policy 100-06 establishes guidelines for the annual appropriation and expenditure of CPPS funding for each Council district. CPPS funds may be provided to City departments, public agencies, and to non-profit community organizations for one-time community, social, environmental, cultural, or recreational needs which serve a lawful public purpose.

In developing the annual CPPS budget for each district office, unexpended funds from each office's prior year operating budget are added to the CPPS allocation for that office in the following budget year. Variances in annual CPPS funding between Council offices are therefore explained by the differences in prior year operating budget savings.

SUMMARY OF CITY COUNCIL BUDGET CHANGES (OPERATING and CPPS)					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	90.00	\$ 8,702,064	\$ 2,174,233	\$ 10,876,297	\$ -
<b>Other Changes</b>					
<i>Fringe Benefits (Includes Retirement ADC)</i>	-	40,370	-	40,370	-
<i>CPPS - all Council Districts</i>	-	-	38,809	38,809	-
<i>Other Adjustments</i>	-	172,686	64,633	237,319	-
<b>FY 2017 Proposed Budget</b>	<b>90.00</b>	<b>\$ 8,915,120</b>	<b>\$ 2,277,675</b>	<b>\$ 11,192,795</b>	<b>\$ -</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 213,056</b>	<b>\$ 103,442</b>	<b>\$ 316,498</b>	<b>\$ -</b>

# Department Review: City Council

## Council Administration

The Council Administration work unit provides general office management and critical support services for the City Council. The FY 2017 Proposed Budget for Council Administration is approximately \$2.5 million, a \$455,000 or 22% increase over FY 2016. This increase is mostly due to: a \$178,000 increase in termination pay, \$110,000 in other salary and wage adjustments, and \$201,000 in other fringe benefit adjustments.

Two classified positions were changed mid-year to unclassified positions to better align with current job responsibilities. This change is reflected in the FY 2017 Proposed Budget with the removal of 1.00 Committee Consultants Secretary and 1.00 Information Systems Analyst 3, and the addition of 2.00 Program Managers who provide support to the City Council.

Three Councilmembers will be concluding their terms of office at the end of 2016. When employment terminates at the City,

employees are paid any earned but unpaid leave they have accrued. Approximately \$178,000 of terminal leave was included in the FY 2017 Proposed Budget to cover these expenses for employees of the three termed-out offices.

### Issues to Consider

The Council Administration Director submitted a budget request for \$20,000 to replace old and broken chairs in three conference rooms on the 3rd and 12th floors in the City Administration Building. Four Councilmembers supported this request in their budget priority memoranda, however, funding was not included in the FY 2017 Proposed Budget. The Council may wish to consider this request when making their final budget decisions.

SUMMARY OF COUNCIL ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	16.12	\$ 1,759,919	\$ 299,247	\$ 2,059,166	\$ -
<b>Programmatic Changes</b>					
Addition of 2.00 Program Managers	2.00	212,983	-	212,983	-
Reduction of 1.00 CCS and 1.00 ISA3	(2.00)	(237,088)	-	(237,088)	-
Addition of 0.25 Hourly Management Intern	0.25	7,753	-	7,753	-
<b>Other Changes</b>					
Annual Leave Termination Pay for termed-out Offices	-	177,868	-	177,868	-
Other Salary & Wage Adjustments	-	109,772	-	109,772	-
Other Fringe Benefit Adjustments	-	201,195	-	201,195	-
One-Time Reductions and Annualizations	-	-	(10,000)	(10,000)	-
Other Adjustments	-	-	(7,861)	(7,861)	-
<b>FY 2017 Proposed Budget</b>	<b>16.37</b>	<b>\$ 2,232,402</b>	<b>\$ 281,386</b>	<b>\$ 2,513,788</b>	<b>\$ -</b>
<b>Difference from 2016 to 2017</b>	<b>0.25</b>	<b>\$ 472,483</b>	<b>\$ (17,861)</b>	<b>\$ 454,622</b>	<b>\$ -</b>

# Department Review: City Treasurer

## City Treasurer

The FY 2017 Proposed Budget for the City Treasurer includes General Fund and Parking Meter Operations Fund revenues and expenditures. 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 2017 Proposed Adjustments

The proposed FY 2017 expenditure budget

for the City Treasurer (all funds) is approximately \$25.7 million and includes 126.38 FTEs. This is an overall decrease of approximately \$754,000 (or 2.9%), and an increase of 1.65 FTEs over FY 2016. The table below reflects the net changes from FY 2016 to both funds within the Office.

### General Fund

The Proposed Budget for the General Fund component includes \$15.9 million and 111.38 FTEs, a \$359,000 decrease from and 1.65 FTE increase over FY 2016.

#### Significant Budget Adjustments

The decrease in the proposed General Fund budget for the City Treasurer is due, in part, to the following reductions:

- \$100,000 for printing services to correct for the movement of third party vendor IT services to the IT budget, and the removal of these costs from the Of-

SUMMARY OF CITY TREASURER BUDGET			
	FY 2016 BUDGET	FY 2017 PROPOSED	CHANGE
General Fund FTE	109.73	111.38	1.65
Parking Meter Operations Fund FTE	15.00	15.00	-
<b>TOTAL CITY TREASURER FTE</b>	<b>124.73</b>	<b>126.38</b>	<b>1.65</b>
General Fund Expenditures	16,259,232	15,900,664	(358,568)
Parking Meter Operations Fund Expenditures	10,197,852	9,802,225	(395,627)
<b>TOTAL CITY TREASURER EXPENDITURES</b>	<b>26,457,084</b>	<b>25,702,889</b>	<b>(754,195)</b>
General Fund Revenue	19,297,104	19,329,499	32,395
Parking Meter Operations Fund Revenue	10,197,852	10,767,852	570,000
<b>TOTAL CITY TREASURER REVENUE</b>	<b>29,494,956</b>	<b>30,097,351</b>	<b>602,395</b>

# Department Review: City Treasurer

office's operating budget.

- \$72,000 in cost savings as a result of a 4% discount the City receives when payments are made within 15 days.
- \$16,000 in a reduction of overtime costs due to the implementation of an online appeals process for parking citations. With this new program, customers can submit their parking citation appeals online, and receive updates on the appeals process.
- \$457,000 reduction in IT equipment and support due to the removal of one-time expenses from the budget.

These reductions are partially offset by the addition of 2.00 Accountant 2s and the associated \$167,000 in personnel expenditures to support Transient Occupancy Tax (TOT)/Tourism Marketing District (TMD) compliance work. In the last 18 months, the number of registered operators within the City has increased by 50%. The Office indicates that the addition of these positions will help the program achieve a three year audit cycle. However, if the number of reg-

istered operators continues to increase, the City Treasurer will likely require additional staff.

The budget also includes the addition of a 0.35 Hourly Account Clerk and \$6,000 in personnel expenditures to support a variety of special projects related to financial operations.

## Revenue Adjustments

Significant General Fund revenue adjustments include:

- A \$164,000 increase in revenue, which is expected to be generated as a result of the addition of the 2.00 Accountant 2s for TOT/TMD compliance.
- A \$47,000 reduction due to a revised service level agreement with the Public Utilities Department (PUD). Treasury Investments staff participated in document review and meetings related to PUD bond financings that occurred in FY 2016, and the FY 2017 budget reflects the removal of this work from the budget.

SUMMARY OF GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	109.73	\$ 10,357,631	\$ 5,901,601	\$ 16,259,232	\$ 19,297,104
<b>Programmatic Changes</b>					
Accountant 2s for TOT/TMD Compliance	2.00	167,089	-	167,089	164,090
Hourly Account Clerk for Financial Operations	0.35	5,922	-	5,922	-
Overtime Reduction	-	(16,359)	-	(16,359)	-
Banking Contract Reduction	-	-	(72,000)	(72,000)	-
Printing Services Reduction	-	-	(100,000)	(100,000)	-
Revised Service Level Agreement with PUD	-	-	-	-	(47,192)
<b>Other Changes</b>					
Equipment/Support for IT	-	-	(457,404)	(457,404)	-
Other Adjustments	(0.70)	181,085	(66,901)	114,184	(84,503)
<b>FY 2017 Proposed Budget</b>	<b>111.38</b>	<b>\$ 10,695,368</b>	<b>\$ 5,205,296</b>	<b>\$ 15,900,664</b>	<b>\$ 19,329,499</b>
<b>Difference from 2016 to 2017</b>	<b>1.65</b>	<b>\$ 337,737</b>	<b>\$ (696,305)</b>	<b>\$ (358,568)</b>	<b>\$ 32,395</b>

Office of the Independent Budget Analyst

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# Department Review: City Treasurer

## 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 \$9.8 million and 15.00 FTEs, a \$396,000 decrease from FY 2016.

### Significant Budget Adjustments

Notable budget adjustments include:

- A reduction of \$400,000 for smart meter contracts. In FY 2017, the City Treasurer is right-sizing its estimated expenditures based on FY 2015 and FY 2016 actuals
- A reduction of \$93,000 for smart parking meter repairs because the costs are covered under extended warranty
- An increase of \$110,000 for non-discretionary adjustments, including increases in expenditures for General Government Service Billing, the SAP Support Allocation, and the Wireless Communications transfer

### Revenue Adjustments

Revenue adjustments for the Parking Meter Operations Fund include \$900,000 in additional collections from smart parking meters. The City Treasurer is right-sizing its revenues based on prior year actual revenues.

The FY 2017 Proposed Budget also includes a decrease in revenue of \$330,000 in its Parking Meter Alternative Program due to a decline in the use of prepaid parking cards. As payment options for parking have increased (e.g. the ability to use a credit card to pay for parking with the new smart meters), the use of prepaid parking cards has decreased.

### Pilot Programs

#### Hospitality Zone Expansion

During last year's Budget Review Committee hearing of the Treasurer's budget, the Council inquired about plans to expand hospitality zones in areas outside of Downtown. In hospitality zones, meters are enforced between 10:00am and 8:00pm, instead of from 8:00am to 6:00pm, in order to increase turnover for surrounding businesses. When the IBA asked this year about

SUMMARY OF PARKING METER OPERATIONS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	15.00	\$ 1,344,489	\$ 8,853,363	\$ 10,197,852	\$ 10,197,852
<b>Programmatic Changes</b>					
Reduction in Parking Meter Repairs	-	-	(92,500)	(92,500)	-
Smart Meter Contract Services Reductions	-	-	(400,000)	(400,000)	-
Smart Meter Collections Revenue	-	-	-	-	900,000
Reduced Parking Meter Alternative Program Revenue	-	-	-	-	(330,000)
<b>Other Changes</b>					
Non-Discretionary Adjustments	-	-	110,089	110,089	-
Other Adjustments	-	(9,690)	(3,526)	(13,216)	-
<b>FY 2017 Proposed Budget</b>	<b>15.00</b>	<b>\$ 1,334,799</b>	<b>\$ 8,467,426</b>	<b>\$ 9,802,225</b>	<b>\$ 10,767,852</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ (9,690)</b>	<b>\$ (385,937)</b>	<b>\$ (395,627)</b>	<b>\$ 570,000</b>

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# Department Review: City Treasurer

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future plans for expansion, the City Treasurer noted that the Uptown Parking District has expressed interest in pursuing hospitality zone enforcement in FY 2017. However, the plan has not been approved at this time, so any change in projected revenue from an expansion of hospitality zones in Uptown has not been included in the Proposed Budget.

## ***Mobile Payment Pilot***

Since September 2015 in Uptown and February 2016 in Downtown, the City Treasurer has been piloting Parkmobile, a mobile app that allows users to pay for parking via their phones. The app also allows users to extend their parking time remotely, as long as they have not already reached the meter's maximum. Approximately 850 meters in Uptown and 450 meters in Downtown accept mobile pay as part of this pilot, which will end in September 2016. The City incurs no costs associated with the pilot, but Parkmobile charges a transaction fee to the customer for the service.

## ***Vehicle Detection Sensors Pilot***

The City Treasurer is also planning a six-month pilot of vehicle detection sensors in the first half of FY 2017. The sensors will be located inside the meter dome, and will provide real-time parking utilization data. The data could be used to develop an app that could direct drivers to available parking. It could also be used by the City to: guide enforcement (e.g. sensors could alert officers to occupied spaces that have not been paid for); and to determine better rates and hours of enforcement. The pilot is expected to include a total of approximately 200 meters in Uptown and Downtown. The proposed pilot is at no cost to the City, and

will begin upon execution of the pilot agreement; however, should the City wish to expand the program after the pilot, there would likely be one-time costs associated with the purchase of each sensor, as well as ongoing communication fees for data.

# Citywide Program Expenditures

## Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Citywide Program Expenditures Department totals \$114.4 million, an increase of \$24.8 million from the FY 2016 Adopted Budget.

Highlights of certain expenditures are included in the next few pages.

### **Reserves and Public Liability Claims**

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

#### General Fund Reserve

A General Fund Reserve contribution of \$7.6 million is budgeted for FY 2017. There was no contribution budgeted for FY 2016. The increased contribution is the result of increased revenues, combined with the recent increase in the overall General Fund Reserve target—from 14% of General Fund operating revenues to 16.7%.

The increase toward the new 16.7% target will be phased in over six years, beginning in FY 2016. For FY 2016, it is anticipated that there will be enough fund balance to meet the first-year target increase from 14% to 14.5%. The FY 2017 proposed contribution of \$7.6 million will bring the reserve to the 14.75% target for FY 2017, which equals \$172.3 million. See the General Fund Reserve section of this report (under Significant Citywide Issues) for more information.

#### Public Liability Operations

The FY 2017 Proposed Budget includes \$25.2 million to support the Public Liability (PL) Operating Fund, up \$6.6 million from the \$18.6 million in the FY 2016 Adopted Budget.

For FY 2016 the PL Operating Fund received an additional \$20.1 million in funding from City sources, due to increased claims payouts. This additional funding includes a \$15.0 million transfer from the PL Reserve, a \$2.0 million transfer from the De Anza Operating Fund, and a \$3.1 million additional contribution amount noted in the Mid-Year Report. See the Public Liability Funds section of this report (under Significant Citywide Issues) for more information.

#### Public Liability Reserve

For FY 2016 there was no budgeted General Fund transfer to support the PL Reserve, as the required amounts had been pre-funded in FY 2015. However, as stated above, the PL Reserve was reduced in FY 2016 by a \$15.0 million transfer to the PL Operating Fund.

To increase the Reserve balance, a FY 2016 Mid-Year Budget Adjustment of \$5.8 million was requested by the Financial Management Department and approved by Council. Additionally, \$5.0 million in insurance reimbursement (related to the De La Fuente settlement) increased the PL Reserve balance.

For the PL Reserve to reach its FY 2016 40% reserve requirement of \$36.7 million, it is antici-

# Department Review: Citywide Program Expenditures

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pated that the PL Reserve will need an additional \$3.0 million transfer from General Fund Excess Equity. This amount is anticipated to be included in the FY 2016 Year-End Budget Adjustment requests.

For the FY 2017 Proposed Budget, there is \$2.8 million included as a contribution to the PL Reserve. This amount, combined with FY 2018 and FY 2019 contributions, will provide the additional \$9.2 million anticipated as needed to reach the overall Reserve target (which is 50% funding of the PL actuarial liability).

## **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 \$1.6 million, from \$10.4 million in FY 2016 to \$12.0 million in the FY 2017 Proposed Budget. This is largely due to increases related to the Civic Center Plaza.

## **Animal Services**

The City contracts with the County of San Diego to provide “Animal Services” (animal control, shelter, trapping, etc.). The FY 2017 Animal Services budget amount of \$9.4 million has increased by \$444,000 from the FY 2016 Adopted Budget.

## **Citywide Elections**

The FY 2017 Proposed Budget for Citywide Elections is unchanged from the FY 2016 Adopted Budget, at \$4.2 million. Primary election races for Mayor, City Attorney, and Council Districts 1, 3, 5, 7, and 9 occur in June 2016, for which funding is included in the FY 2016 Budget. Possible run-offs to

these elections will occur in the November 2016 General Election, for which funding is included in the FY 2017 Proposed Budget.

The elections amounts in the FY 2016 Budget and FY 2017 Proposed Budget include preliminary estimates for ballot proposition costs. Actual costs can vary and will depend on the number of ballot measures, number of candidates, and number of items each County jurisdiction places on the ballot.

For the November General Election in FY 2017, there are signature gathering efforts currently underway for several ballot measures that, if successful, would appear on the November ballot; and two of those measures would be lengthy. Additionally, there are anticipated propositions for revisions to the City Charter, resulting from the Charter Review Committee’s work.

For FY 2016, the most recent estimate for June Primary costs is \$5.2 million, \$1.0 million higher than the amount projected at Mid-Year. There are nine ballot measures, estimated to cost \$4.2 million; and \$1.0 million is the current estimate for the candidate races. FY 2017 may prove to be more expensive, as the State has numerous initiatives for the November election that could increase costs for each jurisdiction, including the City; and there are a number of potential ballot measures as stated above. These issues will be closely monitored by the City Clerk as information becomes available.

## **CIP Debt Service**

The \$21.0 million in FY 2017 debt service payments for deferred capital bonds are budgeted in Citywide Program Expenditures

# Department Review: Citywide Program Expenditures

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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 issuance (known as “DC2A”)
- \$6.9 million for the \$120 million 2015 A&B issuance (known as “DC3”)

lion, unchanged from 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 \$20.0 million threshold to be transferred to the Park Improvement Funds is budgeted in Citywide Program Expenditures. That amount has increased in the FY 2017 Proposed Budget by \$2.3 million—from \$8.7 million to \$11.0 million. This increase is due to an anticipated increase 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 2017 Proposed Budget for the public use leases is \$1.6 mil-

# Department Review: Communications

## Communications

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 proposed expenditure budget for the Communications Department is approximately \$3.6 million and includes 31.50 FTE positions. This is an increase of \$77,000 and a decrease of 0.66 FTE positions from FY 2016. The Department has approximately \$1.6 million in budgeted revenue in FY 2017, which has not changed from the FY 2016 Adopted Budget.

#### Significant Budget Adjustments

The increase in the proposed FY 2017 budget for the Communications Department is due in large part to an increase of approximately \$53,000 in equipment and support for information technology. Other changes include:

- An additional \$6,000 for staff training and conferences;
- An additional \$3,000 to cover the Department's Rewards and Recognition Program; and

- A decrease of 0.66 FTE and \$16,000 in personnel expenses for hourly Management Interns who support Multimedia Production Services. In FY 2016, one of the 0.66 Management Intern positions was not filled, and in FY 2017, it is being removed from the proposed budget.

### Issues to Consider

The Communications Department was created in FY 2015 to centralize and increase the effectiveness of the City's communications-related activities. Previously, Public Information Officers (PIOs) and other communications-related personnel were distributed throughout City departments. Due to a delay in the transition of many of the Department's positions in FY 2015, revenue was significantly lower than budgeted. Even with a transitioned staff in FY 2016, the Department expects that at year-end its revenue could be as much as \$400,000 less than what was included in the Adopted Budget. Although the FY 2017 Proposed Budget includes \$1.6 million in revenue again, the Department is working with Financial Manage-

SUMMARY OF COMMUNICATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	32.16	\$ 3,320,403	\$ 242,649	\$ 3,563,052	\$ 1,565,333
<b>Programmatic Changes</b>					
Training and Conferences	-	-	6,000	6,000	-
Non-Standard Hourly Personnel	(0.66)	(15,767)	-	(15,767)	-
Employee Rewards & Recognition	-	-	2,826	2,826	-
<b>Other Changes</b>					
Equipment/Support for IT	-	-	53,064	53,064	-
Other Adjustments	-	16,412	14,444	30,856	-
<b>FY 2017 Proposed Budget</b>	<b>31.50</b>	<b>\$ 3,321,048</b>	<b>\$ 318,983</b>	<b>\$ 3,640,031</b>	<b>\$ 1,565,333</b>
<b>Difference from 2016 to 2017</b>	<b>(0.66)</b>	<b>\$ 645</b>	<b>\$ 76,334</b>	<b>\$ 76,979</b>	<b>\$ -</b>

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# Department Review: Communications

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ment to right-size its revenues for future budgets.

## Looking Ahead

In January 2016, the Department launched the website [InsideSanDiego.org](http://InsideSanDiego.org) to show the human interest side of the City's work. The Department produces videos and short articles that can be shared through social media, and posts them on its website. Site traffic has grown steadily since the launch, but the Department notes that engaging with the public via the website and its other social media platforms will continue to be a priority in FY 2017.

In FY 2017, the Department indicates that it will also:

- Launch the Citywide Communications plan by December 31, 2016. The plan will serve as a two-year outlook of major initiatives and projects in order to support coordinated messaging and outreach.
- Develop its presentation and media training modules, which will be used for its group training sessions for City spokespersons.
- Prioritize outreach to Councilmember Offices. With the new Director and Deputy Director of Communications now in place, the Department is working to improve outreach to Councilmember offices. This is in response to last year's Budget Review Committee hearing when Councilmembers expressed concern that at times they were not informed when important media-related issues arose in their districts.

# Department Review: Debt Management

## Debt Management

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Debt Management Department is approximately \$3.1 million, an increase of approximately \$390,000 or 14.1% over the FY 2016 Adopted Budget. The Department added 2.00 positions for a total of 21.00 FTEs. Budgeted revenue increases by \$199,000 to \$911,000.

#### **Addition of Infrastructure and Public Utilities Loan Program Unit**

The Department is adding 3.0 FTE positions to create an Infrastructure and Public Utilities Loan Program Unit (Unit) beginning in FY 2017. The Unit will work closely with Public Utilities Department (PUD) staff to administer their Utilities Loan Program. This Program consists of State Revolving

Fund loans and other federal and State loan options whose repayment source is utility system revenues. While the Unit will be initially focused on loans in support of PUD projects, it is ultimately intended to centrally administer and oversee other citywide loans (i.e., Infrastructure Bank or I-Bank loans).

The new Unit is comprised of 1.00 Program Manager, 1.00 Senior Management Analyst, and 1.00 Associate Management Analyst. PUD currently has positions performing some of this work and many of their responsibilities are being transferred to the Debt Management Department. The Unit will primarily be funded with PUD revenue in FY 2017 pursuant to a Service Level Agreement between the departments. The Department will only be reimbursed for time the Unit provides services in support

SUMMARY OF DEBT MANAGEMENT DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	19.00	\$ 2,420,131	\$ 338,697	\$ 2,758,828	\$ 711,645
<b>Programmatic Changes</b>					
<i>Adding Program Mgr., SMA and AMA to create Public Utilities Loan Program Unit to provide services to PUD</i>	3.00	324,373	15,000	339,373	324,218
<i>Reduction of 1.00 Associate Economist</i>	(1.00)	(86,796)	-	(86,796)	-
<i>Funds for Financial, Legal and Other Costs related to forming an EIFD in Otay Mesa</i>	-	-	150,000	150,000	-
<i>Reduction in revenue due to revised SLA with PUD</i>	-	-	-	-	(75,000)
<i>Reduction in revenue - end of Reassessment District</i>	-	-	-	-	(50,000)
<b>Other Changes</b>					
<i>One-Time Reductions and Annualizations</i>	-	-	(100,000)	(100,000)	-
<i>Other Salary &amp; Wage Adjustments</i>	-	61,229	-	61,229	-
<i>Other Fringe Benefit Adjustments</i>	-	29,573	-	29,573	-
<i>Other Adjustments</i>	-	-	(3,789)	(3,789)	-
<b>FY 2017 Proposed Budget</b>	<b>21.00</b>	<b>\$ 2,748,510</b>	<b>\$ 399,908</b>	<b>\$ 3,148,418</b>	<b>\$ 910,863</b>
<b>Difference from 2016 to 2017</b>	<b>2.00</b>	<b>\$ 328,379</b>	<b>\$ 61,211</b>	<b>\$ 389,590</b>	<b>\$ 199,218</b>



# Department Review: Debt Management

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of PUD projects. Any non-billable work performed by the Unit will be an unbudgeted expense borne by the General Fund.

## ***Funding for Formation of Otay Mesa Enhanced Infrastructure Financing District (EIFD)***

An EIFD is a special district established in accordance with State law that allows for the use of specific property tax increment within the district to finance the construction or rehabilitation of a wide variety of public infrastructure and private facilities.

The Department received a one-time allocation of \$100,000 in the FY 2016 Adopted Budget to hire consultants to evaluate the feasibility of forming an EIFD in Otay Mesa. The consultant has started working on the project, however, staff does not expect to be invoiced for the work in FY 2016. The Department has requested \$150,000 for this work in FY 2017 to support:

- formation counsel services (\$50,000),
- the fiscal consultant's report and analysis (\$80,000), and
- other miscellaneous expenditures to conduct a district election and facilitate district board activities (\$20,000).

The Department is coordinating EIFD formation efforts with staff in the Planning and Economic Development departments. Additionally, staff is reviewing infrastructure needs identified in the Otay Mesa Facilities Financing Plan to plan for potential EIFD funding.

## ***Reduction of 1.00 Associate Economist Position***

The Department is eliminating 1.00 Associate Economist position as part of an internal

staff reorganization. Rather than having analysts assigned to particular projects and work units, the Department intends to assign analysts based on workload demands. Department management indicates they can handle their anticipated workload in FY 2017 with 6.00 analysts/economists rather than the 7.00 currently budgeted.

## ***Reduction in Budgeted Revenue***

The Department is reducing budgeted revenue by \$75,000 to reflect a reduction in financing services to the PUD (associated with the water system) as there are no bond issuances planned for FY 2017. Budgeted revenue is reduced by another \$50,000 because bonds for Assessment District 1999-1 have been paid off and the Department will no longer be reimbursed this amount for annual administrative services provided in support of the District.

## ***Other Budget Changes***

The FY 2017 Proposed Budget removes the one-time \$100,000 addition of non-personnel expense in FY 2016 for the EIFD feasibility consultant. Other salary and wage adjustments increased the Department's FY 2017 Budget by \$61,000 and other fringe benefit adjustments further increased the budget by \$30,000.

## ***Implementation of a Commercial Paper Borrowing Program***

The Department is planning to return to Council early in FY 2017 for approval of initial actions to authorize a Commercial Paper Borrowing Program. The Program will initially be used for water system capital needs and may be used for citywide infrastructure borrowing in the fall. The Department believes they have sufficient staff to administer this Program in FY 2017.

# 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 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Department of IT (General Fund and non-General Fund components) is approximately \$50.1 million and includes 118.00 FTE positions. This is an increase of \$606,000 and 3.00 FTEs over FY 2016. The increase is due in large part to expenditures in the OneSD and Wireless Communications Technology Funds, and reductions in the GIS and Information Technology Funds. These changes are described in the following sections. Additionally, the only net increase in FTEs is reflected 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 oversees the budget for the replacement of personal computers in General Fund departments. The FY 2017 Proposed Budget for computer replacement is \$500,000, which is the same as was adopted in FY 2016.

### 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 2017 Proposed Budget for the GIS Fund is approximately \$1.9 million. This is a decrease of \$176,000 from FY 2016, which

SUMMARY OF INFORMATION TECHNOLOGY DEPARTMENT BUDGET						
	FY 2016 FTE	FY 2017 FTE	CHANGE	FY 2016 BUDGET	FY 2017 PROPOSED	CHANGE
<b>General Fund</b>	-	-	-	\$500,000	\$500,000	-
<b>Non-General Fund</b>						
GIS Fund	2.00	2.00	-	2,062,574	1,886,416	(176,158)
Information Technology Fund	44.00	42.00	(2.00)	13,363,897	11,783,402	(1,580,495)
OneSD Fund	23.00	28.00	5.00	25,441,074	27,202,542	1,761,468
Wireless Communications Technology Fund	46.00	46.00	-	8,149,464	8,750,517	601,053
<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>115.00</b>	<b>118.00</b>	<b>3.00</b>	<b>\$49,517,009</b>	<b>\$50,122,877</b>	<b>\$605,868</b>

# Department Review: Dept of Information Technology

is largely due to changes in the Fund's non-discretionary budget, and a decrease in information technology equipment and support due to the elimination of a one-time GIS upgrade that occurred in FY 2016.

The GIS Fund is projected to operate at a deficit of \$243,000 in FY 2017 that will be mitigated through the use of fund balance.

## 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. In order to reimburse the IT Fund for costs incurred, departments who use IT services are assigned a budgetary allocation each year based on their prior-year IT spending.

For the FY 2017 Proposed Budget, the IT Fund is approximately \$11.8 million, which is a decrease of \$1.6 million from FY 2016.

Additionally, 42.00 FTE positions are included in the Proposed Budget, which is a decrease of 2.00 FTEs from FY 2016.

### Significant Adjustments

Notable additions to the IT Fund include:

- \$140,000 in personnel expenses (PE) for 1.00 Network Tower Program Coordinator who will oversee network tower projects and will facilitate the replacement of aging infrastructure
- \$120,000 for the sales tax on hardware that will be replaced at the San Diego Data Center
- \$100,000 for the Department's contract with Gartner to support IT procurement and contracting
- \$511,000 increase in salary and benefit adjustments
- \$248,000 increase in non-discretionary adjustments including \$181,000 for Rose Canyon electrical services and \$56,000 for the SAP support allocation

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	44.00	\$ 5,846,269	\$ 7,517,628	\$ 13,363,897	\$ 12,723,508
<b>Programmatic Changes</b>					
Network Tower Program Coordinator	1.00	140,062	-	140,062	140,062
San Diego Data Center Improvements	-	-	120,000	120,000	-
IT Contract Management Consulting Services	-	-	100,000	100,000	-
Rose Canyon Facility Maintenance	-	-	(200,000)	(200,000)	-
Transfer of 3.00 Program Managers to OneSD	(3.00)	(466,211)	-	(466,211)	-
Equipment/Support for IT	-	-	(1,996,005)	(1,996,005)	-
<b>Other Changes</b>					
Salary & Benefit Adjustments	-	503,050	8,266	511,316	-
Non-Discretionary Adjustments	-	-	248,353	248,353	-
Revised Revenue	-	-	-	-	(2,289,321)
Other Adjustments	-	-	(38,010)	(38,010)	(31,200)
<b>FY 2017 Proposed Budget</b>	<b>42.00</b>	<b>\$ 6,023,170</b>	<b>\$ 5,760,232</b>	<b>\$ 11,783,402</b>	<b>\$ 10,543,049</b>
<b>Difference from 2016 to 2017</b>	<b>(2.00)</b>	<b>\$ 176,901</b>	<b>\$ (1,757,396)</b>	<b>\$ (1,580,495)</b>	<b>\$ (2,180,459)</b>

# Department Review: Dept of Information Technology

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Significant reductions to the IT fund include:

- \$200,000 in expenditures that are no longer needed for Rose Canyon maintenance
- \$466,000 decrease in PE due to the transfer of 3.0 Program Managers to the OneSD Fund. These Program Managers provide SAP security, and this transfer aligns the budget with the work provided
- \$2.0 million decrease in IT equipment and support due to the removal of one-time expenses from last year's budget, including funding for the new website and single sign-on projects

A decrease in revenue of approximately \$2.3 million reflects the allocation of citywide transfers in FY 2017. The Information Technology Fund is projected to operate at a deficit of \$1.2 million in FY 2017, which will be mitigated through the use of fund balance.

## Issues to Consider

The Department of IT is continuing to develop its application roadmap, which formalizes its technology planning process. The Department notes that it is working with other departments to better understand their application needs, and will leverage its new Project Management Office (PMO) to identify opportunities for consolidating the number of citywide applications. To facilitate this effort and improve the Department's ability to forecast and govern citywide IT projects, it requested \$157,000 in personnel expenditures and \$2,000 in related non-personnel expenditures for 1.00 Program Manager position; however,

this position was not included in the Proposed Budget. The position was originally budgeted for in FY 2016, but was repurposed for cyber security monitoring to support the Department's more urgent needs. The Department has indicated that its Tower Managers and new Program Management Office will absorb this work, and that it will reassess its need for this position in the future. **Given the benefit of forecasting the City's application needs and opportunity for cost savings, the IBA recommends that the Department track its staffing needs for this work closely. Additionally, we recommend that the Council request an update at a future Committee meeting about the development of the Department's IT application roadmap, its prioritization of projects, and its identification of related cost saving opportunities.**

## ***Update Regarding the City's IT Sourcing Strategy***

The CGI contract extension for application development and maintenance services was approved by the City Council on April 19, 2016. The Department also has two contracts with Atos: one for network services, and a second for data center, help desk, and desktop support. These five-year contracts with Atos will end in FY 2017 and FY 2018, but have two-year renewal options. The City has begun meeting with the Atos management team to discuss the potential for contract extensions, but has not yet made a decision about whether it will extend the contracts or issue RFPs for this work. If the City exercises its two-year renewal options, potential transition costs would be deferred for 3-4 years; however, if an RFP is pursued, transition costs may need to be added to the budget.

# Department Review: Dept of Information Technology

## 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, with each department's allocation varying by the types of SAP programs used, the number of full-time equivalent (FTE) positions in each department, and department budget.

The FY 2017 proposed expenditure budget for OneSD is approximately \$27.2 million, a \$1.8 million or 6.9% increase over FY 2016. This increase is due to a \$1.4 million increase in salary, wages, and fringe costs

mostly as a result of personnel transfers and additions to this Division; a \$1.9 million increase in contracts due to the addition of the allocation to the Information Technology Fund; and a \$1.6 million increase in Information Technology (IT) expenditures due to new and on-going SAP project requirements in FY 2017 and the addition of \$1.1 million in Infrastructure Asset Management (IAM) licensing and maintenance costs. These expenditure additions are mitigated by a \$3.0 million reduction in Debt Service.

OneSD's FY 2017 proposed revenue budget is \$27.2 million, a \$667,000 or 2.5% increase over FY 2016. This increase is due to a \$1.1 million reimbursement for the IAM licensing and maintenance costs that are

SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	23.00	\$ 2,678,453	\$ 22,762,621	\$ 25,441,074	\$ 26,525,692
<b>Programmatic Changes</b>					
<i>Transfer of 3.00 Program Managers from the IT Fund to provide ongoing support ERP system security</i>	3.00	466,211	-	466,211	-
<i>Addition of 1.00 Program Coordinator to support citywide financial reporting and SAP dashboard effort</i>	1.00	145,658	1,800	147,458	-
<i>Addition of 1.00 Program Coordinator to support citywide SAP training efforts</i>	1.00	145,658	1,800	147,458	-
<i>IAM licensing and maintenance</i>	-	-	1,100,000	1,100,000	1,100,000
<i>Reimbursement of OneSD Fund staff time dedicated to IAM</i>	-	-	-	-	829,821
<i>Zero-based funding support for SAP updates and enhancements for procurement, document storage, and personnel needs</i>	-	-	4,258,818	4,258,818	-
<b>Other Changes</b>					
<i>Adjustment reflects SAP Support non-discretionary revenue received</i>	-	-	-	-	(1,262,569)
<i>Reduction in Vacancy Savings</i>	-	475,479	-	475,479	-
<i>Increase in non-discretionary allocation due to addition of IT Services transfer</i>	-	-	1,877,653	1,877,653	-
<i>Reduction in Debt Service</i>	-	-	(3,026,449)	(3,026,449)	-
<i>Other Adjustments</i>	-	126,080	(3,811,240)	(3,685,160)	-
<b>FY 2017 Proposed Budget</b>	<b>28.00</b>	<b>\$ 4,037,539</b>	<b>\$ 23,165,003</b>	<b>\$ 27,202,542</b>	<b>\$ 27,192,944</b>
<b>Difference from 2016 to 2017</b>	<b>5.00</b>	<b>\$ 1,359,086</b>	<b>\$ 402,382</b>	<b>\$ 1,761,468</b>	<b>\$ 667,252</b>

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# Department Review: Dept of Information Technology

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budgeted in this fund, and to projected revenue of \$830,000 for OneSD staff time dedicated to the IAM project. These additions are off-set by a \$1.3 million reduction in revenues from the non-discretionary SAP Support Allocation. Our Office notes that funding for the IAM capital improvement program (CIP) project will no longer be budgeted in the OneSD Fund, it will be budgeted in a separate fund administered by the Public Utilities Department. Funds previously budgeted in OneSD for the IAM CIP will continue to be reflected in the Division's revenue and expense statement until they are fully expended.

## **Significant Adjustments**

OneSD requested and received 2.00 Program Coordinator positions in FY 2017, 1.00 FTE position to support citywide training efforts and 1.00 FTE position to work on financial reporting and an SAP dashboard. Our Office notes that any work on a dashboard in FY 2017 would be preliminary—at this time there is no project scope or timeline—and that this dashboard would most likely draw primarily from SAP data and be considered for “internal” use as opposed to the more “external-facing” dashboard project budgeted in the Performance & Analytics Department. **As City dashboard projects move forward our Office recommends that the City Council receive project updates and review metrics for, and request access to, dashboard data in both the OneSD and Performance & Analytics projects, in order to better facilitate legislative decision-making and increase government transparency.**

Other personnel changes in OneSD include the transfer of 3.00 Program Managers from the IT Fund to OneSD to provide system

security. This transfer aligns the budget with work provided: these positions have been working on SAP security and budgeting them directly in this fund reflects the cost of providing SAP services. The FY 2017 Proposed Budget also reflects the exemption of 6.00 FTE positions from the classified service that was approved by the City Council in FY 2016.

As noted above, OneSD's IT expenditure budget increased by approximately \$1.6 million in FY 2017 due mainly to the addition of \$1.1 million in reimbursable IAM licensing and maintenance costs. Funding for the implementation and maintenance of citywide SAP projects and modules is zero-based each year, and is usually budgeted in OneSD in order to appropriately allocate the cost to end-users, while department-specific SAP needs are budgeted in the departments who are requesting them. SAP enhancements and upgrades may vary from year-to-year as one citywide or department-specific project or phase ends and another begins. Projects budgeted in FY 2017 include:

- Enhancements to the City's procurement module including catalog shopping and system controls for contract compliance
- Automation of various personnel actions (including new hire/rehire paperwork, leave of absence forms, and organization reassignments) currently authorized via paper forms
- Upgrades to the City's storage infrastructure

These projects were included as part of the FY 2017 projection in the SAP timeline that was presented at the Budget and Govern-

# Department Review: Dept of Information Technology

ment Efficiency Committee on February 24, 2016.

## Wireless Communications Fund

The Wireless Communications Fund supports the Communications and Network Services Division of the Department of IT, and 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. Approximately 6% of the revenue also comes from external agencies for the use of the public safety communications systems.

The FY 2017 Proposed Budget includes approximately \$8.8 million and 46.00 FTE positions for the Fund. There is no change in

the number of FTEs, but there is a \$601,000 expenditure increase from the FY 2016 Adopted Budget.

### Significant Adjustments

Significant additions to the Wireless Communication Fund include:

- \$350,000 to support the design and construction of a public safety radio facility on Otay Mountain, which will result in expanded radio coverage in South Bay, and the U.S./Mexico border area
- \$200,000 for the installation of equipment at the new radio communications site in the San Pasqual Valley to improve emergency response communications in the area
- \$25,000 for a site license lease payment to SDG&E
- \$390,000 for non-discretionary adjustments, including approximately \$343,000 for changes in debt payments on capital leases
- \$301,000 for salary and benefit adjust-

SUMMARY OF WIRELESS COMMUNICATIONS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	46.00	\$ 4,968,689	\$ 3,180,775	\$ 8,149,464	\$ 6,622,249
<b>Programmatic Changes</b>					
Otay Mountain Facility Design & Construction	-	-	350,000	350,000	-
Public Safety Radio Network Improvements	-	-	200,000	200,000	-
SDG&E Site License Annual Increase	-	-	25,141	25,141	-
One-Time Reductions and Annualizations	-	-	(692,000)	(692,000)	(100,592)
Revised Revenue	-	-	-	-	1,973,263
Infrastructure Asset Management Reimbursement	-	-	-	-	150,053
Additional Revenue from SDG&E Lease Payment	-	-	-	-	1,900
<b>Other Changes</b>					
Non-Discretionary Adjustments	-	-	390,355	390,355	-
Salary & Benefit Adjustments	-	299,769	757	300,526	-
Other Adjustments	-	-	27,031	27,031	-
<b>FY 2017 Proposed Budget</b>	<b>46.00</b>	<b>\$ 5,268,458</b>	<b>\$ 3,482,059</b>	<b>\$ 8,750,517</b>	<b>\$ 8,646,873</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 299,769</b>	<b>\$ 301,284</b>	<b>\$ 601,053</b>	<b>\$ 2,024,624</b>

# Department Review: Dept of Information Technology

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ments

The reduction of \$692,000 is a result of one-time expenditures that were included in the FY 2016 Adopted Budget, but were removed in FY 2017, including \$500,000 for mandated radio upgrades, and \$192,000 to pay for the sales tax associated with the financing of the P25 Radio System.

A net increase in revenue of approximately \$2.0 million reflects:

- The removal of \$101,000 in one-time revenue, which was for the Enterprise Asset Management (EAM) reimbursement in FY 2016
- \$2.0 million in revised revenue. In FY 2016, the Department used fund balance to lower the cost of using the City's wireless communications technologies for other departments. In FY 2017, there is not enough fund balance to offset departmental costs as much as it was in FY 2016
- \$150,000 for reimbursement for work on Infrastructure Asset Management (IAM, formerly EAM)
- \$2,000 from SDG&E for a sublease on Black Mountain for communications equipment. However, the Department indicates that it may need to request a revenue increase of approximately \$21,000 (for a total of \$23,000) during the May Revision because the \$2,000 included in the budget is the monthly, not the annual, revenue

The Wireless Communications Fund is projected to operate at a deficit of \$104,000 in FY 2017, which will be mitigated through the use of fund balance.

## **FY 2017 Priorities**

In FY 2017, significant budget adjustments in the Wireless Communications Fund reflect the Department's goal of enhancing reliability, availability, and security of technology systems. By installing an emergency generator and power feeds at the new radio network communications site in the San Pasqual Valley, the Department is working to improve emergency communications in an area that has experienced major fires in recent years. Moreover, by adding the Otay Mountain facility, the Department is expanding emergency radio coverage in the South Bay, and U.S./Mexico border area. These projects address the *known* wireless communications gaps in the City; however, the Department indicates that it is using grant funding to complete a coverage gap analysis to assess whether there are additional areas of the City that need improvement. **The IBA recommends the Council request an update about this analysis, and the gaps in service identified, once it has been completed.**



## Department Review: Development Services

# Development Services

### Mayor's FY 2017 Proposed Adjustments

The Development Services Department (DSD) provides review and evaluations for plans and permits, inspections, and code enforcement for private and public development projects. To efficiently fulfill these responsibilities, the department is arranged into seven primary divisions across three different funds.

The FY 2017 Proposed Budget for DSD includes \$65.1 million and 548.45 FTEs. This is an increase of approximately \$2.1 million and 23.30 FTEs over the FY 2016 Adopted Budget.

The FY 2017 Proposed Budget includes funding to support the new project tracking system (Accela), fund enhancements for the plan review function of the department, and support goals set forth in the Climate Action Plan.

Due to the complex budget structure and funding sources, the analysis of the FY 2017 Proposed Budget in this section is organized by major funds.

### General Fund

The FY 2017 Proposed Budget totals approximately \$7.3 million, representing an increase of approximately \$334,000 over the FY 2016 Adopted Budget. No additional positions were included for the FY 2017 Proposed Budget. Revenues are projected to total approximately \$716,000, an increase of \$120,000 over the FY 2016 Adopted Budget.

#### Project Tracking System

In FY 2016, the City Council approved the financing package to acquire a new project tracking system (Accela System) to enhance the Department's customer service efforts, better track building permits and code enforcement cases, and track certain perfor-

DEVELOPMENT SERVICES DEPARTMENT FY 2017 PROPOSED BUDGET EXPENDITURES				
DIVISION	GENERAL FUND	DSD ENTERPRISE FUND	LOCAL ENFORCEMENT AGENCY FUND	TOTAL BY DIVISION
Code Enforcement	\$ 7,335,209	\$ -	\$ -	\$ 7,335,209
Administration & Support Services	-	13,896,983	-	13,896,983
Building & Safety	-	17,038,469	-	17,038,469
Land Development Review	-	7,830,325	-	7,830,325
Engineering	-	10,719,832	-	10,719,832
Project Submittal & Management	-	7,495,417	-	7,495,417
Solid Waste LEA	-	-	811,196	811,196
<b>TOTAL BY FUND</b>	<b>\$ 7,335,209</b>	<b>\$ 56,981,026</b>	<b>\$ 811,196</b>	<b>\$ 65,127,431</b>

# Department Review: Development Services

mance measures. The acquisition of the Accela System was partially cash funded, with the balance of the acquisition costs (approximately \$9.3 million) financed over 5 years through the system vendor.

As the Code Enforcement Division will benefit from the usage of the Accela System, the FY 2017 Proposed Budget includes DSD's General Fund calculated contribution of \$200,000 to the annual financing payment. The Department anticipates the system to be implemented by late FY 2017.

### **Re-inspection Enhancements**

The FY 2017 Proposed Budget includes \$120,000 in additional revenue from addressing recommendations from the City Auditors' Performance Audit of the Code Enforcement Division. Per the recommendations of the Performance Audit, the Department has agreed to establish a systematic framework for assessing fines, penalties, and re-inspecting fees. The Department anticipates that implementation of this recommendation will encourage compliance with regulations, reduce repeat offenders, and generate additional revenue to recover costs of re-inspections.

## **Issues to Consider**

### **Code Enforcement Support**

The FY 2016 Adopted Budget included nine new positions to support the code enforcement of substandard housing, medical marijuana dispensaries, and other citywide enforcement needs. The FY 2016 Adopted Budget in total includes 70.00 FTEs in Code Enforcement with 52 of these being investigator positions. The FY 2017 Proposed Budget does not include any additional code enforcement positions.

Several Councilmembers' FY 2017 budget priority memoranda recommended additional resources be allocated to code enforcement work. The Department has indicated that they are deferring requesting additional resources for FY 2017 until results from the following are available:

- Internal monitoring of code enforcement cases;
- Full implementation of new positions added in FY 2016; and
- Implementation of recommendations from the Performance Audit of the Code Enforcement Division.

<b>SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES</b>					
<b>Description</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expense</b>	<b>Revenue</b>
FY 2016 Adopted Budget	70.00	\$ 6,402,208	\$ 588,851	\$ 6,991,059	\$ 596,269
<b>Programmatic Changes</b>					
<i>Project Tracking System</i>	-	-	200,000	200,000	-
<i>Reinspection Enhancements</i>	-	-	-	-	120,000
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	(68,611)	-	(68,611)	-
<i>Non-Discretionary Adjustments</i>	-	-	208,611	208,611	-
<i>Other Adjustments</i>	-	-	4,150	4,150	-
<b>FY 2017 Proposed Budget</b>	<b>70.00</b>	<b>\$ 6,333,597</b>	<b>\$ 1,001,612</b>	<b>\$ 7,335,209</b>	<b>\$ 716,269</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ (68,611)</b>	<b>\$ 412,761</b>	<b>\$ 344,150</b>	<b>\$ 120,000</b>

Office of the Independent Budget Analyst

April 2016

# Department Review: Development Services

## Development Services (Enterprise Fund)

The FY 2017 Proposed Budget is approximately \$57.0 million, an increase of approximately \$1.7 million and 23.30 FTEs over the FY 2016 Adopted Budget. Department revenues are projected to be approximately \$55.3 million, an increase of approximately \$3.3 million over the FY 2016 Adopted Budget.

### Transfer of Historical Resources

The FY 2017 Proposed Budget includes the

transfer of 4.00 FTEs, approximately \$337,000 in expenses, and approximately \$343,000 in revenues to DSD from the City's Planning Department to better match job functions with like work functions. In ongoing departmental reviews, DSD and the Planning Department determined that resources to conduct historical reviews of development plans were a more appropriate fit in DSD as the department is responsible for plan review and evaluation. In FY 2016, the positions were embedded within the Long-Range Planning Division in the Planning Department.

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - ENTERPRISE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	449.15	\$ 42,286,515	\$ 13,022,552	\$ 55,309,067	\$ 52,063,381
<b>Programmatic Changes</b>					
Historical Resources	4.00	337,455	-	337,455	343,269
Land Development Code	(3.00)	(435,675)	-	(435,675)	-
Addition of Associate Planners	4.00	323,353	-	323,353	316,106
Addition of Structural Engineering Associates	2.00	205,839	-	205,839	202,398
Addition of Associate Engineers - Civil	2.00	183,497	-	183,497	180,499
Addition of Assistant Engineers - Traffic	2.00	163,730	-	163,730	160,730
Addition of Plan Review Specialist 3s	2.00	147,561	-	147,561	144,560
Addition of Program Manager	1.00	135,448	-	135,448	139,906
Addition of Public Information Clerks	2.00	105,573	-	105,573	102,568
Addition of Associate Engineer - Civil	1.00	91,982	-	91,982	90,117
Addition of Associate Engineer - Traffic	1.00	91,682	-	91,682	90,183
Permit Review Support	1.00	80,838	-	80,838	79,026
Addition of Associate Planner	1.00	80,838	-	80,838	79,026
Addition of Plan Review Specialist 3	1.00	73,779	-	73,779	72,279
Addition of Word Processing Operator	0.50	18,302	-	18,302	51,758
Addition of Plan Review Specialist 3	0.25	14,366	-	14,366	13,917
Reserve Requirement	-	-	(600,000)	(600,000)	-
Communications Support	-	-	111,314	111,314	-
One-Time Reductions and Annualizations	-	-	(696,537)	(696,537)	-
Revised Revenue	-	-	-	-	1,041,268
<b>Other Changes</b>					
Other Salaries & Wages	1.55	\$946,864	\$4,805	\$951,669	148,743
Non-Discretionary Adjustments	-	-	\$272,250	\$272,250	-
Other Adjustments	-	-	14,695	\$14,695	-
<b>FY 2017 Proposed Budget</b>	<b>472.45</b>	<b>\$ 44,851,947</b>	<b>\$ 12,129,079</b>	<b>\$ 56,981,026</b>	<b>\$ 55,319,734</b>
<b>Difference from 2016 to 2017</b>	<b>23.30</b>	<b>\$ 2,565,432</b>	<b>\$ (893,473)</b>	<b>\$ 1,671,959</b>	<b>\$ 3,256,353</b>

# Department Review: Development Services

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## **Transfer of Land Development Code**

The FY 2017 Proposed Budget includes the transfer of 3.00 FTEs and approximately \$436,000 in expenses from DSD to the City's Planning Department. In ongoing departmental reviews, DSD and the Planning Department determined that resources with knowledge of land development codes were a more appropriate fit in the Planning Department to assist in the Community Plan Updates. In FY 2016, these positions were part of the Plan Review Division within DSD.

## **Support for the Plan Review Functions**

The Department manages staffing levels to adjust to the changes in the construction industry. The Department has seen the construction industry not only strengthen over the last several years (photovoltaic permits increased by 78% over last year) but new regulations (storm water and renewable energy) are requiring more complex plan reviews.

To address the increased demand and scope of permitting services, the FY 2017 Proposed Budget includes a net increase of 23.30 FTEs and approximately \$2.6 million in expenses to support the plan review functions of the Department. An increase of approximately \$2.3 million in revenue related to the increased staffing will offset a majority of the additional expenses.

In addition to supporting increased customer service and expedited plan reviews, the additional positions will assist in the implementation (directly and indirectly) of the Climate Action Plan strategies.

## **Reserve Requirement**

The FY 2017 Proposed Budget includes a decrease of \$600,000 in non-personnel expenses from the FY 2016 Adopted Budget as the FY 2017 reserve requirements for the Department have been achieved. Per the Reserve Policy, the Department is to maintain a reserve amount equal to 8.25% of operating revenues. Current reserve amounts meet this requirement and no contribution will be required in FY 2017.

## **Other Budget Adjustments**

The FY 2017 Proposed Budget also includes the following adjustments:

- An increase of approximately \$111,000 in expenses for communication services from the Communication Department.
- A reduction of approximately \$697,000 in expenses due to the removal of one-time expenses in the FY 2016 Adopted Budget and the annualization of expenses. The primary component (\$693,000) of these reductions is related to the initial one-time payment for the Accela System added in the FY 2016 Adopted Budget.
- An increase of approximately \$1.0 million in revenue based upon projected increases in demand for permitting services and increased staffing.

## **Issues to Consider**

### **User Fee Study**

In FY 2015, the Department engaged a consultant to conduct a study of the fees charged by the Department. The study includes a review of the methodologies used to calculate department fees and determine if fee adjustments are necessary to ensure the recovery of costs. The consultant has

## Department Review: Development Services

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completed the draft study and the Department is currently reviewing the study and recommendations with stakeholders. The Department anticipates presenting the final study to the appropriate City Council committee in May 2016, and anticipates presenting the item to the full City Council for consideration in June 2016.

If any proposed rate adjustments are approved by the City Council in June, the Department would target implementing the rate adjustments by the end of the first quarter of FY 2017. The FY 2017 Proposed Budget does not include any proposed revenue adjustments based upon the study. Should the study recommendations be approved by the City Council and result in material revenue adjustments, the Department will work with the Financial Management Department to make the appropriate revisions to the FY 2017 budget.

# Department Review: Economic Development

## Economic Development

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Economic Development Department is approximately \$15.0 million, an increase of \$1.2 million or 8.3% over the FY 2016 Adopted Budget. The Department is proposing to add 4.65 FTE positions for a total of 56.00 positions. Budgeted revenue increases by \$670,000 to \$8.1 million.

### Additions

#### Successor Agency Work Unit

The Department has established a Successor Agency Work Unit (Unit) to ensure Successor Agency activities and responsibilities are appropriately managed. The Unit is

primarily focused on overseeing Successor Agency budgets, accounts payable/receivable, and the Recognized Obligation Payment Schedule (ROPS). Additionally, the Unit manages continuing contractual obligations associated with the former Naval Training Center (NTC) Redevelopment Project Area and the development and disposition of certain properties approved in the Long Range Property Management Plan.

The FY 2017 Proposed Budget adds 1.00 Community Development Specialist 4 (CDS 4) and 1.00 Associate Management Analyst to the Unit. These positions will work with a Program Manager and a Community Development Coordinator to oversee and perform Successor Agency responsibilities.

SUMMARY OF ECONOMIC DEVELOPMENT DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	51.35	\$ 5,505,554	\$ 8,318,127	\$ 13,823,681	\$ 7,470,912
<b>Programmatic Changes</b>					
CDS 4 and AMA to support Successor Agency Work Unit	2.00	198,163	-	198,163	196,667
Transfer of CDS 4 from Planning Department to BEAR	1.00	107,448	-	107,448	332,200
Senior Planner (Recycling Program Mgr) to Support CAP	1.00	105,936	-	105,936	10,000
Payroll Support Specialist 2 to support Department	1.00	64,279	-	64,279	35,000
Funding for Connect2Careers Workforce Program	-	-	250,000	250,000	-
Funding for Online Business Assistance Portal	-	-	200,000	200,000	-
Additional Funding for Serial Inebriate Program (SIP)	-	-	170,000	170,000	170,000
Funding for SD Regional EDC	-	-	150,000	150,000	-
Funding for 7/24 Restroom Access for Homeless	-	-	105,000	105,000	-
<b>Other Changes</b>					
Reduction in Hourly FTEs from 4.35 to 4.00	(0.35)	(11,640)	-	(11,640)	-
One-Time Reductions and Annualizations	-	-	(175,000)	(175,000)	(135,930)
Revised Revenue Projection for FY 17	-	-	-	-	62,152
Other Adjustments	-	76,850	(87,961)	(11,111)	-
<b>FY 2017 Proposed Budget</b>	<b>56.00</b>	<b>\$ 6,046,590</b>	<b>\$ 8,930,166</b>	<b>\$ 14,976,756</b>	<b>\$ 8,141,001</b>
<b>Difference from 2016 to 2017</b>	<b>4.65</b>	<b>\$ 541,036</b>	<b>\$ 612,039</b>	<b>\$ 1,153,075</b>	<b>\$ 670,089</b>

# Department Review: Economic Development

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The Unit will be comprised of 4.00 FTE positions in FY 2017.

## ***Transfer of 1.00 CDS 4 Position from the Planning Department***

Economic Development was consolidated into the City Planning and Community Investment Department (CPCI) in FY 2009 and separated to become a standalone department in FY 2014. This transfer returns 1.00 Community Development Specialist 4 (CDS 4) and \$332,000 of budgeted revenue to the Department. The CDS 4 position had remained in the Planning Department and will now transfer back to the Economic Development Department in FY 2017. The CDS 4 will provide in-house expertise and information data management for ongoing evaluation of real estate trends and markets, business development research related to growth industries, employment and development statistics, and other economic information.

## ***Addition of 1.00 Senior Planner to support Implementation of the Climate Action Plan (CAP)***

The Department adds 1.00 Senior Planner to support the implementation and maintenance of the CAP. The position's working title is Recycling Program Manager (RPM) and will provide support to the Sustainability Program Manager. In their budget priority memoranda, a majority of Councilmembers indicated support for the recently approved CAP is a priority in FY 2017.

The RPM's roles and projects include: grant application support, policy analysis and greenhouse gas inventory tracking and reporting, CAP/sustainability tracking and reporting, development and implementation

of new and innovative projects or programs, and climate resiliency planning and implementation. A Local Government Partnership Grant, administered by the Environmental Services Department, will partially reimburse the cost of the RPM.

## ***Addition of 1.00 Payroll Specialist 2***

The Department is one of the only departments in the City without its own payroll specialist. In order to address this need and better support payroll and human resource activities, 1.00 Payroll Specialist 2 has been added to the Department's budget.

## ***Implementation of Open Counter Software for a Business Portal***

The Department is allocating \$200,000 to purchase and implement Open Counter Software that will allow citizens (small businesses, entrepreneurs, landlords, contractors) to discover which permits, licenses, data, and fees are required to pursue a project in a specific location within the City. It will be designed to facilitate common commercial permitting use cases such as opening a business, remodeling a commercial space, or permitting a new commercial construction project. Department management anticipates launching the service by the end of the summer.

A majority of Councilmember budget priority memoranda included some support for a variety of economic development programs for small businesses, including the development of an online business portal.

## **Contract Administration**

The Department administers and supports numerous contracts relating to the goals and objectives of economic development. A

# Department Review: Economic Development

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few contracts to note or with budget changes in FY 2017 are briefly discussed below:

## ***Funding for the Connect2Careers Program***

The FY 2017 Proposed Budget includes \$250,000 to support the Connect2Careers Workforce Program administered by the San Diego Workforce Partnership. The program provides youth with meaningful job placements by providing workforce development, preparation, and summer employment services to young adults between the ages of 16 and 24 years old. This Program was identified as a top priority by a majority of Councilmembers in their FY 2017 budget priority memos. Our Office notes that funding is being maintained and not increased.

## ***Funding for the San Diego Regional Economic Development Corporation***

In recent years, the San Diego Regional Economic Development Corporation (EDC) has been allocated funding from the Economic Development Programs category of the Special Promotions Budget (TOT). This is competitive grant funding with regulations pertaining to the use of funds. In the FY 2017 Proposed Budget, management is proposing to allocate \$150,000 to the EDC in the Economic Development Department budget. In FY 2016, the EDC received \$140,000 in the Special Promotions Budget.

When asked about the shift in funding away from Special Promotions, Department management responded that 1) a competitive TOT grant is not an appropriate source for the ongoing annual funding they would request for the EDC, and 2) TOT expenditure regulations do not allow for certain activities the City would like the EDC to per-

form. The scope of the City's contract with the EDC calls for business lead generation, organizing business roundtables to provide the City with information on emerging needs, and services related to the relaunch of the World Trade Center San Diego.

## ***Continued Funding for Homeless Services***

City funding for homeless services is allocated to the Economic Development Department's budget. The Department then executes and administers contracts for the provision of homeless services. These contracts are with the San Diego Housing Commission (SDHC) who, in turn, often subcontracts with other providers for the desired services.

In their budget priority memoranda, a majority of Councilmembers prioritized providing additional funding and resources to assist San Diego's homeless population. Approximately \$2.3 million has been allocated for homeless services in the FY 2017 Proposed Budget for the programs noted below, an increase of \$275,000 over the FY 2016 Budget.

- Interim Housing and Related Services for Homeless Adults (\$1.495 million): This amount funds 350 year-round interim housing beds at the St. Vincent de Paul Village campus, including 140 beds for Veterans and 50 beds for homeless triage and housing placement by the San Diego Police Department's Homeless Outreach Team. It also includes \$25,000 for an Inclement Weather Program and \$110,000 for Housing Commission administration of the various programs and services.



# Department Review: Economic Development

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- 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.
- Serial Inebriate Program (SIP) (\$290,000): Funding is increased by \$170,000 to increase the number of transitional housing beds from 32 to a total of 56, and also provide supportive services for residents experiencing homelessness and struggling with substance abuse.
- Transitional Storage Center (\$125,000): Continues funding to support the operation of the Think Dignity (formerly Girls Think Tank) storage facility, which provides lockers and bins to homeless families and individuals to safely store their personal belongings. Approximately 2,000 people use this facility.
- 24/7 Restroom Access (\$105,000): This amount represents new funding for the operation of restrooms for the homeless 24 hours per day, 7 days a week. SDHC will subcontract with St. Vincent de Paul for the continued provision of these services.

## **Other Budget Changes**

The Department uses Management Interns on an hourly basis to assist with the work of the Community Development and Business Expansion Attraction and Retention divisions. The Department requested 4.00 Management Interns in the FY 2017 Proposed Budget, a decrease of 0.35 FTE from

the FY 2016 Budget.

One-time budget adjustments were made to reduce non-personnel expenses by \$175,000 and revenue by approximately \$136,000. Revised projections increased other revenue by about \$62,000. Other adjustments included a \$77,000 increase in personnel expense related to salary and benefits and there was a net \$88,000 reduction in non-personnel expense largely attributable to the transfer of debt service responsibility for the NTC Section 108 loan from the Department to ROPS.

## **Vacancies in the Department**

The Department currently has 8.00 vacancies. If the FY 2017 Proposed Budget for the Department is approved, another 4.00 positions will need to be hired. While this could cause some concern related to the provision of services, Department management indicates they plan to fill 5.00 of the 8.00 vacant positions by the end of FY 2016.

# Department Review: Environmental Services

## Environmental Services

The Environmental Services Department pursues waste management strategies to emphasize waste reduction and recycling, manages landfill and long-term disposal needs, oversees the City's energy programs, and explores options to increase energy independence. To manage these responsibilities, the Department is divided into five divisions (based on work functions) across five funds.

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Environmental Services Department (ESD) is approximately \$96.7 million, an increase of approximately \$1.5 million and 7.93 FTEs over the FY 2016 Adopted Budget.

Due to the complexity of the budget structure, the analysis of the FY 2017 Proposed Budget in this section is organized by the Department's five funds.

#### Support for Climate Action Plan

The Climate Action Plan is an involved plan which will require efforts from multiple de-

partments including ESD. ESD contributes to the City's goals within the Climate Action through multiple efforts such as continuing support for implementation of the Department's Zero Waste Plan and exploration of renewal and sustainable energy. Based upon preliminary estimates developed by staff, the FY 2017 Proposed Budget for ESD includes various allocations totaling approximately \$9.1 million to support the Climate Action Plan.

### General Fund

The FY 2017 Proposed Budget for the General Fund is approximately \$39.7 million, an increase of approximately \$3.0 million and 19.56 FTEs over the FY 2016 Adopted Budget. Department revenues are projected to total approximately \$1.4 million, a decrease of approximately \$798,000 from the FY 2016 Adopted Budget.

#### Compressed Natural Gas (CNG) Fueling Station

The CNG Fueling Station will support the

ENVIRONMENTAL SERVICES DEPARTMENT FY 2017 PROPOSED BUDGET EXPENDITURES						
Divisions	General Fund	Automated Refuse Container Fund	Energy Conservation Fund	Refuse Disposal Fund	Recycling Fund	TOTAL
Collection Services	\$ 33,405,055	\$ 1,700,000	\$ -	\$ 1,080,568	\$ 17,624,413	\$ 53,810,036
Disposal & Environmental Protection	2,025,019	-	-	18,262,243	1,645,395	21,932,657
Energy & Sustainability	-	-	3,332,937	-	-	-
Environmental Services	2,159,724	-	-	3,072,354	2,477,609	7,709,687
Waste Reduction	2,072,696	-	-	5,813,045	1,996,992	9,882,733
<b>TOTAL</b>	<b>\$ 39,662,494</b>	<b>\$ 1,700,000</b>	<b>\$ 3,332,937</b>	<b>\$ 28,228,210</b>	<b>\$ 23,744,409</b>	<b>\$ 96,668,050</b>

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# Department Review: Environmental Services

conversion of the Department's fleet of refuse and recycling vehicles from diesel to natural gas. As this facility will benefit the General Fund and the Recycling Fund, each fund is contributing to the cost of the facility. The Recycling Fund contributed \$1.2 million in FY 2015 to initiate the project. The FY 2017 Proposed Budget includes \$900,000 in non-personnel expenses as the General Fund contribution to the project. The General Fund contributed a similar amount in FY 2016. The facility is being completed in phases to support the incremental conversion of vehicles, with the entire project anticipated to be completed by 2021.

The FY 2017 Proposed Budget also includes \$42,000 to address the preventative maintenance and remote monitoring of the CNG Fueling Station.

### **Transfer of Code Enforcement Resources**

The Mayor's FY 2017 - 2021 Five-Year Outlook highlighted several actions related to the City Council approved Zero Waste Plan, including the transfer of code enforce-

ment resources to the General Fund from the Refuse Disposal Fund to better align expenses with appropriate programs. The FY 2017 Proposed Budget includes an increase of 18.00 FTEs, approximately \$1.5 million in expenses, and approximately \$18,000 in revenue to accommodate the transfer of the Citywide Solid Waste Code Enforcement Program from the Refuse Disposal Fund to the General Fund. This program is responsible for multiple programs including, but not limited to: enforcement of the City's Recycling Ordinance, inspection and abatement of transient camps, illegal dumping and scavenging enforcement, hazardous waste investigations, and various clean up events.

### **Other Budget Adjustments**

The FY 2017 Proposed Budget includes the following adjustments:

- An addition of 2.00 Sanitation Drivers 2 positions and approximately \$139,000 in expenses to address route coverage shortfalls due to employee leave.

<b>SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES</b>					
<b>Description</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expense</b>	<b>Revenue</b>
FY 2016 Adopted Budget	137.55	\$ 13,619,391	\$ 23,008,440	\$ 36,627,831	\$ 2,241,946
<b>Programmatic Changes</b>					
<i>Compressed Natural Gas Fueling Station</i>	-	-	900,000	900,000	-
<i>CNG Fueling Station Maintenance</i>	-	-	42,000	42,000	-
<i>Transfer of Code Enforcement Resources</i>	18.00	1,371,504	151,764	1,523,268	17,500
<i>Addition of Sanitation Drivers</i>	2.00	134,640	4,000	138,640	-
<i>Addition of Community Development Specialist 3</i>	1.00	87,066	-	87,066	85,000
<i>One-Time Reductions and Annualizations</i>	-	-	(876,588)	(876,588)	(900,000)
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	(1.04)	(485,099)	-	(485,099)	-
<i>Non-Discretionary Adjustments</i>	-	-	1,896,266	1,896,266	-
<i>Other Adjustments</i>	(0.40)	223,199	(414,089)	(190,890)	-
<b>FY 2017 Proposed Budget</b>	<b>157.11</b>	<b>\$ 14,950,701</b>	<b>\$ 24,711,793</b>	<b>\$ 39,662,494</b>	<b>\$ 1,444,446</b>
<b>Difference from 2016 to 2017</b>	<b>19.56</b>	<b>\$ 1,331,310</b>	<b>\$ 1,703,353</b>	<b>\$ 3,034,663</b>	<b>\$ (797,500)</b>

# Department Review: Environmental Services

- Addition of 1.00 Community Development Specialist 3 and approximately \$87,000 to develop a plan to utilize the usage of a lead paint settlement within the required timeframe.
- A reduction of approximately \$877,000 in expenses and \$900,000 in revenue due to removal of one-time adds in the FY 2016 Adopted Budget and annualization of other expenses. Primary contributors include the removal of funding for San Diego Works Program and a change in financing structure for the CNG Fueling Station.

## Automated Refuse Container Fund

The FY 2017 Proposed Budget for the Automated Refuse Container Fund is approximately \$1.7 million, an increase of approximately \$900,000 over the FY 2016 Adopted Budget. Department revenues are projected to total approximately \$900,000, an increase of approximately \$200,000 over the FY 2016 Adopted Budget.

### **Automated Refuse Containers for Single Family Homes**

The FY 2017 Proposed Budget includes \$600,000 as an expense for reimbursement to the General Fund for providing the initial funds to establish the Automated Refuse Container Fund. The fund generates revenues from replacement fees for the refuse containers sufficient to cover expenses, however initial funds were need to establish fund. This transfer reimburses the General Fund for the initial seed money.

### **Purchase of Automated Refuse Containers**

The FY 2017 Proposed Budget includes \$300,000 for the purchase of refuse containers. The Department anticipates a substantial increase in demand for replacement containers as the containers initially provided to customers at the beginning of the side-loader program are coming to the end of their life cycle.

### **Other Budget Adjustments**

The FY 2017 Proposed Budget includes the following adjustment;

- An increase of \$200,000 in revenue due to an increase in the sale of automated refuse containers.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - AUTOMATED REFUSE CONTAINER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	-	\$ -	\$ 800,000	\$ 800,000	\$ 700,000
<b>Programmatic Changes</b>					
<i>Transfer to the General Fund</i>	-	-	600,000	600,000	-
<i>Purchase of Automated Refuse Containers</i>	-	-	300,000	300,000	-
<i>Revised Revenue</i>	-	-	-	-	200,000
<b>FY 2017 Proposed Budget</b>	-	\$ -	\$ 1,700,000	\$ 1,700,000	\$ 900,000
<b>Difference from 2016 to 2017</b>	-	\$ -	\$ 900,000	\$ 900,000	\$ 200,000

# Department Review: Environmental Services

## Energy Conservation Program Fund

The FY 2017 Proposed Budget for the Energy Conservation Fund is approximately \$3.3 million, an increase of approximately \$710,000 and 4.10 FTEs over the FY 2016 Adopted Budget. Department revenues are projected to total approximately \$3.3 million, an increase of approximately \$1.1 million over the FY 2016 Adopted Budget.

### Program Coordinator for Energy Conservation Projects

The FY 2017 Proposed Budget includes 1.00 Program Coordinator position and approximately \$129,000 in expenses to provide management for energy programs, rate analysis (including review of San Diego Gas & Electric rates), contract management, and administrative staff.

### Addition of Junior Engineer

The FY 2017 Proposed Budget includes 1.00 Junior Engineer position and approximately \$73,000 in expenses to support the City's

energy efficiency projects and programs. The position will increase revenue by approximately \$47,000 as the position is partially reimbursable for services provided.

### Citywide Solar/Photovoltaic Maintenance Contract

The FY 2017 Proposed Budget will include \$50,000 in non-personnel expenses for the Citywide solar/photovoltaic system annual maintenance contract. The contract will ensure optimal performance from solar/photovoltaic projects.

### Other Budget Adjustments

The FY 2017 Proposed Budget includes the following adjustments:

- Reduction of \$250,000 in expenses due to removal of one-time addition in the FY 2016 Adopted Budget, primarily due to the removal of funding for one-time consultant contracts.
- An addition of approximately \$1.0 million in revenue due to projected increases in service projects, and

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - ENERGY CONSERVATION FUND					
BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	13.25	\$ 1,464,061	\$ 1,158,922	\$ 2,622,983	\$ 2,252,875
<b>Programmatic Changes</b>					
Addition of Program Coordinator	1.00	128,872	-	128,872	-
Addition of Junior Engineer-Civil	1.00	73,151	-	73,151	46,573
Citywide Solar/Photovoltaic Maintenance Contract	-	-	50,000	50,000	-
One-Time Reductions and Annualizations	-	-	(250,000)	(250,000)	-
Revised Revenue	-	-	-	-	1,034,117
<b>Other Changes</b>					
Other Salaries & Wages	-	106,573	328	106,901	-
Non-Discretionary Adjustments	-	-	3,003	3,003	-
Other Adjustments	2.10	349,425	248,602	598,027	-
<b>FY 2017 Proposed Budget</b>	<b>17.35</b>	<b>\$ 2,122,082</b>	<b>\$ 1,210,855</b>	<b>\$ 3,332,937</b>	<b>\$ 3,333,565</b>
<b>Difference from 2016 to 2017</b>	<b>4.10</b>	<b>\$ 658,021</b>	<b>\$ 51,933</b>	<b>\$ 709,954</b>	<b>\$ 1,080,690</b>

# Department Review: Environmental Services

rebates from San Diego Gas & Electric related to the City Street Light Upgrade project.

## Recycling Fund

The FY 2017 Proposed Budget for the Recycling Fund is approximately \$23.7 million, an increase of approximately \$870,000 and 1.65 FTEs over the FY 2016 Adopted Budget. Department revenues are projected to total approximately \$21.2 million, an increase of approximately \$580,000 over the FY 2016 Adopted Budget.

### **Transfer to Fleet Services Replacement Fund**

The FY 2017 Proposed Budget includes a one-time expense of \$900,000 to support the replacement of recycling vehicles. The Department anticipates replacing 19 vehicles in FY 2017, as these vehicles have reached the end of their seven-year life cycle.

### **Support for Zero Waste Plan**

The FY 2017 Proposed Budget includes 2.00

FTEs and approximately \$381,000 in expenses to assist in the supervision of Recycling Specialists, serve as the lead in performing complex projects related to the implementation of the Zero Waste Plan, and the expansion of public space recycling at City parks, beaches, and libraries.

### **Additional Driver and Packer**

The FY 2017 Proposed Budget includes an increase of 1.00 Sanitation Driver 2 position and approximately \$374,000 in expenses (that includes the cost of side-loading vehicle) to address anticipated population/housing growth in 2016/2017. Based on the Department's discussion with the Development Services Department (DSD), as DSD is experiencing an increase for permitting services, the Recycling Fund is anticipating the need for additional resources based upon anticipated customer growth.

### **Sycamore Canyon Facility Franchise Fee**

The FY 2017 Proposed Budget includes an increase of \$580,000 in revenue due to the transfer of revenue from the Sycamore Canyon Landfill Facility Franchise Agree-

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	106.60	\$ 10,019,673	\$ 12,855,105	\$ 22,874,778	\$ 20,637,651
<b>Programmatic Changes</b>					
<i>Transfer to Fleet Services Replacement Fund</i>	-	-	900,000	900,000	-
<i>Support for Zero Waste Plan</i>	2.00	176,164	205,000	381,164	-
<i>Addition of Sanitation Driver 2 and packer</i>	1.00	67,319	307,000	374,319	-
<i>Addition of Sanitation Driver 2s</i>	2.00	134,640	4,000	138,640	-
<i>Sycamore Canyon Facility Franchise Fee</i>	-	-	-	-	580,000
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	(2.05)	(187,782)	184	(187,598)	-
<i>Non-Discretionary Adjustments</i>	-	-	(190,340)	(190,340)	-
<i>Other Adjustments</i>	(1.30)	(208,852)	(337,702)	(546,554)	-
<b>FY 2017 Proposed Budget</b>	<b>108.25</b>	<b>\$ 10,001,162</b>	<b>\$ 13,743,247</b>	<b>\$ 23,744,409</b>	<b>\$ 21,217,651</b>
<b>Difference from 2016 to 2017</b>	<b>1.65</b>	<b>\$ (18,511)</b>	<b>\$ 888,142</b>	<b>\$ 869,631</b>	<b>\$ 580,000</b>

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# Department Review: Environmental Services

ment from the General Fund to the Recycling Fund. Transfer of the full annual amount received from the franchise agreement is to occur over a five-year period in equal installments, with FY 2017 representing the second year of transfers. The transfers will be completed by FY 2020.

## Other Budget Adjustments

The FY 2017 Proposed Budget includes the following adjustments:

- An addition of 2.00 Sanitation Drivers 2 positions and approximately \$139,000 in expenses to address route coverage shortfalls due to employee leave.

## Refuse Disposal Fund

The FY 2017 Proposed Budget for the Refuse Disposal Fund is approximately \$28.2 million, a decrease of approximately \$4.0 million and reduction of 17.38 FTEs from the FY 2016 Adopted Budget. Department

revenues are projected to total approximately \$31.2 million, an increase of approximately \$657,000 over the FY 2016 Adopted Budget.

## Transfer of Code Enforcement Resources

The FY 2017 Proposed Budget includes a decrease of 18.00 FTEs, approximately \$1.5 million in expenses, and \$18,000 in revenue to accommodate the transfer of the Citywide Solid Waste Code Enforcement Program from the Refuse Disposal Fund to the General Fund.

## Miramar Landfill Consultant

The FY 2017 Proposed Budget includes \$250,000 for consultant services to develop planning documents for future usage and new facilities at the City's landfill in Miramar. The planning documents will incorporate goals within the Zero Waste Plan, the Climate Action Plan, and the Long-Term Resources Management Strategic Plan.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	148.98	\$ 14,254,740	\$ 17,992,572	\$ 32,247,312	\$ 30,632,449
<b>Programmatic Changes</b>					
Transfer of Code Enforcement Resources	(18.00)	(1,371,504)	(151,764)	(1,523,268)	(17,500)
Miramar Landfill Consultant Services	-	-	250,000	250,000	-
Addition of Supervising Management Analyst	1.00	108,014	-	108,014	-
Addition of Heavy Truck Driver 1s	2.00	113,850	-	113,850	-
Annual Operating Reserve	-	-	(920,000)	(920,000)	-
Reduction of Closure/Post-Closure Annual Contribution	-	-	(1,000,000)	(1,000,000)	-
Revised Revenue	-	-	-	-	616,000
<b>Other Changes</b>					
Other Salaries & Wages	(1.98)	198,854	858	199,712	-
Non-Discretionary Adjustments	-	-	(105,551)	(105,551)	-
Other Adjustments	(0.40)	(363,772)	(778,087)	(1,141,859)	58,675
<b>FY 2017 Proposed Budget</b>	<b>131.60</b>	<b>\$ 12,940,182</b>	<b>\$ 15,288,028</b>	<b>\$ 28,228,210</b>	<b>\$ 31,289,624</b>
<b>Difference from 2016 to 2017</b>	<b>(17.38)</b>	<b>\$ (1,314,558)</b>	<b>\$ (2,704,544)</b>	<b>\$ (4,019,102)</b>	<b>\$ 657,175</b>

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# Department Review: Environmental Services

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## **Annual Operating Reserve**

The FY 2017 Proposed Budget includes a decrease of \$920,000 in non-personnel expenses from the FY 2016 Adopted Budget as the FY 2017 reserve requirements for the Department have been achieved. Per the Reserve Policy, the Department is to maintain a reserve amount equal to 15% of operating revenues. Current reserve amounts meet this requirement and no contribution will be required in FY 2017.

## **Reduction of Closure/Post-Closure Annual Contribution**

The FY 2017 Proposed Budget includes a decrease of \$1.0 million in non-personnel expenses due to a change in the funding mechanism for providing Post-Closure Financial Assurance for the Miramar Landfill. Allowable per California State regulations and approved by the City Council via Ordinance No. 20590, the Department is changing the financing mechanism from an annual contribution to a pledge of future revenue generated from greenery fees.

## **Other Budget Adjustments**

The FY 2017 Proposed Budget includes the following adjustments:

- An increase of 1.00 Supervising Management Analyst position and approximately \$108,000 in expenses to support fiscal operations and grant development within the Department.
- Addition of 2.00 Heavy Truck Driver positions and an increase of approximately \$114,000 in personnel expenses. These positions will support field operations and California's Used Mattress Recovery and Recycling Program.
- An increase of \$616,000 in revenue related to a partial reduction of the dis-

count provided to City Forces. The Mayor's FY 2016 - 2020 Five-Year Outlook included a phased reduction of the total discount over three years, from FY 2016 to FY 2018.



# Department Review: Financial Management

## Financial Management

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Financial Management Department (FM) is approximately \$4.3 million, a \$60,000 or 1.4% decrease from the FY 2016 Adopted Budget. This decrease is due to a \$63,000 reduction in fringe benefit costs as well as small reductions in hourly and other wages and the removal of one-time budget items added in FY 2016. These reductions are partially mitigated by small increases in information technology and non-discretionary allocation expenditures, as well as the addition of approximately \$3,000 for the department's Employee Rewards and Recognition Program.

The FY 2016 Adopted Budget included position additions and changes that were the result of an internal review of Department personnel and work needs. No new requests were made for the FY 2017 Proposed Budget outside of the addition of funds for the City's new Employee Rewards

and Recognition Program and a small increase in on-going department information technology needs.

### Department Update

One of the new Budget Coordinator positions added to FM's budget in FY 2016 is helping to coordinate a financial and budget video training program for Department staff. Once completed FM plans to make these videos available citywide, providing additional training for department analysts using current resources.

SUMMARY OF FINANCIAL MANAGEMENT DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	32.00	\$ 3,999,213	\$ 395,353	\$ 4,394,566	\$ -
<b>Programmatic Changes</b>					
<i>Employee Rewards and Recognition Program</i>	-	-	2,620	2,620	-
<b>Other Changes</b>					
<i>Information Technology Adjustments</i>	-	-	10,756	10,756	-
<i>Non-discretionary Allocation Adjustments</i>	-	-	6,819	6,819	-
<i>Removal of FY 2016 One-time Budget (San Diego Works Cash Awards)</i>	-	-	(3,089)	(3,089)	-
<i>Other Salaries &amp; Wages</i>	-	(77,076)	-	(77,076)	-
<i>Hourly Wages Adjustment</i>	-	(3)	-	(3)	-
<b>FY 2017 Proposed Budget</b>	<b>32.00</b>	<b>\$ 3,922,134</b>	<b>\$ 412,459</b>	<b>\$ 4,334,593</b>	<b>\$ -</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ (77,079)</b>	<b>\$ 17,106</b>	<b>\$ (59,973)</b>	<b>\$ -</b>

# Department Review: Fire-Rescue

## Fire-Rescue

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Fire-Rescue Department is approximately \$233.1 million for the General Fund, an increase of \$3.9 million from the FY 2016 Budget. The FY 2017 Proposed Budget includes 1,221.53 FTE positions, an increase of 45.32 FTE positions over FY 2016. Budgeted revenue totaling \$27.0 million represents an increase of \$197,000.

Several of the largest changes to the Fire-Rescue budget are the result of a comprehensive effort to right-size the Department's overtime expenditures. The Department expanded significantly in FY 2016, opening two new fire stations and increas-

ing the number of Fast Response Squad (FRS) units from one to two. The FY 2017 Proposed Budget represents a responsible plan to continue to support these ongoing operations with additional FTE positions and expenditures, adjusted overtime expenditures and revenue, and adjusted fire academy support.

At the same time, the FY 2017 Proposed Budget includes significant programmatic increases for the Lifeguard Division in the form of added positions, increased training, and associated expenditures, which are detailed below. These additions meet or partially meet several needs identified by the Lifeguard Division Five-Year Needs Assessment and were requested in Councilmember Budget Priority Memoranda.

SUMMARY OF FIRE-RESCUE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	1,176.21	\$ 192,092,083	\$ 37,166,582	\$ 229,258,665	\$ 26,792,214
<b>Programmatic Changes</b>					
Addition of Strike Team Expenditures and Revenue	-	1,650,000	-	1,650,000	1,155,000
Second Fire Academy	-	551,295	418,496	969,791	-
Addition of Fire Dispatchers	4.81	346,819	-	346,819	-
Advanced Lifeguard Academy	2.88	224,773	7,550	232,323	-
Addition of Ocean Beach Lifeguards	2.00	210,413	-	210,413	-
Addition of Lifeguard Sergeant	1.00	100,319	-	100,319	-
Addition of Mission Bay Lifeguard	1.00	92,707	-	92,707	-
Increased Training for Seasonal Lifeguards	2.02	83,446	-	83,446	-
Increased Seasonal Lifeguard Service at Sunset Cliffs	1.49	61,552	-	61,552	-
Addition of Building Service Technician	1.00	53,535	-	53,535	-
<b>Other Changes</b>					
Conversion of Overtime from FY 2016 Programs to FTE	32.00	(427,276)	-	(427,276)	-
Non-Discretionary Adjustments	-	-	2,142,018	2,142,018	-
Other Adjustments	(2.88)	4,620,742	(6,245,779)	(1,625,037)	(957,944)
<b>FY 2017 Proposed Budget</b>	<b>1,221.53</b>	<b>\$ 199,660,408</b>	<b>\$ 33,488,867</b>	<b>\$ 233,149,275</b>	<b>\$ 26,989,270</b>
<b>Difference from 2016 to 2017</b>	<b>45.32</b>	<b>\$ 7,568,325</b>	<b>\$ (3,677,715)</b>	<b>\$ 3,890,610</b>	<b>\$ 197,056</b>

# Department Review: Fire-Rescue

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## Additions

### ***Right-Sizing of Overtime Expenditures***

The FY 2017 Proposed Budget includes several adjustments to right-size the Fire-Rescue Department's overtime budget to align with historical expenditure levels. The Office of the IBA has recommended in several past reports that the Department's overtime expenditures be budgeted at appropriate levels up-front during the annual budget process rather than augmented during the Mid-Year or Year-End Budget Adjustments. The steps taken by the Department to effectuate this change, which are detailed below, are a major strength of the FY 2017 Proposed Budget.

- **Zero-Based Review of Overtime:** The Department determined its overtime need for FY 2017 by conducting a zero-based review of expenditures. The total overtime budget for Fire-Rescue in the FY 2017 Proposed Budget is \$29.9 million, which is consistent with actual and projected expenditures from FY 2016. Based on our review of the Department's analysis, we agree that \$29.9 million is an appropriate budget for overtime in FY 2017.
- **Conversion of Overtime from FY 2016 Programs to FTE:** The FY 2017 Proposed Budget includes the addition of 32.00 FTE Firefighter positions and the net reduction of \$427,000 in personnel expenditures. This converts expenditures for new programs added in FY 2016 from being funded through overtime, as they were in the FY 2016 Adopted Budget, to being funded as ad-

ditional FTE positions, as they are in the FY 2017 Proposed Budget. The expanded programs that were new additions in FY 2016 consisted of staffing for Eastside Mission Valley Fire Station (FS 45), Skyline Temporary Fire Station (FS 51), Encanto FRS (FRS 55), and South University City FRS (FRS 56). Overtime in prior-year budgets for the two fire stations and two FRS units totaled \$4.2 million, which was removed from the FY 2017 Proposed Budget. Salaries and fringe for 32.00 FTEs for the same programs totaled \$3.8 million, which was added to the FY 2017 Proposed Budget. The net effect of converting the overtime to FTEs is the \$427,000 reduction in personnel expenditures shown as a Significant Budget Adjustment in the FY 2017 Proposed Budget.

- **Addition of Strike Team Expenditures and Revenue:** The FY 2017 Proposed Budget includes the addition of \$1.6 million in overtime expenditures and a corresponding increase of \$1.2 million in revenue to support existing emergency strike team deployments provided to other agencies. Previously, although the Department consistently performed this work, the related expenditures and reimbursement revenue were unbudgeted. These unbudgeted expenditures and revenues were generally added to the Department's budget at Mid-Year or Year-End. Our office has recommended in past reports that anticipated strike team expenditures and revenues be included in the Fire-Rescue budget during the annual budget development process. The FY 2017 Proposed Budget begins

# Department Review: Fire-Rescue

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this practice.

- **Adjustments to Overtime Expenditures:** The FY 2017 Proposed Budget includes the addition of \$2.6 million in overtime expenditures as the final step in the Department's overtime right-sizing process. Starting with the total Fire-Rescue overtime budget for FY 2017 of \$29.9 million, as determined by a zero-based review, \$4.2 million was subtracted by converting previous overtime to FTE positions. Subsequently, \$1.6 million was added for strike team deployments. The resulting \$2.6 million funding gap was addressed by the addition of overtime expenditures, and is highlighted as a Significant Budget Adjustment. The result is a right-sized Fire-Rescue overtime budget of \$29.9 million.

## **Fire Academies**

The FY 2017 Proposed Budget includes funding for a total of two fire academies in FY 2017, a reduction from the three fire academies that were funded in FY 2016. The Significant Budget Adjustment for this item notes additional personnel and non-personnel expenditures of \$970,000 for a second academy due to the fact that one academy is already included in the Fire-Rescue Department's base budget. The FY 2017 Proposed Budget adds this second fire academy as an ongoing expense for the Fire-Rescue Department. The Department has indicated that two fire academies will be sufficient to mitigate the effects of attrition and that it intends to achieve full fire suppression staffing by the end of FY 2017.

## **Advanced Lifeguard Academy**

The FY 2017 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 Advanced Lifeguard Academy does not add new full-time positions to the Lifeguard Division. Related expenditures include hourly pay for participants, overtime for instructors, and supplies. Expenditures for an Advanced Lifeguard Academy in FY 2017 were included in the FY 2017-2021 Five-Year Financial Outlook.

## **Addition of Lifeguard Positions**

The FY 2017 Proposed Budget includes the addition of 7.51 FTE positions and \$548,000 in related expenditures for expanded Lifeguard Division services. Of this amount, 4.00 FTEs are new lifeguard positions, 1.49 FTEs represent additional seasonal lifeguard hours, and 2.02 FTEs represent increased training hours for seasonal lifeguards. A majority of Councilmember Budget Priority Memoranda requested funding to support the Lifeguard Division's Five-Year Needs Assessment, which includes all of the added positions described above and is discussed later in the "Issues to Consider" section of this Department Review. The FTEs added to the Lifeguard Division in the FY 2017 Proposed Budget are as follows:

- 2.00 Lifeguard 3 positions for coastal cliff rescue and water rescue at Ocean Beach
- 1.00 Lifeguard Sergeant position to coordinate training and support special operations

# Department Review: Fire-Rescue

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- 1.00 Lifeguard 3 position to coordinate training and lifeguard operations at Mission Bay
- 2.02 FTE positions for increased seasonal lifeguard hours for advanced training
- 1.49 FTE positions for increased seasonal lifeguard hours at Sunset Cliffs

## Issues to Consider

### **Capital Needs for New Fire Stations**

In our office's review of the FY 2017-2021 Five-Year Financial Outlook, we noted that although funding was included for the operation of five new fire stations by FY 2021, capital funding has not yet been identified to fully fund the design, land acquisition, and construction costs for three out of five of these facilities. Fully funded fire stations include Bayside Fire Station (FS 2), which is fully funded by the Successor Agency to the former Redevelopment Agency and is anticipated to become operational in FY 2018. The second fully funded station is North University City Fire Station (FS 50), which is expected to be fully funded by Facilities Benefits Assessments.

The remaining three stations, which the Outlook anticipates opening in FY 2021, have significant unfunded needs totaling \$32.8 million. These facilities include College Avenue Fire Station, Home Avenue Fire Station, and Paradise Hills Fire Station (FS 54). The FY 2017 Proposed Budget does not identify additional capital funding for these fire stations.

### **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 & Livable Neighborhoods Committee in February 2016.

At the March 2016 Rules Committee meeting, the Fire Chief announced that the Department plans to retain Citygate Associates to conduct an updated Standards of Coverage study beginning in June 2016. The Department plans to expend \$101,000 of existing FY 2016 resources to conduct the study, which is expected to be completed no later than Fall 2016. The Fire-Rescue Department has indicated that an updated Citygate study is critical in order to accurately prioritize plans for new fire stations.

As noted earlier in our discussion of capital needs for new fire stations, the FY 2017 Proposed Budget does not include additional funding for any new Citygate-related fire stations (from the 2011 CWG Plan) beyond what was added in prior fiscal years.

### **South University City FRS Expansion**

A majority of Councilmember Budget Priority Memoranda requested funding for the expansion of the existing 12-hour South University City FRS to a 24-hour temporary fire station. The FY 2017 Proposed Budget does not include expenditures for this purpose, nor were they requested by the Fire-Rescue Department.

The conversion of the existing South University City FRS, which is staffed 12 hours per day with two-person crews, to a temporary fire station staffed 24 hours per day

# Department Review: Fire-Rescue

with four-member crews, would require the addition of 8.00 FTEs and approximately \$765,000 in ongoing annual personnel expenditures. A temporary fire station would also require the acquisition of an additional fire engine at a cost of approximately \$850,000. Other potential costs include one-time expenditures for site preparation as determined by the needs of the Fire-Rescue Department.

### ***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 2017 and the resources included in the FY 2017 Proposed Budget is provided in the table below.

<b>Lifeguard Division Five-Year Needs Assessment - Remaining Needs through FY 2017</b>	
<b>Identified Needs</b>	<b>Status in FY 2017 Proposed Budget</b>
<b>Year 1 - FY 2015</b>	
Addition of 1.00 Senior Management Analyst	Not included
Planning for Jr. Lifeguard Headquarters and Aquatic Safety Education Center	Not included
<b>Year 2 - FY 2016</b>	
Addition of 1.00 Special Operations Sergeant	Fully funded
Addition of 1.00 Clerical Assistant II position	Not included
Addition of 2.00 lifeguard positions at Ocean Beach	Fully funded
<b>Year 3 - FY 2017</b>	
River Rescue Team expansion	Not included
Lifeguard Dive Team expansion	Not included
Addition of 1.00 lifeguard position for training at Mission Bay	Fully funded
Addition of 1.00 lifeguard position for South Mission Beach	Not included
Conversion of Boating Safety Unit to Specialty Team	Not included
Addition of lifeguard overtime for training	Fully funded
Increase seasonal lifeguard hours	Fully funded
Evaluate Paramedic Battalion Medical Officer Program	Not included
Construction of Jr. Lifeguard Headquarters and Safety Education Center	Not included

# Department Review: Human Resources

## Human Resources

### Mayor's FY 2017 Proposed Adjustments

The Human Resources Department's FY 2017 Proposed Budget totals approximately \$3.9 million, an increase of \$589,000 from the \$3.3 million in the FY 2016 Budget. The FY 2017 Proposed Budget includes 25.50 FTEs, up 4.66 from 20.84 FTEs in FY 2016.

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

- An increase in salaries, fringe, and NPE expenditures of \$216,000 for 2.00 Program Coordinators who will assist a Program Manager in delivery of responsive documents to the public with respect to Public Records Act requests
- An increase in salaries, fringe, and NPE expenditures of \$266,000 for 1.00 Employee Assistance Program Manager and 1.00 Employee Assistance Counselor, due to the transfer of the Employee Assistance Program (EAP) from the Risk Management Department
- An increase in hourly wages and fringe

of \$18,000 for a 0.50 FTE Clerical Assistant 2 in the Citizens' Assistance Program. This position will support the City Information Desk in the City Administration Building (CAB) lobby

- A reduction for FY 2016 one-time funding of \$80,000 for the citywide compensation survey
- A revenue addition related to the California Coast Credit Union's \$5,000 sponsorship of the Youth Development Program for the next three years

During budget development, Human Resources requested 1.00 Program Coordinator in addition to the two that were funded in the Proposed Budget. This position, which was not funded in the Proposed Budget, was requested for employee development and training as part of the Diversity and Inclusion Program. The goal of this program is to facilitate the integration of diverse perspectives in decision- and policy-making processes. The Department anticipates incorporating some of these duties and initiatives into the existing program with existing staff.

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	20.84	\$ 2,846,633	\$ 421,639	\$ 3,268,272	\$ -
Program Coordinators for Citywide Public Records Act Requests	2.00	212,983	2,600	215,583	-
Transfer: Employee Assistance Program from Risk Management	2.00	233,543	32,895	266,438	-
Clerical Assistant 2 (Hourly) for Information Desk Support	0.50	18,290	-	18,290	-
Hourly Wages Increase - Other	0.16	6,297	-	6,297	-
Other Salary Increases	-	54,174	-	54,174	-
Other Fringe Increase	-	108,907	-	108,907	-
Net Other Adjustments	-	-	(81,039)	(81,039)	5,000
<b>FY 2017 Proposed Budget</b>	<b>25.50</b>	<b>\$ 3,480,827</b>	<b>\$ 376,095</b>	<b>\$ 3,856,922</b>	<b>\$ 5,000</b>
<b>Difference from 2016 to 2017</b>	<b>4.66</b>	<b>\$ 634,194</b>	<b>\$ (45,544)</b>	<b>\$ 588,650</b>	<b>\$ 5,000</b>

## Internal Operations

The Deputy Chief Operating Officer (DCOO) for Internal Operations is responsible for overseeing the day-to-day operations of the Internal Operations Branch which includes the following departments and programs:

- Fleet Services
- Human Resources
- Information Technology
- Purchasing & Contracting
- Real Estate Assets

In FY 2016, Fleet Services was moved to report directly to the DCOO of Internal Operations, in order to focus on the services Fleet Services provides to all City departments. Our review of the Proposed Budget for Human Resources, Information Technology, Purchasing & Contracting, and Real Estate Assets are included in separate sections of this report, and our review of Fleet Services is included here in a subsection.

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for General Fund expenditures in Internal Operations totals \$417,000, an increase of \$21,000 over FY 2016. \$14,000 of that increase is due to salary and benefit adjustments, and \$7,000 is due to non-discretionary adjustments and Information Technology costs.

### Fleet Services

Fleet Services provides City departments with motive equipment and support, including vehicle acquisition, maintenance, repair, and provisioning of fuel. Fleet Services is funded by the Fleet Services Operating Fund and the Fleet Services Replacement Fund, each of which receives revenue by charging customer departments.

The FY 2017 Proposed Budget for the combined funds includes \$85.9 million in expenditures, which is a \$2.9 million increase over the FY 2016 Adopted Budget. Revenues for the funds in the Proposed Budget total \$80.1 million, an increase of \$6.6 million over FY 2016.

An overview of changes to Fleet Service's budget is provided on the next page. Significant adjustments to Fleet's budget include:

- \$1.0 million in expenditures to repair car washes and wash racks throughout all fleet locations
- \$750,000 in expenditures to make ongoing upgrades, updates, and safety improvements at all Fleet Services locations
- 1.00 new FTE for a Fleet Team Leader position, which will support the first shift at the Chollas maintenance shop
- 3.00 new FTE positions to support the Fleet Services parts program, which will assist in clean-up, inventory, and main-



# Department Review: Internal Operations

taining minimum staffing requirements (these positions are currently filled on a supplemental basis)

- \$525,000 for upgrades to Fleet Focus software, and assistance and training for staff on new software upgrades. Fleet Services indicates that it is currently developing a software upgrade and implementation timeline and plan

operations, long-term needs, and the initial accepted employee bid will be necessary before the full impacts of Fleet’s managed competition process—as well as any associated net costs or savings—can be known.

## Issues to Consider

### **Managed Competition Impacts**

Fleet Services underwent managed competition in FY 2012, and the employee bid was accepted. However, the full proposal was never implemented, and meet-and-confer issues resulted in no final agreements being reached until FY 2015. Since the initial bid, the size and makeup of the City’s fleet has changed significantly. Additionally, 24.00 new FTEs were added to Fleet Services in the FY 2016 Adopted Budget due to an increased need for mechanics to service the City’s fleet.

A detailed reconciliation between current

SUMMARY OF FLEET SERVICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	201.50	\$ 19,674,912	\$ 63,293,254	\$ 82,968,166	\$ 73,492,639
<b>Programmatic Changes</b>					
<i>Car Wash and Facilities Repair/Maintenance</i>	-	-	1,750,000	1,750,000	-
<i>Fleet Focus Software Enhancements</i>	-	-	525,000	525,000	-
<i>Addition of Parts Support Personnel</i>	3.00	174,914	-	174,914	-
<i>Addition of Fleet Team Leader</i>	1.00	81,698	-	81,698	-
<i>Addition of Associate Management Analyst</i>	0.50	30,552	-	30,552	-
<b>Other Changes</b>					
<i>Revenue Adjustment</i>	-	-	-	-	8,596,028
<i>Fuel Cost Adjustments</i>	-	-	(2,093,113)	(2,093,113)	(2,093,113)
<i>Salary and Benefit Adjustments</i>	-	749,437	-	749,437	-
<i>Non-Discretionary/IT Support</i>	-	(6,437)	1,565,666	1,559,229	-
<i>Other Adjustments</i>	-	-	136,578	136,578	72,776
<b>FY 2017 Proposed Budget</b>	<b>206.00</b>	<b>\$ 20,705,076</b>	<b>\$ 65,177,385</b>	<b>\$ 85,882,461</b>	<b>\$ 80,068,330</b>
<b>Difference from 2016 to 2017</b>	<b>4.50</b>	<b>\$ 1,030,164</b>	<b>\$ 1,884,131</b>	<b>\$ 2,914,295</b>	<b>\$ 6,575,691</b>

# Department Review: Library

## Library

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Library Department totals approximately \$51.0 million, an increase of approximately \$1.7 million and 10.65 FTEs over the FY 2016 Adopted Budget.

#### Youth Education Center

The FY 2017 Proposed Budget includes 4.29 FTEs and approximately \$214,000 in expenditures to establish a Youth Education Center at the Valencia Park/Malcolm X Branch Library. The Center will include a teen center and an IDEA Lab with specialty programming based upon community input. The Center will include various amenities such as a media center and recording studio, and will be open extended hours to accommodate evening participation. The Center will be located in a space within the library that has been closed since the Department's Literacy Program and related

staff were relocated to the Central Library.

Funding for the build out of the space, furnishing/equipment, and an endowment to continue specialized programming for 10 years will be provided through a \$1.0 million donation and \$500,000 in CDBG funding. The FY 2017 Proposed Budget includes funding for the staffing of the Center.

#### Expansion of the After-School Program (Do Your Homework @ the Library)

The FY 2015 Adopted Budget initiated the After-School Program during the school year months (Sept. - June) at 18 libraries. The FY 2016 Adopted Budget expanded this program to operate during summer months (June - August) at 10 libraries. Each year since the inception of this program, participation has grown.

The FY 2017 Proposed Budget includes 3.36 FTEs and approximately \$202,000 in expenses to increase the number of tutors

SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	463.21	\$ 34,603,706	\$ 14,711,667	\$ 49,315,373	\$ 4,175,753
<b>Programmatic Changes</b>					
Youth Education Center at Valencia Park/Malcom X	4.29	214,065	-	214,065	-
Expansion of DoYour Homework @ the Library	3.36	201,784	-	201,784	-
Addition of Librarians	2.00	177,805	-	177,805	-
Addition of Senior Management Analyst (CIP)	1.00	90,759	2,500	93,259	-
Reduction in Public Internet expenses	-	-	(60,000)	(60,000)	-
Revised Revenue	-	-	-	-	250,000
<b>Other Changes</b>					
Other Salaries & Wages	-	775,325	-	775,325	-
Non-Discretionary Adjustments	-	-	(356,406)	(356,406)	-
Other Adjustments	-	-	668,766	668,766	-
<b>FY 2017 Proposed Budget</b>	<b>473.86</b>	<b>36,063,444</b>	<b>14,966,527</b>	<b>51,029,971</b>	<b>4,425,753</b>
<b>Difference from 2016 to 2017</b>	<b>10.65</b>	<b>\$ 1,459,738</b>	<b>\$ 254,860</b>	<b>\$ 1,714,598</b>	<b>\$ 250,000</b>

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# Department Review: Library

available during the current scheduled hours of operation; and to fund administrative support to assist in the coordination of staffing and conducting performance monitoring for the program.

### **Addition of Librarians**

The FY 2017 Proposed Budget adds two Librarian 3 positions and approximately \$178,000 in personnel expenses to support the Library’s programming and public outreach efforts.

The first position (Education and Community Engagement Librarian) will lead the Campaign for the Grade Level Reading and Career Online High School Programs. This position will also be responsible for researching and implementing education programs system-wide such as STEM programming.

The second position (Program Development and Coordination Librarian) will focus on branches in the southern portion of the library system to gather data and input from the community and assist in developing a programming plan.

These positions support the goals within the Library tactical plan of assessing com-

munity needs and increasing participation in library programs; and contribute the development of community and youth library programs as requested by several Councilmembers within their FY 2017 budget priority memoranda.

### **Other Budget Adjustments**

The FY 2017 Proposed Budget also includes the following adjustments:

- An increase of 1.00 Senior Management Analyst and approximately \$93,300 to support CIP/Grant/Special Fund functions within the Department, including monitoring current grants, attending capital planning meetings, and providing analytical support.
- The Central Library will participate in a statewide initiative and connect to the California Research and Education Network to provide high-speed broadband to the facility. The connection will increase the broadband speed from 500 Mbps to 1Gbps at a substantial savings of \$60,000 to current costs. Due to network coordination issues, the Department has initially only applied for the Central Library to participate in this program. The Department will explore including the branch libraries in this pro-

<b>Current Library Hours of Operations</b> (as of January 4, 2016)						
<b>CENTRAL LIBRARY</b>						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
12 noon - 6:00 6	9:30 - 7:00 9.5	9:30 - 7:00 9.5	9:30 - 7:00 9.5	9:30 - 7:00 9.5	9:30 - 6:00 8.5	9:30 - 6:00 8.5
<b>BRANCH LIBRARIES without Extended Weekend Service (23 branches)</b>						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
closed 0	9:30 - 6:00 8.5	11:30 - 8:00 8.5	11:30 - 8:00 8.5	9:30 - 6:00 8.5	9:30 - 6:00 8.5	9:30-6:00 8.5
<b>BRANCH LIBRARIES with Extended Weekend Service (12 branches)</b>						
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: Library

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gram during FY 2017.

- The FY 2017 Proposed Budget includes an increase of \$250,000 in revenue primarily due to increased utilization of the parking garage and special event rooms within the Central Library.

## Issues to Consider

### ***Expansion of Specialty Labs***

The Library system currently has specialty labs established in the La Jolla Branch library (biotech emphasis) and the Central Library (entrepreneur and patent emphasis), with a third anticipated to open in FY 2017 in the Valencia Park/Malcolm X Branch library.

Several Councilmembers' FY 2017 budget priority memoranda requested support to establish additional labs throughout the library system. The Department has indicated that the cost and time needed to establish additional labs will need to be evaluated on a case by case basis as each lab will be tailored to its respective community. Factors that will impact the cost include, but may not be limited to, the availability of space within existing City facilities or the need to rent/purchase space, the desired programming and components of the lab, and necessary staffing levels.

### ***Library Programs Budget***

Several Councilmembers' FY 2017 budget priority memoranda indicated support to establish funding for library programming. Currently, the only Library program funded by the General Fund is the After-School Homework Program. All other programs provided by the Library Department are funded via alternate funding sources such as donations and grants. This approach can often lead to inequities between the branch-

es within Library programming.

Per the Department, the establishment of a permanent funding source or annual allocation from the General Fund for library programming would further the Department's efforts to provide consistent services to all communities. The FY 2017 Proposed Budget includes 2.00 Librarian 3 positions to research, gather community input, and develop appropriate programming for each community.

### ***Increase in Library Service Hours***

Several Councilmembers' FY 2017 budget priority memoranda suggested increasing service hours system wide. While library service hours reached a low in 2011 (with the Central Library open 44 hours per week and branch libraries open 36 hours per week), efforts from the Mayor and the City Council have incrementally increased library service hours to 61 hours per week at the Central Library and 51 core hours per week for the branch libraries. The current service levels are close to those in 2003, which represented the highest service levels (The Central Library was open 64 hours per week and branches were open 54 hours per week).

Per the Department, the future goal for service hours would be for all the branch libraries to meet the Central Library service hours total of 61 hours per week. The preliminary cost estimate to achieve this goal is approximately \$5.0 million annually for additional staffing.

### ***Library Ordinance***

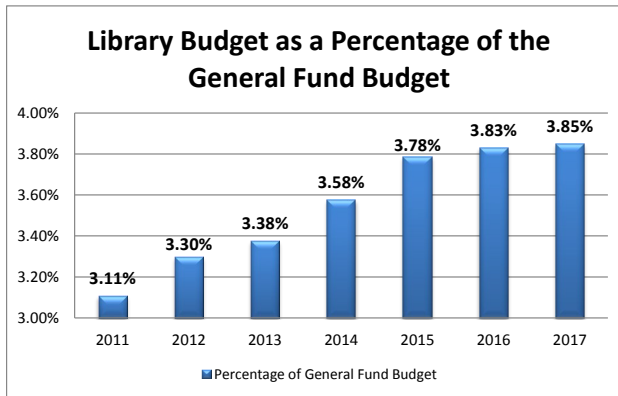
The Library Ordinance requires the Library Department budget to be equal to no less than 6% of the total General Fund expendi-

# Department Review: Library

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ture budget. This requirement has been waived every year since FY 2004.

Based on the FY 2017 Proposed Budget, the Library Department Budget of \$51.0 million represents approximately 3.85% of the General Fund Budget. The table below illustrates the Library Department Budget as a percentage of the General Fund since FY 2011. An appropriation of 6% of the FY 2017 Proposed General Fund Budget would require a Library budget of approximately \$79.6 million, an increase of \$28.5 million over the Proposed Budget.



## Department Review: Office of the ACOO

# Office of the Assistant COO

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Office of the Assistant Chief Operating Officer (ACOO) is \$1.8 million. Staffing for the Office remains unchanged at 11.00 FTE positions. Budgeted revenue increases by \$21,000 to \$391,000 in FY 2017.

#### **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 2017 Proposed Budget includes \$350,000 of budgeted revenue for the CPD, which is the same amount budgeted for FY 2016. In FY 2016, the City's General Fund has received approximately \$259,000 of unrestricted revenue to date from partnerships secured by the CPD. The CPD Direc-

tor projects the City will have received \$338,000 in unrestricted revenue by fiscal year-end. Given this projection and conversations with the Director about CPD revenue expectations for the next fiscal year, the IBA believes it is reasonable to budget \$350,000 in unrestricted revenue for the General Fund in FY 2017.

It is important to note that in addition to unrestricted General Fund revenue, the CPD raises significant in-kind revenue (estimated to be worth \$875,000 in FY 2017) to support and provide City services (lifeguard trucks, golf course programs, San Diego Project Heart Beat, etc.). The Program also develops public/private partnerships such as DecoBike. Additionally, CPD has developed partnerships with benefits for City employees (i.e., National University offers reduced tuition and an annual scholarship for one City employee).

The FY 2017 Proposed Budget adds \$41,000 in budgeted revenue which results from reimbursable services provided to other City departments by CPD's Grants Program Manager. These services relate to a \$1.2 million four-year grant from the County (funding from the Centers for Dis-

SUMMARY OF OFFICE OF THE ASSISTANT COO BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	11.00	\$ 1,560,377	\$ 245,102	\$ 1,805,479	\$ 370,000
<b>Programmatic Changes</b>					
<i>Reimbursement for services provided for County Grant</i>	-	-	-	-	41,021
<i>CDBG Funding discontinued for former provisional</i>	-	-	-	-	(20,000)
<b>Other Changes</b>					
<i>Other Adjustments</i>	-	2,499	962	3,461	-
<b>FY 2017 Proposed Budget</b>	<b>11.00</b>	<b>\$ 1,562,876</b>	<b>\$ 246,064</b>	<b>\$ 1,808,940</b>	<b>\$ 391,021</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 2,499</b>	<b>\$ 962</b>	<b>\$ 3,461</b>	<b>\$ 21,021</b>

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# Department Review: Office of the ACOO

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ease Control and Prevention) focused on reducing risk factors for heart attack, stroke, and hypertension.

## **Office of ADA Compliance & Accessibility: Budgeted ADA Projects in FY 2017 and Transition Plan Status**

The Office of ADA Compliance & Accessibility (Office) seeks to ensure that every City-operated or funded facility, program, service, and activity is accessible to, and usable by, people with disabilities in accordance with all federal, State, and local codes and laws, including the Americans with Disabilities Act (ADA). The Office is funded within the ACOO's budget.

The Fiscal Year 2017 Proposed Budget includes \$760,000 of Development Impact Fee (DIF) funding for ADA improvements in the Capital Improvement Program. This DIF allocation is found on page 8 of Volume 3 of the FY 2017 Proposed Budget. These funds will be used to install curb ramps within DIF communities. Other than DIF funding, there is no other new funding for ADA projects administered by the Office in the FY 2017 Proposed Budget.

A majority of Councilmembers identified ADA projects and improvements as a priority in their FY 2017 budget priority memoranda.

The Executive Director of the Office anticipates there may be some funding from the sale of City properties for ADA capital improvements to facilities and/or to remediate barriers in the public right-of-way.

When funding is available, 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, etc.) 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, all of the 212 ADA projects identified in the Plan are now completed or in progress. Some of the projects currently in progress are being funded with \$4.3 million from the \$120 million of DC 3 bonds issued in April 2015.

<b>STATUS OF ADA TRANSITION PLAN</b>	
	<b>Number of Facilities</b>
<b>Total Facilities in 1997 Transition Plan</b>	<b>212</b>
Number of Plan Facilities Completed:	192
Number of Plan Facilities In Progress:	20
Remaining Facilities to be Funded:	0

While the City has made great progress in addressing facilities identified in the original 1997 Transition Plan, transition plans are considered to be "living documents" and cities are expected to continually assess and remediate accessibility barriers beyond those originally identified. In 2009, the City hired a consultant to identify the next highest priority needs beyond those identified in the original Transition Plan. The consultant identified 182 facilities in need of remediation and staff now considers these to be projects in Phase 2 of the Transition Plan.

# Department Review: Office of the ACOO

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The Executive Director of the Office indicates that 26 of the 182 projects have been funded to date.

## **Issue to Consider**

The City has made significant progress in addressing identified accessibility barriers in recent years, however, funding is limited and these projects compete with other priority infrastructure needs in the City. **The City Council may wish to consider requesting an annual update from the Office of ADA Compliance & Accessibility on the status of projects underway and the identified needs going forward.** This information would be useful in the broader discussion of the City's overall infrastructure needs and the process for prioritizing projects.



# Department Review: Office of the Mayor

## Office of the Mayor

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Office of the Mayor is approximately \$4.4 million, an increase of \$125,000 or 2.9% over the FY 2016 Adopted Budget. The Office has budgeted revenue of \$328,000 which remains unchanged from FY 2016.

#### Addition of Management Intern

The Office added 0.50 of a Management Intern position to provide additional administrative support. This addition increases total FTE positions in the Office to 29.50. The Mayor's staff is comprised of the following work units:

<b>Work Unit</b>	<b>FTEs</b>
Executive	5.0
Policy	7.0
Community	6.0
Communications	3.0
Administrative	8.5
<b>Total Positions</b>	<b>29.5</b>

### Other Budget Changes

The Office has a \$21,000 increase in other salary and wage adjustments and a \$65,000 increase in other fringe benefit adjustments. Approximately \$5,000 was added for equipment and support for information technology. Non-personnel expense increased by \$18,000 for other non-discretionary budget adjustments.

<b>SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES</b>					
<b>Description</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expense</b>	<b>Revenue</b>
FY 2016 Adopted Budget	29.00	\$ 3,528,525	\$ 777,124	\$ 4,305,649	\$ 328,245
<b>Programmatic Changes</b>					
Support	0.50	15,509	-	15,509	-
<b>Other Changes</b>					
Other Salary & Wage Adjustments	-	21,025	-	21,025	-
Other Fringe Benefit Adjustments	-	65,010	-	65,010	-
Equipment and Support for Information Technology	-	-	5,329	5,329	-
Other Non-Discretionary Adjustments	-	-	18,309	18,309	-
<b>FY 2017 Proposed Budget</b>	<b>29.50</b>	<b>\$ 3,630,069</b>	<b>\$ 800,762</b>	<b>\$ 4,430,831</b>	<b>\$ 328,245</b>
<b>Difference from 2016 to 2017</b>	<b>0.50</b>	<b>\$ 101,544</b>	<b>\$ 23,638</b>	<b>\$ 125,182</b>	<b>\$ -</b>

# Department Review: Park & Recreation

## Park & Recreation

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Park and Recreation Department totals approximately \$107.7 million in the General Fund, an increase of approximately \$2.1 million and 35.40 FTEs over the FY 2016 Adopted Budget. Department General Fund revenues are projected to total \$45.5 million, reflecting an increase of approximately \$10.0 million from the FY 2016 Adopted Budget.

The Department has several other funds including the Golf Course Fund, the Los Penasquitos Reserve Fund, and the Environmental Growth Funds. When the Department funds are combined, the Department budget totals \$140.2 million, an increase of approximately \$3.1 million from the FY

2016 Adopted Budget.

Additions to the FY 2017 Proposed Budget support expanded hours at existing recreation centers, funding for new parks opening in FY 2017, service enhancements, and park improvements.

### General Fund

#### Expansion of Recreation Center Hours

In the Mayor's FY 2016 - 2020 Five-Year Outlook, the Department requested a phased implementation of increased staffing and hours at all recreation centers within the City. Increased staffing was proposed to begin in FY 2016 with full implementation to be achieved by FY 2019. Upon full implementation, service hours at each recreation

SUMMARY OF PARK AND RECREATION DEPARTMENT EXPENDITURE BUDGET CHANGES						
	FY 2016 FTE	FY 2017 FTE	CHANGE	FY 2016 BUDGET	FY 2017 PROPOSED	CHANGE
<b>General Fund</b>						
Administrative Services	19.50	19.00	(0.50)	\$ 3,119,919	\$ 3,378,854	\$ 258,935
Community Parks I	192.27	206.56	14.29	26,036,434	27,819,485	1,783,051
Community Parks II	256.39	264.42	8.03	25,233,092	25,053,665	(179,427)
Developed Regional Parks	325.65	335.23	9.58	38,809,336	38,758,501	(50,835)
Open Space	66.32	70.32	4.00	12,400,929	12,654,566	253,637
<b>Subtotal General Fund</b>	<b>860.13</b>	<b>895.53</b>	<b>35.40</b>	<b>105,599,710</b>	<b>107,665,071</b>	<b>2,065,361</b>
<b>Non-General Fund</b>						
Environmental Growth Fund 1/3	-	-	-	3,942,458	4,278,367	335,909
Environmental Growth Fund 2/3	-	-	-	10,456,488	10,458,591	2,103
Golf Course Fund	98.00	101.76	3.76	16,802,439	17,518,336	715,897
Los Penasquitos Canyon Preserve Fund	2.00	2.00	-	226,846	234,351	7,505
<b>Subtotal Non-General Fund</b>	<b>100.00</b>	<b>103.76</b>	<b>3.76</b>	<b>31,428,231</b>	<b>32,489,645</b>	<b>1,061,414</b>
<b>TOTAL PARK AND RECREATION</b>	<b>960.13</b>	<b>999.29</b>	<b>39.16</b>	<b>\$137,027,941</b>	<b>\$140,154,716</b>	<b>\$3,126,775</b>

# Department Review: Park & Recreation

center would be increased from 45 hours per week to 60 hours per week. The additional staffing would allow for increased customer service, improved internal controls, and new resources to conduct safety inspections as recommended in the City Auditor's Performance Audit of the Park and Recreation Department's Playground Maintenance Program.

The FY 2016 Adopted Budget included staff to increase service hours at the 36 largest

recreation centers in the Park System, based upon programming and amenities within the parks.

The FY 2017 Proposed Budget continues to increase service hours at recreation centers throughout the park system. The FY 2017 Proposed Budget includes 10.00 FTEs and approximately \$474,000 to increase service hours at eight additional recreation centers.

<b>SUMMARY OF PARK AND RECREATION DEPARTMENT - BUDGET CHANGES</b>					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	860.13	\$ 60,241,659	\$ 45,358,051	\$ 105,599,710	\$ 35,504,155
<b>Programmatic Changes</b>					
Recreation Center Expansion	10.00	460,674	13,186	473,860	3,555
Addition of Area Managers	2.00	155,740	-	155,740	-
Citywide Maintenance for New Facilities	7.00	401,458	452,000	853,458	-
Aquatics Program Expansion	1.10	37,084	-	37,084	20,000
La Jolla Cove Bluffs Odor Mitigation equipment)	- 3.00	- 178,147	72,000 232,000	72,000 410,147	- -
Pershing Middle School Joint Use Field	-	-	500,000	500,000	-
Black Mountain Ranch Community Park	2.27	128,529	196,266	324,795	-
Mira Mesa Community Park	1.25	75,909	112,024	187,933	-
Civita Central Park	-	-	153,307	153,307	-
Del Sur Neighborhood Park	0.94	49,651	78,431	128,082	-
Del Mar Mesa Neighborhood Park	0.86	46,679	69,073	115,752	-
Creative Performing and Meda Arts Joint Use	0.63	38,141	64,787	102,928	-
Gage Elementary Joint Use Park	0.62	37,768	60,707	98,475	-
Cubberly Elementary Joint Use Park	0.38	28,857	35,873	64,730	-
Phyllis Place Park	0.33	26,999	28,769	55,768	-
Angler Elementary Joint Use Park	0.33	26,999	28,435	55,434	-
Linda Vista Skate Park	0.50	33,313	5,275	38,588	-
Ward Canyon Dog Park	0.20	22,173	15,100	37,273	-
McKinley Elementary Joint Use Park	0.18	21,430	14,082	35,512	-
Canyonside Community Park Improvements	0.19	21,802	12,874	34,676	-
Pocket Park at Old San Ysidro Fire Station	0.05	16,604	4,200	20,804	-
Open Space Acreage Expansion	4.00	260,091	196,200	456,291	-
One-Time Reductions and Annualizations	-	-	(3,654,749)	(3,654,749)	(264,501)
Increase in Transient Occupancy Tax Transfer	-	-	-	-	10,199,035
<b>Other Changes</b>					
Other Salaries & Wages	(2.79)	1,586,226	-	1,586,226	-
Non-Discretionary Adjustments	-	-	(316,930)	(316,930)	-
Other Adjustments	2.36	54,745	(16,568)	38,177	25,000
<b>FY 2017 Proposed Budget</b>	<b>895.53</b>	<b>\$ 63,950,678</b>	<b>\$ 43,714,393</b>	<b>\$ 107,665,071</b>	<b>\$ 45,487,244</b>
<b>Difference from 2016 to 2017</b>	<b>35.40</b>	<b>\$ 3,709,019</b>	<b>\$ (1,643,658)</b>	<b>\$ 2,065,361</b>	<b>\$ 9,983,089</b>

# Department Review: Park & Recreation

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The recreation centers include:

- Silver Wing
- Southcrest
- Adams
- La Jolla
- Skyline
- Pacific Beach
- San Carlos
- Lopez Ridge

With the additional staffing included in the FY 2017 Proposed Budget, 44 of the Park System's 58 recreation and visitor centers will operate 60 hours per week. The remaining recreation center will operate at 45 hours per week. Per the Mayor's FY 2017 - 2021 Five-Year Outlook, implementation of the increased hours at all 58 centers is anticipated to be completed by FY 2019.

## ***New Parks and Enhanced Facilities***

The FY 2017 Proposed Budget includes 8.73 FTEs and approximately \$1.5 million in expenses to operate and provide maintenance to 15 new parks throughout the City. These parks include 5 parks made available to the public via joint use agreements with schools, and 10 new parks including a dog park and skate park. The new parks include:

- Creative Performing and Media Arts Joint Use Agreement (JU)
- Gage Elementary JU
- Cubberly Elementary JU
- Angler Elementary JU
- McKinley Elementary JU
- Black Mountain Ranch Community Park
- Pocket Park at Old SY Fire Station
- Del Sur Neighborhood Park
- Mira Mesa Community Park
- Del Mar Mesa Neighborhood Park
- Phyllis Place Park
- Linda Vista Skate Park
- Ward Canyon Park
- Canyonside Community Park
- Civita Central Park

## ***Citywide Maintenance for New Facilities***

The FY 2017 Proposed Budget includes 7.00 FTEs and approximately \$853,000 in expenses (of which \$420,000 are one-time costs) to add additional mowing and specialty maintenance staff to primarily address needs generated by the new parks. These positions will support the new parks citywide.

## ***Area Managers***

Due to the additional parks opening and extended service hours for several recreation centers, the Department requested additional staffing to ensure the appropriate management structure is continued. The FY 2017 Proposed Budget includes two Area Manager positions and approximately \$156,000 in expenses to provide appropriate levels of supervision.

## ***Expansion of Aquatic Programs***

The FY 2017 Proposed Budget includes 1.10 FTEs and approximately \$37,000 to accommodate an increase in programming (swim tournament/meets) at several pools including the expanded Memorial Pool. The aquatic programs are projected to generate approximately \$20,000 in revenue to offset expenses.

## ***Addition of Open Space Rangers***

The FY 2017 Proposed Budget includes 4.00 FTEs (including 2.00 Park Ranger positions) and approximately \$456,000 in expenses (\$136,000 one-time costs) for management of additional open space acreage anticipated to be acquired by the City throughout the year.

The Department has established a goal ratio

# Department Review: Park & Recreation

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of approximately 650 acres of park land to one park ranger. Currently, the City has a ratio of one park ranger for every 1,143 acres of park land. With the addition of park rangers in the FY 2017 Proposed Budget, the Department projects the ratio to fall to 1,050 acres of park land to one ranger, moving slightly closer to the Department goal.

## ***Playground Repairs (Rubberized Surfacing and Equipment Repairs)***

The FY 2017 Proposed Budget includes 3.00 FTEs and approximately \$410,000 in expenses to repair/replace rubberized surfacing and playground equipment. Planned rubberized surface projects for FY 2017 include the Naval Training Center Park, Ward Canyon Neighborhood Park, Teralta Park, Ocean View Hills Park, and the Nobel Athletic Area. Replacement of playground equipment will be based upon routine inspections and identified need.

## ***Pershing Middle School Joint Use Field***

Per the Joint Use Agreement with the San Diego Unified School District, the City is responsible for the replacement of the artificial turf at the Pershing Joint Use facility. The FY 2017 Proposed Budget includes \$500,000 for the first phase of the turf replacement. Per the Mayor's FY 2017 - 2021 Five-Year Outlook, the second phase of this project is to occur in FY 2018 with an estimated cost of approximately \$671,000.

## ***Other Budget Adjustments***

The FY 2017 Proposed Budget also includes the following adjustments:

- An addition of \$72,000 to increase efforts to mitigate odors from animal

waste at the La Jolla Cove bluffs. The increased funding will allow for the treatment of the bluffs to be increased from once per month to three times per month.

- A reduction of approximately \$3.7 million in expenses due to the removal of one-time additions in the FY 2016 Adopted Budget and annualization of expenses. The primary component of the reductions is the removal of a \$2.0 million allocation for minor park capital improvements in FY 2016.
- An increase of approximately \$10.2 million in revenue due to an increase in TOT transfers.

## **Issues to Consider**

### ***Park Condition Assessments***

The FY 2017 Proposed Budget includes \$300,000 in funding to continue park condition assessments. The Department anticipates 30 to 50 park assessments to be completed on an annual basis depending upon the complexity of the assessment and amenities of the parks. However, the Department has undertaken assessing Balboa Park in its current work schedule, which will significantly reduce the number of other parks assessed in FY 2016. The Department anticipates the Balboa Park assessment to be completed by the end of Fiscal Year 2016. It should be noted that the park condition assessment is for park amenities such as playgrounds, paved surfaces, fences, turf, etc. The scope of this assessment does not include city-owned or leased buildings in Balboa Park such as museums or art galleries. These facilities are to be addressed through condition assessments conducted by the

# Department Review: Park & Recreation

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Public Works Department which will be completed by late Calendar Year 2016.

Information from the completed park assessments will support the development of the Parks Master Plan (PMP) being initiated by the Planning Department in FY 2017. The Planning Department anticipates the PMP to be a three-year work project. Funding for the PMP has been included in the Planning Department's FY 2017 Proposed Budget and is carried forward through FY 2019 in the Mayor's FY 2017 - 2021 Five-Year Outlook.

## ***Expansion of Pool System Service Hours***

Several Councilmembers' FY 2017 budget priority memoranda suggested expanding the pool system service hours. The FY 2017 Proposed Budget does not include additional funding to expand pool service hours beyond the current operation schedules.

According to the Department, service hours vary across the pool locations based on demand for services, attendance, and community input. Service hours for the City's pools range from 41 hours per week to 76 hours per week during the summer, and 21 hours per week to 60 hours per week during the off-season.

Per the Department, additional operating hours for the permanent pool system would require community outreach, evaluation of potential demand, and consideration of the pool guard ratio as to the need for additional staffing.

Service expansion of the City's three portable/temporary pools would require consideration of additional factors such as trans-

portation of the pools, the time necessary to set up and dismantle the pools, and potential duration of operation.

As these evaluations have not been undertaken by the Department, the Department has not requested additional resources to support expanding the pool system service hours.

## **Environmental Growth Funds**

The Environmental Growth Funds (EGFs) are projected to receive approximately \$16.5 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 revenue projection is an increase of approximately \$324,000 over FY 2016. Additional information related to the franchise fees can be found in the Franchise Fee portion of the "General Fund Revenues" Overview 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

# Department Review: Park & Recreation

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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 2017 Proposed Budget for the EGFs includes funding to reimburse the General Fund for park expenses, and provides support for Regional Park and Open Space Maintenance. Additional funds are budgeted for reimbursement to Maintenance Assessment Districts and for transfer to the Los Penasquitos Canyon Preserve Fund.

## Golf Course Fund

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 2017 Proposed Budget for the Golf Course Fund totals \$17.5 million, representing an increase of approximately \$715,000 over the FY 2016 Adopted Budget. Department revenues are anticipated to increase by approximately \$490,000 to \$18.8 million from \$18.3 million in FY 2016 due to additional support for the operations of the Balboa Golf Course pro shop and Mission Bay Course improvements.

### **Significant Budget Adjustments**

The FY 2017 Proposed Budget includes the following significant budget adjustments:

- An addition of 0.50 FTE and approximately \$233,000 in expenses to support the operations of the Balboa Golf Course pro shop. The additional support is anticipated to generate approxi-

mately \$490,000 in additional revenue to offset costs.

- 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 2016; however the project has been delayed until FY 2017.
- 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.

# Department Review: Performance & Analytics

## Performance & Analytics

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Performance & Analytics Department (P&A) is approximately \$2.9 million, a \$952,000 or 48.4% increase over the FY 2016 Adopted Budget. This increase is due to the addition of 3.00 FTE positions and non-personnel funding to the Department's Customer Experience & Service Delivery program and 1.00 Program Coordinator with associated non-personnel expenses in support of the Department's Open Data program. These additions are off-set by the addition of \$110,000 in vacancy savings and the removal of FY 2016 one-time expenditures.

### Issues to Consider

P&A is organized into several sections housing a number of programs that have citywide impact. Department staff are involved in performance management and surveying, government transparency initiatives, open data, customer service, and re-

organization and efficiency initiatives. In FY 2017, P&A has moved from reporting directly to the Office of the Mayor to being a part of the Finance Branch reporting to the Chief Financial Officer.

### Customer Experience & Service Delivery Program

In a March 2015 audit from the City Auditor titled: *Performance Audit of the City's Public Right-of-Way Maintenance Activities*, a recommendation was made that the City implement a 311 customer service system. The FY 2016 Adopted Budget included 1.00 Program Coordinator to begin the process of implementing a 311 system, and in January 2016 four Councilmembers requested additional resources to implement 311 in their FY 2017 budget priority memoranda, as discussed in IBA Report 16-03.

The FY 2017 Proposed Budget includes support for a customer service system with the addition of 3.00 FTE positions and \$767,000 in non-personnel expenses for consultants and other initial scoping and piloting costs.

SUMMARY OF PERFORMANCE & ANALYTICS DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	11.00	\$ 1,558,900	\$ 409,194	\$ 1,968,094	\$ -
<b>Programmatic Changes</b>					
<i>Program Coordinator to support Open Data</i>	1.00	106,491	5,500	111,991	-
<i>Program Manager, Program Coordinators, and NPE to support the Customer Experience &amp; Service Delivery Program</i>	3.00	341,854	766,500	1,108,354	-
<b>Other Changes</b>					
<i>Budgeted Vacancy Savings</i>	-	(109,855)	-	(109,855)	-
<i>Removal of one-time FY 2016 expenditures</i>	-	-	(80,000)	(80,000)	-
<i>Other Adjustments</i>	-	(82,764)	4,689	(78,075)	-
<b>FY 2017 Proposed Budget</b>	<b>15.00</b>	<b>\$ 1,814,626</b>	<b>\$ 1,105,883</b>	<b>\$ 2,920,509</b>	<b>\$ -</b>
<b>Difference from 2016 to 2017</b>	<b>4.00</b>	<b>\$ 255,726</b>	<b>\$ 696,689</b>	<b>\$ 952,415</b>	<b>\$ -</b>



# Department Review: Performance & Analytics

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These budget additions will support the first phase of a potentially multi-phase 311-like program that is estimated to be implemented over five years at a total projected cost of \$3.0-\$4.0 million. Preliminary discussions of the scope and accessibility of this program have focused on a web-based customer service system, as opposed to the creation of a customer call center. While these discussions are only preliminary, our Office suggests that any new customer service system should balance cost-effectiveness with ease of access for the greatest number of our residents.

Providing excellence in customer service to our residents is a top priority of the City Council. As such, Council should have input into, and be well informed regarding, the new customer service processes. Given the potentially large scope and reach of the proposed but as yet undefined customer service system, our Office's recommendation for FY 2017 remains the same as in the previous fiscal year: **we recommend that updates on the City's customer experience & service delivery program be reported to the City Council at regular intervals, and that those updates include the estimated implementation and ongoing costs of the program, as well as the expected benefits to its users.**

## **Open Data Program**

In FY 2016 P&A added 1.00 Program Coordinator to its budget in order to assist the Chief Data Officer in identifying and publishing data sets to the City's open data portal by July 1, 2016, as called for in the Open Data Policy Implementation Plan. In the FY 2017 Proposed Budget there is another addition to the Open Data program of 1.00 Program Coordinator to provide more au-

tomation in the City's annual budget and data analytics processes. A second Program Coordinator position was requested, but not approved, for FY 2017 in order to assist in coordinating departments' "smart initiatives" and pilot programs across the City.

## **Operational Excellence**

Operational excellence programs include:

- San Diego Works, an initiative launched in FY 2015 that asked City employees to submit ideas for efficiency improvements and cost-saving initiatives
- Oversight of the Lean Six Sigma (LSS) training program for City staff

In FY 2017, staff expect to complete their evaluation and implementation of all of the San Diego Works proposals, while a request for 1.00 Program Coordinator position to support citywide LSS training was not approved for the FY 2017 Proposed Budget.

## **Performance Management**

P&A's performance management staff are responsible for survey, performance management, and data analysis work. In FY 2016 they worked with a consultant to produce the City's first resident satisfaction survey since our Office facilitated one in FY 2010. P&A expects to conduct a City employee satisfaction survey in the upcoming fiscal year.

Performance management staff also work with City departments to produce the budget narratives and performance measures that are published in Volume 2 of the City's annual budget. In FY 2016, before the publication of the FY 2017 Proposed Budget, City departments worked with P&A staff to align their tactical plans to the City's

## Department Review: Performance & Analytics

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strategic plan that had been updated in FY 2015. A discussion of the resulting new measures is included in the “High Level Review of the Mayor’s FY 2017 Proposed Budget” section of this report.

Our Office notes that both P&A and the Department of IT’s ERP Division are in the preliminary stages of dashboard projects that may provide, either to the public or to City staff, some of the performance data that had been reported prior to the FY 2017 Proposed Budget. In discussing the two dashboard projects with the respective departments, our Office has learned that the ERP Division dashboard will most likely draw primarily from SAP data and be for “internal” use as opposed to P&A’s more “external-facing” dashboard project.

Finally, our Office notes that P&A had unsuccessfully requested 1.00 Program Coordinator position in FY 2017 to implement an umbrella, performance data gathering and reporting program for the City as well as to oversee the City’s internal and external survey efforts. **As one or multiple City dashboard projects move forward (with or without the addition of new FTE positions), our Office recommends that the City Council receive project updates as well as review metrics for, and request access to, dashboard data in all projects, in order to better facilitate legislative decision-making and increase government transparency.**

# Department Review: Personnel

## Personnel

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Department of Personnel totals approximately \$7.9 million, an increase of \$475,000 from the \$7.4 million in the FY 2016 Adopted Budget.

The number of Personnel positions decreased by 2.99 FTEs, from 67.99 in the FY 2016 Budget to 65.00 in the FY 2017 Proposed Budget. The 2.99 FTE decrease was an erroneous removal of non-standard hourly personnel, bringing hourly employees in the Personnel Department to zero. These hourly FTEs are anticipated to be reinstated in the May Revision to the Budget.

NPE additions to the Personnel budget include a \$25,000 increase for a new web interface with NEOGOV, which will allow for test scores to be updated automatically in NEOGOV—removing a manual data entry process. This interface includes unlimited licenses and will also allow remote access,

which will facilitate new testing locations.

### Issues to Consider

#### *FY 2017 Unfunded Requests*

During the FY 2017 budget process, Personnel requested two additional positions and NPEs items that were not funded:

- 1.00 Word Processing Operator (WPO) to assist an existing WPO in supporting the Civil Service Commission's increased workload that has occurred with expanded hiring activity, (especially as relates to candidates' appeals for medical/background disqualifications). The requested WPO would also be responsible for notifications to departments regarding the results of position classification studies, as well as provide back-up assistance for reception desk and accounts payable functions.
- 1.00 Test Administration Specialist to assist in promulgation of eligible lists, fingerprinting of new hires, responding to public inquiries, reviewing and enter-

SUMMARY OF PERSONNEL BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	67.99	\$ 6,504,959	\$ 929,177	\$ 7,434,136	\$ 1,000
Salaries and Wages	-	125,938	-	125,938	-
Hourly Wages	(2.99)	(98,575)	-	(98,575)	-
Fringe Benefits	-	402,094	-	402,094	-
New Web Interface with NEOGOV	-	-	25,000	25,000	-
Non-Discretionary Items (Including Info Technology)	-	-	40,972	40,972	-
Net Other Adjustments	-	-	(20,080)	(20,080)	-
<b>FY 2017 Proposed Budget</b>	<b>65.00</b>	<b>\$ 6,934,416</b>	<b>\$ 975,069</b>	<b>\$ 7,909,485</b>	<b>\$ 1,000</b>
<b>Difference from 2016 to 2017</b>	<b>(2.99)</b>	<b>\$ 429,457</b>	<b>\$ 45,892</b>	<b>\$ 475,349</b>	<b>\$ -</b>

# Department Review: Personnel

ing examination/applicant information, and preparing and organizing examinations at various locations. This position will be involved in traveling out-of-state to assist the Police Department with recruitment efforts.

- NPEs that were not funded include \$100,000 for carpet replacement, as well as \$20,000 for furniture. The furniture request is largely due to an increase in ergonomic evaluations and the need for replacement of old furniture. The carpet for the entire building is anticipated to be replaced in the next three to five years.

**In light of increased hiring activity and the FY 2017 Proposed Budget addition of 287.47 FTEs, we recommend consideration of the Personnel Department’s requested positions for inclusion in the FY 2017 Adopted Budget.**

## Key Performance Indicators

Actual results for the performance measures listed in the table below show gains over the past few years, especially with respect to the “Number of days to issue certification to hiring departments— with recruitment” line. The average days in FY 2013 was 100 versus the 59 in FY 2015—and an estimated 53 in FY 2016.

(Note that the 53 estimated FY 2016 average days was transposed and appears as 35 in the Proposed Budget. This number will be adjusted to 53 in the Adopted Budget document.)

Increases in the targets for FY 2017 take into account a continuing trend of heightened hiring activity, as well as the addition of 287.47 FTEs in the FY 2017 Proposed Budget. As mentioned during the FY 2016 Budget process, in FY 2011 there were 1,003 employee placements due to hirings, promotions, and transfers. By FY 2015, this had increased by 122%, to 2,224.

Performance Measure	Actual FY 2013	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Target FY 2017
Number of days to issue certification to hiring departments—without recruitment	11	5.3	10	10	12
Number of days to issue certification to hiring departments—with recruitment	100	57.5	59	53	59
Number of days to complete classification and compensation studies	22	17	17	16	19

# Department Review: Planning

## Planning

### Mayor's FY 2017 Proposed

#### Adjustments

The Planning Department is responsible for conducting the long-range planning of San Diego's communities and neighborhoods, maintaining the General Plan, and creating and refining land use polices.

The FY 2017 Proposed Budget categorizes the Planning Department into three divisions based upon the specialized nature of their respective work functions:

- Long-Range Planning Division
- Environmental & Resource Analysis Division
- Financial & Administrative Services Division

The Facilities Financing Fund is a Special Revenue Fund responsible for administering the Facilities Benefit Assessment and Development Impact Fee programs for the City. Core responsibilities include the preparation and updates to the communities' Public Facilities Financing Plans and Impact Fee

Studies.

Due to the detailed work functions and multiple funding sources contributing to the Department, the analysis of the FY 2017 Proposed Budget in this report is organized by funding source.

### General Fund

The FY 2017 Proposed Budget for the Planning Department totals approximately \$10.5 million in the General Fund, an increase of approximately \$198,000 and decrease of 2.01 FTEs over the FY 2016 Adopted Budget. Department General Fund revenues are projected to total \$2.9 million, reflecting a decrease of approximately \$973,000 from the FY 2016 Adopted Budget.

**Transfer of Land Development Code**  
The FY 2017 Proposed Budget includes the transfer of 3.00 FTEs and approximately \$436,000 in expenses from the Develop-

SUMMARY OF PLANNING AND FACILITIES FINANCING EXPENDITURE BUDGET CHANGES						
	FY 2016 FTE	FY 2017 FTE	CHANGE	FY 2016 BUDGET	FY 2017 PROPOSED	CHANGE
<b>General Fund (Planning)</b>						
<i>Long-Range Planning</i>	-	33.07	33.07	\$ -	\$ 3,169,898	\$ 3,169,898
<i>Environmental &amp; Resource Analysis</i>	-	21.00	21.00	-	5,438,154	5,438,154
<i>Planning (Financial &amp; Administrative Services)*</i>	67.08	11.00	(56.08)	10,323,118	1,913,177	(8,409,941)
<b>General Fund</b>	<b>67.08</b>	<b>65.07</b>	<b>(2.01)</b>	<b>\$ 10,323,118</b>	<b>\$ 10,521,229</b>	<b>\$ 198,111</b>
<b>Facilities Financing Fund</b>						
<i>Facilities Financing</i>	16.70	16.35	(33.05)	\$ 2,185,240	\$ 2,412,318	\$ 227,078
<b>Facilities Financing Fund</b>	<b>16.70</b>	<b>16.35</b>	<b>(0.35)</b>	<b>\$ 2,185,240</b>	<b>\$ 2,412,318</b>	<b>\$ 227,078</b>

\*Prior to FY 2017, all divisions within the Planning Department combined in Planning category. Planning Department to be categorized into three divisions based upon focused specialties of work functions: Long-Range Planning, Environmental & Resource Analysis, and Financial & Administrative Services.

# Department Review: Planning

ment Services Department (DSD) to the City's Planning Department to better match job functions with like work functions. In FY 2016, these positions were part of the Plan Review Division within DSD.

### **Transfer of Historical Resources**

The FY 2017 Proposed Budget includes the transfer of 4.00 FTEs, approximately \$337,000 in expenses, and approximately \$343,000 in revenues to DSD from the City's Planning Department to better match job functions with like work functions. In FY 2016, these positions were embedded within the Long-Range Planning Division in the Planning Department.

### **Citywide Parks Master Plan (PMP)**

The FY 2017 Proposed Budget includes \$200,000 in expenses to initiate the development of a comprehensive, citywide PMP. The PMP has been envisioned since adoption of the General Plan in 2008. The PMP will be used to identify needs in the current park system and emerging trends for the future; propose an equitable citywide distribution of park and recreation facilities; identify high priority sites for park land acquisition,

design and development; and include action strategies for implementing the plan.

The Department is projecting the PMP to be a three year work program that will include: development of a condition report, public outreach, drafting the plan, an implementation strategy, and an environmental review. The Mayor's FY 2017 - 2021 Five-Year Outlook included \$200,000 in annual funding allocations from FY 2017 through FY 2019 for this purpose.

### **Other Budget Adjustments**

The FY 2017 Proposed Budget also includes the following adjustments:

- An addition of 1.00 Senior Planner position and approximately \$98,000 in expenses. This position will provide environmental review support for the increased number of rights-of-way and storm water related projects.
- A decrease of \$300,000 in expenditures due to operational efficiencies and budgetary savings. The reduction in expenditures is not anticipated to impact ongoing or projected work programs.
- Revised Revenue - A decrease of ap-

<b>SUMMARY OF PLANNING DEPARTMENT - BUDGET CHANGES</b>					
<b>Description</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expense</b>	<b>Revenue</b>
FY 2016 Adopted Budget	67.08	\$ 7,764,624	\$ 2,558,494	\$ 10,323,118	\$ 3,841,766
<b>Programmatic Changes</b>					
Transfer of Land Development Code Resources	3.00	435,675	-	435,675	-
Transfer for Historical Resources Resources	(4.00)	(337,455)	-	(337,455)	(343,269)
Parks Master Plan	-	-	200,000	200,000	-
Addition of Senior Planner	1.00	97,717	-	97,717	-
Operational Efficiency	-	-	(300,000)	(300,000)	-
Revised Revenue	-	-	-	-	(278,322)
<b>Other Changes</b>					
Other Salaries & Wages	(1.01)	176,022	-	176,022	-
Non-Discretionary Adjustments	-	-	(36,010)	(36,010)	-
Other Adjustments	(1.00)	(\$107,448)	69,610	(37,838)	(351,000)
<b>FY 2017 Proposed Budget</b>	<b>65.07</b>	<b>\$ 8,029,135</b>	<b>\$ 2,492,094</b>	<b>\$ 10,521,229</b>	<b>\$ 2,869,175</b>
<b>Difference from 2016 to 2017</b>	<b>(2.01)</b>	<b>\$ 264,511</b>	<b>\$ (66,400)</b>	<b>\$ 198,111</b>	<b>\$ (972,591)</b>

Office of the Independent Budget Analyst

April 2016

# Department Review: Planning

proximately \$278,000 due to forecasted reductions in project reviews and CIP services.

**Status of Community Plan Updates**

The table below shows the status of the community plan updates anticipated to be completed, in progress, or to be initiated in FY 2017. The Department anticipates that four community plan updates and two plan amendments (similar procedures and resources required as a plan update) currently underway will be completed by the end of FY 2017. The community plan updates for the communities of Encanto and Southeastern San Diego were adopted by the City Council in FY 2016.

In FY 2016, the Department added 3.00 FTEs to support the review process for the community plan updates. These positions support conducting mobility analysis, preparing the recreation element for the community plans, and provide financial analysis for the community plan updates.

With the addition of staffing in FY 2016 and the restructuring of the Department into focused work divisions to gain technical efficiencies, the Department has established a process to initiate three to four updates per year depending upon the complexity of the update. Each update will vary based upon the nature of the update, however the Department targets completing each undertak-

<b>STATUS OF PLAN UPDATES</b>			
<b>Community Plan</b>	<b>Scope of Project</b>	<b>FY 2017 Status</b>	<b>Projected Completion Date</b>
Uptown	Plan Update	To be completed	FY 2017
North Park	Plan Update	To be completed	FY 2017
Golden Hill	Plan Update	To be completed	FY 2017
San Ysidro	Plan Update	To be completed	FY 2017
University - Mobility Plan	Plan Amendment	To be completed	FY 2017
Serra Mesa - Street Connection	Plan Amendment	To be completed	FY 2017
Midway/Pacific Highway	Plan Update	In progress	FY 2018
Old Town	Plan Update	In progress	FY 2018
Barrio Logan	Plan Update	In progress	FY 2018
Mission Valley	Plan Update	In progress	FY 2019
Clairemont Mesa	Plan Update	In progress	FY 2020
Kearny Mesa	Plan Update	In progress	FY 2020
University	Plan Update	To be initiated	FY 2020
Mira Mesa	Plan Update	To be initiated	FY 2020

# Department Review: Planning

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en update within three years.

Based upon discussion with staff, the Department has the capacity to maintain these efforts. As such, no additional resources were requested in the FY 2017 Proposed Budget to support the community plan updates. Per the Department, in order to increase the number of updates undertaken each year, a holistic growth within the Department would be required as the updates require input from multiple technical professionals.

## Issues to Consider

### *Implementation of the Climate Action Plan (CAP)*

The Climate Action Plan is an involved plan which will impact multiple City departments (directly or indirectly), including the Planning Department. For the Department, the FY 2017 Proposed Budget does not include any additional funding over the FY 2016 Adopted budget for programs that will directly support the CAP.

The FY 2017 Proposed Budget does include funding for programs that will support the goals of the CAP indirectly. An example is the proposed \$200,000 allocation for the initiation of the Parks Master Plan. The Parks Master Plan will develop a strategy for future development of parks including addressing the potential of expanding the tree canopy.

There are multiple programs currently funded in the FY 2016 Adopted Budget and continued in FY 2017 which directly support the CAP. Examples include the development of the Urban Forest Management Plan (draft plan available on the City's Plan-

ning Department website) and community plan updates.

The Urban Forest Management Plan (funded via a CalFire planning grant) outlines the objectives and actions needed to sustain, protect, and enhance community trees in the City. This plan directly supports the Climate Resiliency strategy within the CAP.

Continuing work on community plan updates includes the review, evaluation, and potential growth in alternative transportation methods such as bicycling, walking, or transit. This work directly supports the Bicycling, Walking, Transit & Land Use strategy within the CAP.

## Facilities Financing

The FY 2017 Proposed Budget totals approximately \$2.4 million for the Facilities Financing Fund, an increase of approximately \$227,000 and a slight decrease of 0.35 FTEs over the FY 2016 Adopted Budget.

As Facilities Financing is a Special Revenue Fund, budgeted revenue will mirror budgeted expenses. Budgeted revenue totals approximately \$2.4 million, an increase of approximately \$227,000 over the FY 2016 Adopted Budget due to projected increase review activity.

Staff charges its time for its reviews of building permit applications and by 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



# Department Review: Planning

agreement.

## **Public Facilities Financing Plan Updates**

The table below shows the status of Public Facilities Financing Plan updates anticipated to be completed, in progress, or to be initiated in FY 2017. The Department anticipates that seven plan updates and one amendment (similar procedures and resources required as plan update) will be completed by the end of FY 2017. The plan updates/amendments for the communities of Southeastern San Diego, Encanto, Pacific Highland Ranch, and University—North University City were adopted by the City Council in FY 2016. Additionally the Department anticipates presenting the plans for Scripps Miramar Ranch and Mira Mesa to the City Council by the end of FY 2016.

<b>STATUS OF PLAN UPDATES</b>			
<b>Plan</b>	<b>Scope of Project</b>	<b>FY 2017 Status</b>	<b>Projected Completion Date</b>
San Ysidro Impact Fee Study (IFS)	Plan Update	To be completed	FY 2017
Golden Hill IFS	Plan Update	To be completed	FY 2017
North Park IFS	Plan Update	To be completed	FY 2017
University /North University City Public Facilities Finance Plan (PFFP) - Mobility Amendment	Plan Amendment	To be completed	FY 2017
Mission Beach IFS	Plan Update	To be completed	FY 2017
Tierrasanta PFFP	Plan Update	To be completed	FY 2017
Carmel Valley PFFP	Plan Update	To be completed	FY 2017
Del Mar Mesa PFFP	Plan Update	To be completed	FY 2017
Midway/Pacific Highway IFS	Plan Update	In progress	FY 2018*
Old Town IFS	Plan Update	In progress	FY 2018*
Barrio Logan IFS	Plan Update	In progress	FY 2018*

\*Showing only those plans scheduled to be completed in conjunction with a community plan update in FY 2018.

# Department Review: Police

## Police

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Police Department is approximately \$433.6 million for the General Fund, a decrease of \$1.9 million from the FY 2016 Adopted Budget. The FY 2017 Proposed Budget includes 2,645.01 FTE positions, an increase of 13.00 FTE positions over FY 2016. Budgeted revenue totaling \$45.1 million represents a decrease of \$6.6 million.

The largest changes to the Police budget include an increase of \$2.4 million in flexible benefit expenditures related to the Memorandum of Understanding (MOU) with the San Diego Police Officers Association (POA) for FY 2016-2020, which is entering its second year of implementation, and an increase of \$3.0 million in overtime expend-

itures. These increases are partially offset by a \$4.8 million increase in budgeted vacancy savings due primarily to a high number of vacancies, particularly in sworn positions. Taken together, these budget changes highlight the significant recruitment and retention challenges that the Department has faced since FY 2014 and will likely continue to face in FY 2017.

Other changes to the Police Department budget include the addition of 10.00 FTE civilian and 3.00 FTE sworn positions, an increase of \$1.0 million in non-personnel expenditures for facilities maintenance and improvement, and the addition of \$100,000 in expenditures to purchase vehicles. These increases, along with the continuation of expanded Police academies included in the Department's base budget, are intended to advance the Department's progress in

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	2,632.01	\$ 370,297,215	\$ 65,203,924	\$ 435,501,139	\$ 51,618,318
<b>Programmatic Changes</b>					
<i>Flexible Benefits Increase (Year 2 of POA MOU)</i>	-	2,400,000	-	2,400,000	-
<i>Addition of Overtime Expenditures</i>	-	3,000,000	-	3,000,000	-
<i>Maintenance and Improvement of Facilities</i>	-	-	1,000,000	1,000,000	-
<i>Addition of Crime Lab Positions</i>	5.00	504,519	-	504,519	-
<i>Addition of Civilian Positions</i>	5.00	335,185	-	335,185	-
<i>Addition of Sworn Positions</i>	3.00	308,527	-	308,527	-
<i>Body Worn Cameras</i>	-	-	300,000	300,000	-
<i>Canine Unit Vehicles</i>	-	-	100,000	100,000	-
<b>Other Changes</b>					
<i>Increased Vacancy Savings</i>	-	(4,791,586)	-	(4,791,586)	-
<i>Non-Discretionary Adjustments</i>	-	-	2,541,412	2,541,412	-
<i>One-Time Reductions and Annualizations</i>	-	-	(7,159,330)	(7,159,330)	(7,148,394)
<i>Other Adjustments</i>	-	(2,818,118)	2,397,451	(420,667)	596,006
<b>FY 2017 Proposed Budget</b>	<b>2,645.01</b>	<b>\$ 369,235,742</b>	<b>\$ 64,383,457</b>	<b>\$ 433,619,199</b>	<b>\$ 45,065,930</b>
<b>Difference from 2016 to 2017</b>	<b>13.00</b>	<b>\$ (1,061,473)</b>	<b>\$ (820,467)</b>	<b>\$ (1,881,940)</b>	<b>\$ (6,552,388)</b>

# Department Review: Police

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meeting the needs identified in its Five-Year Plan, which was most recently updated and approved by the City Council in November 2013.

## Additions

### ***Flexible Benefits Increase (Year 2 of Police Officers Association MOU)***

The FY 2017 Proposed Budget includes \$2.4 million in increased expenditures for flexible benefits pursuant to the POA MOU for FY 2016-2020. The benefit increase is non-pensionable, as are all MOU-related compensation increases through FY 2018. It is important to note that the FY 2017 flexible benefit increase is available only to police officers with eight or more years of service. Several other compensation and benefit increases that were funded in FY 2016, such as the restoration of holiday premium pay, are continued in the FY 2017 Proposed Budget as part of the Department's base budget and therefore are not called out as significant budget adjustments.

The intent of the POA MOU was to enhance the Police Department's recruitment and retention efforts in order to mitigate the effects of recent above-normal attrition and to support the staffing goals outlined in the Police Department Five-Year Plan. After close to one year of being in effect, however, the MOU has not significantly reduced sworn officer attrition. Officers continue to leave the Department at a rate of 13 departures per month in FY 2016, the same as FY 2015. Police recruitment and retention challenges are further discussed later in this Department Review in the "Issues to Consider" Section.

### ***Addition of Overtime Expenditures***

An additional \$3.0 million in overtime expenditures is included in the FY 2017 Proposed Budget to support an increase in extension-of-shift overtime and to better align budgeted overtime with historical expenditure levels. The Police Department has indicated that its expanded use of this type of overtime is due to increased neighborhood policing efforts, increased training that includes more experienced officers working alongside new officers, backfilling to meet recommended staffing levels, and calls taking longer to resolve.

The Office of the IBA has, in several reports, recommended that the Police Department's overtime budget be right-sized by increasing expenditures up-front during the annual budget process rather than during the Mid-Year or Year-End Budget Adjustments. In our review of the Mayor's FY 2017-2021 Five-Year Financial Outlook, we noted that the Department would likely expend an additional \$3.0 to \$5.0 million annually over the next five years on overtime based on our review of past expenditures as well as the Department's recent focus on extension-of-shift activities. The FY 2017 Proposed Budget's \$3.0 million increase to Police Department overtime is a positive step toward right-sizing the Department's personnel expenditures.

It is important to note, however, that the FY 2016 Mid-Year Budget Monitoring Report projected that the Police Department would exceed budgeted overtime expenditures by \$6.0 million. Of that amount, \$4.0 million was attributed to extension-of-shift overtime, \$1.4 million to grant and task force related overtime, and \$600,000 to

# Department Review: Police

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unbudgeted AB 109 overtime. Assuming that extension-of-shift overtime may fluctuate in FY 2017, the addition of \$3.0 million for this purpose in FY 2017 is reasonable. While our office continues to recommend that task force and grant related overtime expenditures also be budgeted, those specific uses of overtime are less of a concern as they are largely reimbursable. Nonetheless, Mid-Year and Year-End Budget Adjustments may be needed in the future if these costs continue and are not budgeted. As in past years, continued monitoring of Police overtime expenditures is important.

## ***Addition of Civilian Positions***

The FY 2017 Proposed Budget includes the addition of 5.00 FTE civilian positions and \$335,000 in associated personnel expenditures to support Police Department operations, particularly within the Communications Division. The added positions include 3.00 Police Investigative Service Officers (PISOs), 1.00 Police Dispatcher, and 1.00 Associate Management Analyst.

The Department has indicated it intends to use several of the added positions to address staffing concerns within the Communications Division, with a special focus on dispatch operations. In addition to the new Dispatcher position, two of the new PISOs will replace two Dispatchers currently performing 9-1-1 call research so that they may focus solely on dispatch work. The third PISO position will be assigned to the field. With the addition of 3.00 PISOs, the Department will have a total of 24.00 PISO positions. The Associate Management Analyst will serve as the Department's Califor-

nia Public Records Act liaison, replacing a Police Officer 2 who is currently performing that function and will be freed-up to return to patrol work.

Seven Councilmembers expressed support for the addition of civilian positions in the Police Department in their FY 2017 budget priority memoranda, including prioritizing dispatcher positions and PISOs. A discussion of issues related to dispatcher staffing is included later in the "Issues to Consider" section of this Department Review.

## ***Addition of Crime Lab Positions***

The FY 2017 Proposed Budget adds 5.00 FTE civilian positions and \$505,000 in associated personnel expenditures to support the Crime Lab Unit. The positions are currently filled and are not new to the Police Department, as they have been carried as supplemental positions historically. The Proposed Budget adds these existing positions to the General Fund. The positions are funded through the California DNA Database Program (Prop 69) and the state Remote Access Network (RAN) Board.

## ***Addition of Sworn Positions***

The FY 2017 Proposed Budget includes the addition of 3.00 FTE sworn positions and \$309,000 in associated personnel expenditures to support the Police Department's operations. Although the Police Department is currently experiencing high sworn vacancies, the Department has indicated that the additional positions will help to gradually increase sworn staffing levels to meet the long-term goals outlined in its Five-Year Plan.

# Department Review: Police

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## **Maintenance and Improvement of Police Facilities**

An additional \$1.0 million in non-personnel expenditures is included in the FY 2017 Proposed Budget to support the maintenance of existing Police Department facilities. Facilities maintenance is one of the ongoing needs identified in the Police Department Five-Year Plan. The \$1.0 million expenditure consists of \$750,000 for maintenance and repairs at all area commands across the City, including security upgrades, flooring refurbishment, and locker room/restroom repair. The remaining \$250,000 expenditure will be used to fund a feasibility study for the replacement of the Police Headquarters elevators and energy management system.

While not included in the FY 2017 Proposed Budget, the FY 2016 Mid-Year Budget Adjustments included \$250,000 for a feasibility study to replace the current Police Department Traffic Division temporary facility with a permanent one. Our office issued IBA Report 15-37: *Police Department Traffic Division Facility Needs*, in which we recommended funding such a feasibility study, and presented it to the Public Safety & Livable Neighborhoods Committee in October 2015. The Public Works Department has indicated that a scope of work is in development and that the consultant selection process is expected to begin before the end of FY 2016. The study is estimated to be complete by July 2017.

## **Reductions**

### **One-Time Reductions**

The FY 2017 Proposed Budget includes several large one-time expenditure reductions

for the Police Department totaling \$7.2 million. The reductions include the following items that were budgeted as one-time expenditures in FY 2016 and were not carried forward to FY 2017:

- \$5.6 million related to the Computer-Aided Dispatch (CAD) Replacement CIP, including \$5.1 million in revenue and expenditures associated with a transfer from the Police Department budget to the CIP
- \$1.1 million in non-personnel expenditures added for vehicles and supplies for sworn positions
- \$402,000 in non-personnel expenditures added for vehicles and supplies for civilian positions
- \$62,000 in non-personnel expenditures added for safety equipment in Western Division

## **Issues to Consider**

### **Sworn Recruitment and Retention**

The Mayor and Council have made significant investments in Police Department recruitment and retention efforts each year since FY 2012. Most recently, the FY 2016-2020 POA MOU was intended to enhance the Police Department's recruitment and retention efforts in order to mitigate the effects of recent above-normal attrition and to support the staffing goals outlined in the Police Department Five-Year Plan.

As discussed earlier in this Department Review, despite the recruitment and retention efforts made to date, sworn officers continue to leave the Department at a rate of 13 departures per month in FY 2016, the same

# Department Review: Police

as in FY 2015. The FY 2017 Proposed Budget takes this into account by assuming an attrition rate of 13 departures per month in its budget formulation.

Since FY 2012, the Adopted Budget has included the addition of expenditures aimed at improving Police recruitment and retention, either in the form of direct payments to officers as a retention incentive, or as support for expanded Police Department academies. Since FY 2015 the academies have been funded at a maximum capacity level of 43 recruits per academy, held four times per year, for a total of 172 recruits per year. The table below summarizes Police sworn recruitment and retention expenditures since such efforts began in FY 2012. To date, a total of \$30.5 million has been spent on sworn recruitment and retention.

While the FY 2017 Proposed Budget continues funding for expanded academies and increased compensation (providing additional amounts for officers with eight or more years of service per the POA MOU), it does not include any new initiatives aimed at improving Police recruitment and retention. The staffing challenges faced by the Police Department are significant and chronic, and require close monitoring. If staffing trends do not improve in FY 2017, additional resources and programmatic initiatives may be required in FY 2018 and beyond.

## **Police Dispatchers**

As discussed earlier in this Department Review, a majority of Councilmember budget priority memoranda requested additional funding to support dispatchers in the Police Department Communications Division. Several memoranda requested that dispatcher positions be prioritized, one called for additional recruitment and retention efforts, and two requested the addition of 74.00 dispatcher positions. The FY 2017 Proposed Budget includes the addition of 1.00 Police Dispatcher and 2.00 PISOs that will free up existing dispatchers to focus solely on 9-1-1 dispatch work. The added resources for dispatchers in the FY 2017 Proposed Budget partially address the concerns raised by Councilmember memoranda.

The Police Department has indicated that the added positions are sufficient to augment the Communications Division given that the Department currently has 19.00 vacant Police Dispatcher positions. The Department is aggressively recruiting dispatchers in order to fill all vacancies by the end of FY 2017, including expediting background checks and encouraging Police Recruits who do not complete the academy to apply for Police Dispatcher positions. Additionally, the Department has assigned sworn officers on light duty to perform some dispatch duties. Recent retention efforts include awarding dispatchers with Exceptional Merit Cash Payments to those who qualify.

<b>Police Sworn Recruitment &amp; Retention Expenditures (in millions)</b>						
	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>Total</b>
Payments to Officers	\$0.0	\$0.0	\$2.0	\$3.2	\$11.1	<b>\$16.3</b>
Expanded Academies	\$1.0	\$0.3	\$1.2	\$5.3	\$6.4	<b>\$14.2</b>
<b>Total</b>	<b>\$1.0</b>	<b>\$0.3</b>	<b>\$3.2</b>	<b>\$8.5</b>	<b>\$17.5</b>	<b>\$30.5</b>

# Department Review: Police

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Due to the critical public safety function that dispatchers perform and the high level of Council interest in increasing staffing levels in the Communications Division, the Council may wish to request regular updates from the Police Department on progress made on dispatcher staffing in FY 2017.

### **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 after FY 2009. A comparison of the Police Department Five-Year Plan identified needs for FY 2017 and the corresponding resources included in the FY 2017 Proposed Budget is included below. The Department has indicated that it will provide an update to the Five-Year Plan in May 2016.

### **Community Policing**

Several Councilmembers requested funding for increased community policing efforts, including identifying additional Community Relations Officers (CROs), in their budget

priority memoranda. While the FY 2017 Proposed Budget does not specifically address this concern, the Police Department has indicated that it has made significant investments in community policing with existing staffing. The Department has begun summarizing those efforts in new Quarterly Community Policing Reports as of FY 2015, which are available on the Department's website.

With regard to CROs, the Department notes that the number of CROs has increased from 10 to 20 in FY 2016 utilizing existing staffing. CROs are not a separate classification in the Department but are existing Police Officer 2 positions that are assigned community relations duties by the Chief. Therefore, there is no budgetary impact related to increasing the number of CROs within the Police Department. The number of Police Officer 2 positions assigned to work as CROs is based on an operational decision by the Department.

<b>Police Department Five-Year Plan Identified Needs for FY 2017</b>	
<b>Identified Needs</b>	<b>Status in FY 2017 Proposed Budget</b>
Addition of 35.00 Sworn Positions	Included - Budget funds continued expanded academies using existing vacant positions and adds 3.00 FTE sworn positions.
Addition of 24.00 Civilian Positions	Partially included - Budget adds 13.00 FTE civilian sworn positions.
New Recruit Equipment	Included - Budget includes non-personnel expenditures for this purpose.
New Police Vehicles	Included - Budget includes \$100,000 in expenditures for two vehicles to support the Canine Unit.
Restoration of ABLE and Canine Hours	Not included.
Replace Outdated Equipment	Not included.
CAD Replacement Project	Included in FY 2016 Adopted Budget.
Maintenance of Existing Facilities	Included - Budget includes \$1.0 million to support maintenance of Police facilities.

# Department Review: Public Utilities

## Public Utilities

The Public Utilities Department is responsible for providing water and sewer services throughout the City of San Diego. Three major enterprise funds support the Department's operations: the Municipal Sewer Revenue Fund, the Metropolitan Sewer Revenue Fund, and the Water Utility Operating Fund. Additionally, the Department manages recreational use of the City's reservoirs via the General Fund.

For the purposes of analyzing the Department's operations in the FY 2017 Proposed Budget, we will consider operations funded by the Metropolitan and Municipal Sewer Funds together, while operations supported by the Water Fund and the City's General Fund will be reviewed separately.

The breakout of proposed expenditures from each funding source is shown on the table below. This chart shows both operating expenditures and proposed Capital Improvement Plan (CIP) expenditures. Additional details on each funding source's operations are included in the following sections.

### Water Fund

The FY 2017 Proposed Budget for the Water Utility Operating Fund totals \$620.0 mil-

lion in expenditures, an increase of \$19.7 million from the FY 2016 Adopted Budget. Of this \$620.0 million, \$503.0 million is for operating expenses (this is a decrease of \$3.5 million from the FY 2016 Adopted Budget), and \$117.0 is for CIP expenditures (an increase of \$23.2 million over the FY 2016 Adopted Budget).

Revenues in the Water Fund are budgeted at \$581.2 million, which represents an increase of \$92.7 million over the FY 2016 Adopted Budget. An additional \$12.0 million in AB 1600 funds is also recognized as revenue.

This section will outline the main causes for revenue and expenditure variations from FY 2016, 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 \$92.7 million in FY 2017.

This increased amount is largely due to a \$75.2 million increase in funding from State Revolving Fund (SRF) loans. These loans are made on a reimbursement basis, and will be used to finance the City's investment in

SUMMARY OF PUBLIC UTILITIES DEPARTMENT BUDGET			
Fund	Operating Expenditures	CIP Expenditures	Revenues
<i>Water Fund</i>	\$ 502,988,683	\$ 117,023,544	\$ 593,944,391
<i>Sewer Funds</i>	357,269,226	131,284,000	394,806,222
<i>General Fund</i>	2,577,246.00	-	1,609,000
<b>Total</b>	<b>862,835,155</b>	<b>\$ 248,307,544</b>	<b>\$ 990,359,613</b>



# Department Review: Public Utilities

large projects and programs, including the Advanced Metering Infrastructure (AMI) program and major pipeline replacements.

The other significant driver of this increase is increased water sale revenues, which represent \$17.7 million of the total revenue increase. Increases in water sales revenue are due to a slight increase in water sale volumes, and to the implementation of the rate increases that were approved by Council last year.

Various smaller adjustments have also been made to revenues from connection and meter fees, as well as to Service Level Agreements with other City departments.

## Expenditure Review

Total operating expenditures from the Water Fund in the Proposed Budget are proposed to decrease by \$3.5 million. This decrease includes the following major adjustments:

- A decrease in water purchase costs of \$9.2 million, associated with increased conservation by water users
- A decrease of \$6.3 million for the AMI project. Funding for this project is included in the Proposed Budget, however, it is shifting from the Department's operating budget to a CIP project
- A decrease of \$5.0 million in expenditures related to the Sweetwater Desalination Settlement Agreement. The FY 2016 Adopted Budget included a \$6.0 million increase for this purpose, consistent with the agreement providing for the City's participation in expansion of the facility and allocation of treated water
- An increase of \$4.7 million in consulting expenses for the Pure Water program
- An increase of \$4.5 million associated with ongoing condition assessments of

SUMMARY OF PUBLIC UTILITIES WATER FUND OPERATING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	781.83	\$ 74,364,463	\$ 432,121,347	\$ 506,485,810	\$ 489,263,491
<b>Programmatic Changes</b>					
Pure Water Program Consulting	-	-	4,704,979	4,704,979	-
Pipeline/Distribution Assessments and Upgrades	-	-	4,458,000	4,458,000	-
Additional Vehicle Rental and Fuel Costs	-	-	2,994,790	2,994,790	-
Laboratory Equipment	-	-	989,740	989,740	-
Advanced Metering Infrastructure Shift to CIP	-	-	(6,263,589)	(6,263,589)	-
<b>Other Changes</b>					
Revenue Adjustment (see above for descriptions)	-	-	-	-	92,680,900
Reduction in Water Purchase Costs	-	-	(9,192,827)	(9,192,827)	-
Sweetwater Settlement Adjustment	-	-	(5,000,000)	(5,000,000)	-
Salary and Benefit Adjustments	-	1,879,357	-	1,879,357	-
Vacation Pay-in-Lieu and Supplemental COLA	-	289,203	-	289,203	-
Non-Discretionary/IT Support	-	-	(975,376)	(975,376)	-
One-Time Adjustments/Annualizations	-	-	1,195,492	1,195,492	-
Other Adjustments	-	215,855	1,207,249	1,423,104	-
<b>FY 2017 Proposed Budget</b>	<b>781.83</b>	<b>\$ 76,748,878</b>	<b>\$ 426,239,805</b>	<b>\$ 502,988,683</b>	<b>\$ 581,944,391</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 2,384,415</b>	<b>\$ (5,881,542)</b>	<b>\$ (3,497,127)</b>	<b>\$ 92,680,900</b>

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# Department Review: Public Utilities

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high-priority water pipelines and distribution system upgrades

- An increase of \$2.6 million in expenditures to allow for replacement and rental of vehicles and motorized equipment

## Issues to Consider

### ***PURE Water Implementation***

The Proposed Budget includes a total of \$89.0 million (\$13.0 million in the Department's operating budget and \$76.0 million in the CIP) and 18.66 FTE positions for the City's Pure Water Program.

The Pure Water program involves development and construction of advanced water purification facilities which will treat wastewater to potable standards. The program's ultimate goal is to provide 83 million gallons of water per day by 2035.

Pure Water is an important part of the City's efforts to ensure a local and reliable supply of drinking water, and is also a large part of the City's efforts to receive modification to its permit for the Point Loma Wastewater Treatment Plant that will allow the plant to continue to treat wastewater to advanced primary levels.

### ***Water Purchase Costs***

The Proposed Budget includes water purchase costs of \$219.9 million. This includes an assumed 5% increase in rates charged by the County Water Authority for water purchases. Actual updates to the CWA's rates will be partially dependent on actions taken at the Metropolitan Water District in Los Angeles. As the year progresses, Council should be updated upon any action that might impact the rates charged to the City

for the purchase of water, and the impacts such actions will have on the Department's total water purchase expenses.

### ***Overall Operating Costs and Personnel***

During hearings on water rate increases in 2015, the Department noted that no increased rates would be used for new or expanded operating or personnel expenses. The Proposed Budget is consistent with this commitment—there is no net change to FTE positions funded by the Water Fund, and overall operating expenditures have decreased by \$3.5 million (though capital expenditures in CIP projects have increased). Council may wish to monitor operating costs throughout the coming fiscal year.

## Sewer Funds

The Proposed Budget for the expenditures in the combined Metropolitan and Municipal Sewer Utility Funds total \$488.6 million, an increase of \$6.6 million over the FY 2016 Adopted Budget. Of this \$488.6 million amount, \$357.3 million is for operating expenses (a decrease of \$10.7 million from FY 2016), and \$131.3 million is for CIP projects (an increase of \$17.2 million over FY 2016).

Revenues for the combined Funds total \$378.8 million, which is a decrease of \$9.5 million, or 2.5% from FY 2016. An additional \$16.0 million in AB 1600 funds is also recognized as revenue.

### ***Revenue Review***

The \$9.5 million decrease in anticipated revenue in FY 2017 is largely due to reduced sewer service charge revenue associated with reduced flow rates.

# Department Review: Public Utilities

Sewer charges in San Diego are based on water use during a winter monitoring period. Each winter, primarily during the months of December through March, the Department monitors the amount of water used by each residential customer, as these months typically have the highest proportion of water used returning to the sewer system.

While drought conservation mandates have mostly impacted outdoor water use on landscaping, which is typically highest during summer months, the Department is anticipating a 5% reduction in winter months as well, which will lead to reduced sewer fee revenues.

## Expenditure Review

Expenditures in the Sewer Funds include a total reduction of \$10.7 million in operating expenses. Significant changes include:

- A decrease of \$6.3 million for the AMI

project. As noted in our review of the Water Fund, expenses for this project are being shifted from the Department's operating budget to the CIP

- A decrease of \$13.9 million in one-time expenditures, and the annualization of expenditures implemented in FY 2016
- An increase of \$5.1 million in expenditures for wastewater treatment and disposal facilities maintenance, including digester cleanings at the Point Loma and Metro Biosolids Treatment Plants
- An increase of \$3.8 million in expenditures for consulting services for the Pure Water program

## General Fund

The City offers recreational use of its reservoirs, collecting various fees from recreation patrons. Revenues and expenses asso-

SUMMARY OF PUBLIC UTILITIES SEWER FUNDS OPERATING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	871.53	\$ 85,926,604	\$ 282,022,635	\$ 367,949,239	\$ 388,337,222
<b>Programmatic Changes</b>					
Wastewater Treatment Plant Repairs/Cleanings	-	-	5,125,442	5,125,442	-
Pure Water Program Support	-	-	3,843,445	3,843,445	-
Laboratory Supplies & Equipment	-	-	1,182,260	1,182,260	-
Facilities and System Assessments	-	-	670,000	670,000	-
Advanced Metering Infrastructure Shift to CIP	-	-	(6,296,389)	(6,296,389)	-
<b>Other Changes</b>					
Revenue Adjustment	-	-	-	-	(8,861,000)
Non-Standard Hourly Adjustments	(2.31)	(51,795)	-	(51,795)	-
Personnel Restructuring	(5.76)	(315,823)	-	(315,823)	-
Salary and Benefit Adjustments	-	2,410,983	-	2,410,983	-
Non-Discretionary/IT Support	-	-	(5,376,702)	(5,376,702)	-
One-Time Adjustments/Annualizations	-	-	(13,916,697)	(13,916,697)	(670,000)
Other Adjustments	(0.55)	(77,445)	2,122,708	2,045,263	-
<b>FY 2017 Proposed Budget</b>	<b>862.91</b>	<b>\$ 87,892,524</b>	<b>\$ 269,376,702</b>	<b>\$ 357,269,226</b>	<b>\$ 378,806,222</b>
<b>Difference from 2016 to 2017</b>	<b>(8.62)</b>	<b>\$ 1,965,920</b>	<b>\$ (12,645,933)</b>	<b>\$ (10,680,013)</b>	<b>\$ (9,531,000)</b>

## Department Review: Public Utilities

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ciated with this recreational use of reservoirs are General Fund transactions.

The FY 2017 Proposed Budget includes expenditures for these activities in the amount of \$2.6 million, an increase of \$28,000 or 1% over FY 2016. \$15,000 of this amount is due to an increase in NPEs for the San Dieguito Joint Powers Authority, and the remainder of the increases are in non-discretionary adjustments.

General Fund revenues in the Proposed Budget include a \$669,000 increase over FY 2016, bringing total revenues to \$1.6 million. Roughly \$295,000 of this increase is associated with increased concessions income and recreation fees. A \$390,000 increase is associated with increased rental income from agricultural land owned by PUD, including properties in the San Pasqual Valley.

The Proposed Budget also includes a \$16,000 decrease in revenues for water fowl hunting permits at the Barrett and Sutherland reservoirs, due to decreases in water depth below what is permitted for fowl hunting.

# Department Review: Public Works

## Public Works

The Public Works Department is comprised of the following three branches.

- **Contracting**—Provides services and support specifically for Capital Improvement Program (CIP) projects. This branch also provides support to other departments that is unrelated to Engineering & Capital Projects (E&CP).
- **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. Expenses in the E&CP branch are billed against CIP projects.
- **General Services**—Provides Maintenance and Repair (M&R) for the City’s facilities and publishing services for City departments.

The Proposed Budget for each branch is detailed in the individual sections that follow this overview.

SUMMARY OF PUBLIC WORKS DEPARTMENT BUDGET CHANGES						
Description	FTE	PE	NPE	Total Expense	Revenue	
<b>Contracting Branch</b>						
FY 2016 Adopted Budget	20.00	\$ 2,003,844	\$ 154,978	\$ 2,158,822	\$ 1,117,530	
FY 2017 Proposed Budget	21.00	2,119,885	181,825	2,301,710	1,181,777	
Difference from FY 2016	1.00	116,041	26,847	142,888	64,247	
<b>Engineering &amp; Capital Projects Branch</b>						
FY 2016 Adopted Budget	598.60	\$ 64,706,732	\$ 11,028,154	\$ 75,734,886	\$ 75,734,886	
FY 2017 Proposed Budget	644.70	69,293,719	13,984,335	83,278,054	83,278,054	
Difference from FY 2016	46.10	4,586,987	2,956,181	7,543,168	7,543,168	
<b>General Services Branch</b>						
FY 2016 Adopted Budget	161.00	\$ 12,317,816	\$ 14,189,967	\$ 26,507,783	\$ 6,895,047	
FY 2017 Proposed Budget	184.00	14,060,997	7,621,966	21,682,963	6,968,840	
Difference from FY 2016	23.00	1,743,181	(6,568,001)	(4,824,820)	73,793	

# Public Works - Contracting

The Contracting branch of Public Works is responsible for the procurement and contract management of Capital Improvement Program (CIP) construction and associated professional consultant services contracts, including managing the bid-and-award process.

## Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Contracting branch includes \$2.3 million in expenditures, which is an increase of approximately \$143,000 over the FY 2016 Adopted Budget.

Budgeted positions in the Proposed Budget total 21.00 FTEs, an increase of 1.00 FTE over FY 2016. This addition is for 1.00 Assistant Civil Engineer to support an increase in CIP work.

Revenue in the Proposed Budget for the Contracting branch totals \$1.2 million, an increase of approximately \$64,000 over FY 2016.

## Issues to Consider

### Number and Size of CIP Contracts

One of the Contracting Branch's primary responsibilities is managing the bid-and-award process for CIP construction contracts. In the current fiscal year, Public Works completed implementation of its PlanetBids online bidding system, allowing for significantly more efficient processing of contract bids.

The FY 2017 Proposed CIP Budget Summary anticipates moving 192 construction contracts, with a sum value of \$381.7 million, through bid-and-award during FY 2017.

SUMMARY OF PUBLIC WORKS - CONTRACTING BRANCH BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	20.00	\$ 2,003,844	\$ 154,978	\$ 2,158,822	\$ 1,117,530
<b>Programmatic Changes</b>					
Addition of Assistant Civil Engineer Position	1.00	82,127	-	82,127	64,247
<b>Other Changes</b>					
Salary and Benefit Adjustments	-	33,914	-	33,914	-
Non-Discretionary/IT Support	-	-	24,412	24,412	-
Other Adjustments	-	-	2,435	2,435	-
<b>FY 2017 Proposed Budget</b>	<b>21.00</b>	<b>\$ 2,119,885</b>	<b>\$ 181,825</b>	<b>\$ 2,301,710</b>	<b>\$ 1,181,777</b>
<b>Difference from 2016 to 2017</b>	<b>1.00</b>	<b>\$ 116,041</b>	<b>\$ 26,847</b>	<b>\$ 142,888</b>	<b>\$ 64,247</b>

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# Public Works - Engineering & Capital Projects

The Engineering & Capital Projects (E&CP) branch 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 Parks & Recreation. E&CP also conducts quality control and inspection of private work permitted in the public right-of-way, and surveying and materials testing.

The Proposed Budget for E&CP includes a new Project & Operational Support Division, so that the branch is now comprised of five divisions:

- Architectural Engineering & Parks
- Field Engineering
- Project & Operational Support
- Project Implementation

- Right-of-Way Design

The E&CP branch is budgeted in a special revenue fund. E&CP staff charge CIP projects for services, and are reimbursed directly from capital fund sources as appropriate. All E&CP branch expenses from the special revenue fund are billed against CIP project accounts, and the fund therefore recognizes revenues equal to its expenses.

## Mayor's FY 2017 Proposed Adjustments

The Proposed Budget for E&CP includes \$83.3 million in expenditures, which is an increase of \$7.5 million or 10% over the FY 2016 Adopted Budget.

Over half of this increase is due to the addition of 49.50 FTE positions and \$4.1 million in associated personnel expenses. Additional details on proposed new positions and the divisions to which they are added are

SUMMARY OF PUBLIC WORKS - E&CP BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	598.60	\$ 64,706,732	\$ 11,028,154	\$ 75,734,886	\$ 75,734,886
<b>Programmatic Changes</b>					
Additional CIP Program Support	49.50	4,068,509	72,500	4,141,009	4,141,009
Office Relocation/Tennant Improvements	-	-	615,430	615,430	615,430
<b>Other Changes</b>					
Non-Standard Hourly Adjustments	(3.40)	(181,662)	-	(181,662)	-
Salary and Benefit Adjustments	-	704,220	-	704,220	-
Non-Discretionary/IT Support	-	-	3,208,540	3,208,540	-
One-Time Adjustments/Annualizations	-	-	(1,234,392)	(1,234,392)	(1,094,888)
Other Adjustments	-	(4,080)	294,103	290,023	3,881,617
<b>FY 2017 Proposed Budget</b>	<b>644.70</b>	<b>\$ 69,293,719</b>	<b>\$ 13,984,335</b>	<b>\$ 83,278,054</b>	<b>\$ 83,278,054</b>
<b>Difference from 2016 to 2017</b>	<b>46.10</b>	<b>\$ 4,586,987</b>	<b>\$ 2,956,181</b>	<b>\$ 7,543,168</b>	<b>\$ 7,543,168</b>

# Department Review: Public Works - E&CP

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listed below:

## Construction Management/Field Services

- 11.00 FTEs for Assistant and Associate Civil Engineers
- 5.00 FTEs for Land Surveying Assistants and Associates
- 4.00 FTEs for Principal Survey Aides
- 4.00 FTEs for Project Assistants
- 3.00 FTEs for Senior and Principal Engineering Aides
- 1.00 FTE for an Assistant Deputy Director

## Architectural, Engineering, & Parks

- 3.00 FTEs for Assistant Civil Engineers

## Project Implementation

- 4.00 FTEs for Senior and Associate Planners
- 3.00 FTEs for Assistant and Associate Civil Engineers
- 2.00 FTEs for Contracts Processing Clerks
- 1.00 FTE for an Assistant Deputy Director

## Project & Operational Support

- 3.00 FTEs for Word Processing Operators
- 0.50 FTEs for an Auto Messenger

## Right of Way

- 4.00 FTEs for Associate and Assistant Civil Engineers

- 1.00 FTE for an Associate Electrical Engineer

An additional \$615,000 in expenditures for office relocations and tenant improvements is included in the Proposed Budget.

## **Issues to Consider**

### ***Effective Implementation of Capital Projects***

Historically, Public Works has implemented between \$300 and \$350 million in capital projects each year. The FY 2016 Adopted Budget included significant increases to the Department's personnel and expenditures in an effort to ramp-up project-delivery capacity. The City's Multi-Year Capital Outlook includes a capital program with identified needs that increase to up to \$500 million a year over the next five years. With major capital projects—including Pure Water—looming in that time frame and beyond, it is possible that project-delivery needs in the future could grow past that amount.

The Department has indicated that its capacity for capital projects is increasing, due both to increased staffing levels and to a number of project and program efficiencies that have been implemented over the last year.

The Proposed Budget for the FY 2017 CIP includes expected new contracts of \$381.7 million. E&CP's budget also calls for expenditures of \$83.3 million, which suggests that estimated project capacity in FY 2017 will approach \$465 million.\*

*\*This is a rough estimate. As construction contracts entered into in any given fiscal year may not be completed in that same year, using the expected new contracts amount only provides a rough estimate for project delivery capacity.*



# Department Review: Public Works - E&CP

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Council may wish to request additional information related to the Department's capacity to deliver projects and the projected growth in the City's CIP.

## ***Hiring Personnel***

The FY 2016 Adopted Budget included 112.00 new FTE positions in the E&CP branch. Public Works has made significant efforts to fill these positions, as well as vacancies that open when existing employees leave City service. Efforts have included hiring-halls and university outreach and recruiting. At present the Department indicates that 86 of those positions are expected to be filled by year-end: 41 additional staff have already been hired, and 45 additional candidates have accepted offers of employment.

Some challenges remain, including a low number of eligible candidates for certain positions, a lack of office space for additional personnel (this is discussed in more detail below), and long recruitment timelines.

Council may wish to receive an update on filling positions added in FY 2016, as well as strategies for filling the additional 49.50 FTE positions in the Proposed Budget, during its budget hearings.

## ***Office Space for Personnel***

At present there is not sufficient office space to house all of the positions included in the FY 2017 Proposed Budget on top of those included in the FY 2016 Adopted Budget. Through the Real Estate Assets Department, Public Works is working to obtain floor space on two floors at 525 B Street and the remainder of the vacant portions of the 4th floor in the City Admin-

istration Building.

Public Works had initially planned on obtaining floor space on three floors at 525 B Street, which would have provided sufficient office space for the additional staff included in the Proposed Budget. However, the owner of 525 B street has since indicated that only two floors are available to rent to the City.

Additionally, Engineering staff is currently spread out across multiple locations; this may result in some inefficiencies that would not be present were all Engineering staff co-located in a single location.

# Department Review: Public Works - General Services

## Public Works - General Services

The General Services branch of Public Works provides direct support to other City departments including facilities maintenance and repair, and publishing services. The General Services branch is comprised of three divisions:

- Facilities
- General Services Administration
- Publishing

Facilities and Administration are General Fund divisions, and Publishing is funded by the Publishing Services Fund. An overview of funds in the General Services branch is included in the table below. For the purposes of this review, we will examine each division separately.

### Facilities

The Facilities Division provides day-to-day Maintenance and Repair services for all 1,600 City-owned facilities and buildings, including libraries, parks, police and fire stations, and the City Administration Building complex. Although departments such as Police, Fire, and Libraries have their own maintenance budget, the Facilities Division

is still responsible for providing various additional maintenance and repair services that are beyond the scope of the maintenance efforts included in those departments' budgets.

### Expenditure Review

Expenditures for Facilities in the Proposed Budget total \$20.3 million, which is a decrease of \$4.8 million from the FY 2016 Adopted Budget. Nearly all of this decrease is due to reductions in non-discretionary and one-time expenditures. The Proposed budget does include several significant additions, including:

- 21.00 new FTE positions and \$2.5 million in associated expenditures for up-keep and preservation of City facilities
- \$255,000 to replace carpet in the City Administration Building
- \$250,000 to continue condition assessments for City facilities

### Issues to Consider

#### Ongoing Condition Assessments

Over the last several years, the City has completed a number of condition assess-

SUMMARY OF PUBLIC WORKS - GENERAL SERVICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
<b>General Fund (General Services Administration &amp; Facilities)</b>					
FY 2016 Adopted Budget	151.00	\$ 12,317,816	\$ 14,189,967	\$ 26,507,783	\$ 3,673,786
FY 2017 Proposed Budget	174.00	14,060,997	7,621,966	21,682,963	3,747,579
Difference from FY 2016	23.00	1,743,181	(6,568,001)	(4,824,820)	73,793
<b>Publishing Services Fund</b>					
FY 2016 Adopted Budget	10.00	871,759	2,794,737	3,666,496	3,221,261
FY 2017 Proposed Budget	10.00	858,766	3,077,511	3,936,277	3,221,261
Difference from FY 2016	-	(12,993)	282,774	269,781	-

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# Department Review: Public Works - General Services

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ments of City facilities, including its streets, sidewalks, and non-leased building facilities. Condition assessments for the City's parks and leased facilities are ongoing.

The most recent facilities condition assessment included 560 non-leased City buildings, and found a need to invest \$403 million to bring them to "good" standards.

A condition assessment for roughly half of all leased buildings is expected to be completed by fall of this year. Between 30 and 50 Park facilities are generally assessed each year, and an assessment for Balboa Park amenities is expected to be complete by the end of FY 2016. Additional assessments for Enterprise Fund funded facilities are ongoing and generally occur on a five-year basis.

An update to the Department's Multi-Year Capital Outlook, which includes capital needs, identified funding sources, and funding gaps, is expected to be released towards the end of Calendar Year 2016.

## ***Proposed Service Level Standards***

Facilities Condition Index (FCI) ratings describe the overall condition of a building, with a score of 0-20 being good, 21-29 being fair, and 30 and above being poor.

The \$403 million identified above assumes a target FCI for public-facing facilities of 15, semi-public facilities of 15, and city office/work yard/operations facilities of 19. These targets, however, have only been established informally by Public Works staff.

Neither Council nor the Mayor has taken action to determine an appropriate condition index for various City facilities; **Council may wish to consider taking action to set FCI targets at some point in the coming**

**Fiscal Year, which would allow facility investment cost needs to be determined more accurately.**

## **General Services Administration**

The Administration Division provides administrative and technical support to the Public Works Director and the General Services Division. The FY 2017 Proposed Budget for the Administration Division includes \$1.4 million in expenditures, a decrease of approximately \$59,000 from FY 2016. The bulk of this decrease is in reductions to non-discretionary and one-time expenditures.

The Proposed Budget for the Division does include an increase of 2.00 FTE positions and \$139,000 in expenditures for an electrical apprenticeship program, and 1.00 FTE position and \$107,000 in expenditures for the Department's Safety and Training program.

## **Publishing Services**

The Publishing Services Division provides a 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.

# Department Review: Public Works - General Services

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## **Mayor's FY 2017 Proposed Adjustments**

The FY 2017 Proposed Budget for the Public Services Division is approximately \$3.9 million, an increase of approximately \$270,000 over the FY 2016 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 2016 Adopted Budget.

### ***Significant Budget Adjustments***

The FY 2017 Proposed Budget includes the following significant budget adjustment:

- An increase of approximately \$190,000 in expenses due to cost of renting copying equipment.

# Department Review: Purchasing & Contracting

## Purchasing & Contracting

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 proposed General Fund expenditure budget for the Purchasing & Contracting Department (P&C) is approximately \$6.6 million, a \$1.1 million or 13.8% decrease from the FY 2016 Adopted Budget. This reduction is due to a \$1.3 million decrease in FY 2016 one-time discretionary IT spending that was primarily used to replace legacy databases. This decrease is partially off-set by a \$183,000 increase in fringe benefits and net increases in miscellaneous personnel and non-personnel expenses. P&C's FY 2017 proposed General Fund revenue budget is approximately \$1.5 million, a reduction of \$92,000 or 5.9% from the FY 2016 Adopted Budget, due wholly to the removal of FY 2016 Infrastructure Asset Management (IAM) reimbursable revenue.

The FY 2017 Proposed Budget includes expenditures and revenues of approximately \$13.4 million for the Central Stores Fund as displayed in the table on the following page. This proposed budget is a \$57,000 or 0.4% increase over the FY 2016 Adopted Budget, due mostly to a \$55,000 increase in fringe

benefit expenditures and a \$42,000 increase in IAM reimbursable revenue.

### Issues to Consider

#### Audit Update

On April 24, 2015, the Office of the City Auditor released the 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 management agreed to implement.

In FY 2017, P&C continues to address the audit findings. Key updates include:

- Completing the creation of the new Procurement Contracting Officer job classification series that would include contract management duties over the lifespan of a contract
- Filling all new Procurement Contracting Officer positions
- Continuing the upgrade of the SAP procurement module, scheduled to be completed in FY 2018

On April 21, 2016, the Office of the City

SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	59.96	\$ 5,281,433	\$ 2,331,102	\$ 7,612,535	\$ 1,550,772
<b>Programmatic Changes</b>					
Reduction of one-time IT costs	-	-	(1,303,366)	(1,303,366)	-
<b>Other Changes</b>					
Increase in Fringe Benefits	-	183,241	-	183,241	-
Other Adjustments	-	28,134	41,826	69,960	(92,056)
<b>FY 2017 Proposed Budget</b>	<b>59.96</b>	<b>\$ 5,492,808</b>	<b>\$ 1,069,562</b>	<b>\$ 6,562,370</b>	<b>\$ 1,458,716</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 211,375</b>	<b>\$ (1,261,540)</b>	<b>\$ (1,050,165)</b>	<b>\$ (92,056)</b>

# Department Review: Purchasing & Contracting

Auditor released *Performance Audit of Selected Contracts* that reiterated the need for P&C to establish a purchase requisition monitoring program, and implement catalogue procurement software. Management agreed to these recommendations and noted that the updates to the SAP procurement module as well as the creation of the Procurement Contracting Officer job classification series are both ongoing, and will help to address these issues.

## **Disparity Study**

On April 13, 2016 the Budget and Government Efficiency Committee (B&GE) heard a recommendation from the Citizens' Equal Opportunity Commission that the City prepare a disparity study in order to improve equal opportunities for small businesses. At that time, the Committee directed our Office to review other municipalities and government agencies with disparity studies in order to provide an overview of potential costs and timelines. Our Office will issue that overview during the first of week of May, in order for the Budget Review Committee to consider the request for a disparity study while reviewing the City's other competing budget needs.

At this time P&C's FY 2017 proposed budget does not include funding for a disparity study.

<b>SUMMARY OF CENTRAL STORES BUDGET CHANGES</b>					
<b>Description</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expense</b>	<b>Revenue</b>
FY 2016 Adopted Budget	23.00	\$ 1,578,722	\$ 11,728,434	\$ 13,307,156	\$ 13,307,156
<b>Programmatic Changes</b>					
<i>IAM CIP-related revenue</i>	-	-	-	-	42,331
<b>Other Changes</b>					
<i>Increase in Fringe Benefits</i>	-	55,247	-	55,247	-
<i>Other Adjustments</i>	-	(4,688)	6,748	2,060	14,976
<b>FY 2017 Proposed Budget</b>	<b>23.00</b>	<b>\$ 1,629,281</b>	<b>\$ 11,735,182</b>	<b>\$ 13,364,463</b>	<b>\$ 13,364,463</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 50,559</b>	<b>\$ 6,748</b>	<b>\$ 57,307</b>	<b>\$ 57,307</b>

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## Department Review: QUALCOMM Stadium

# QUALCOMM Stadium

The Qualcomm Stadium Fund is a special revenue fund that supports the day-to-day operations of Qualcomm Stadium (Stadium). Management of the Stadium is provided by the Real Estate Assets Department.

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 proposed expenditure budget for Qualcomm Stadium is approximately \$20.4 million, a \$1.1 million or 5.6% increase over the FY 2016 Adopted Budget. This increase is mainly due to a \$1.6 million increase in Police services at Chargers games and during special events. This cost had been budgeted in the Police Department in prior years but was transferred to the Stadium budget in FY 2016 in order to better account for the full cost of event services, as discussed in the FY 2016 Mid-Year Budget Monitoring Report. FY 2017 proposed expenditures also include an increase in \$140,000 to cover rising costs in on-

going maintenance and on-going ADA compliance expenditures. The expenditure increases in Qualcomm Stadium's budget are mitigated somewhat by a net reduction of \$381,000 in the Fund's non-discretionary allocations due primarily to a reduction in electricity charges, and the removal of \$266,000 of one-time budget added in FY 2016 for equipment purchases and miscellaneous maintenance items.

The Stadium's proposed revenue budget in FY 2017 is approximately \$19.8 million, a \$1.9 million or 10.4% increase from FY 2016. This increase is due to a \$1.3 million addition to the annual transfer to the Stadium from the City's Transient Occupancy Tax (TOT) Fund, as well as revenue partially mitigating the Police services expenditures that has been transferred to this fund.

The Stadium's FY 2017 budgeted expenditures are in excess of budgeted revenues; the proposed Qualcomm Stadium budget is balanced using \$617,000 in fund balance.

SUMMARY OF QUALCOMM STADIUM BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	38.00	\$ 3,564,126	\$ 15,783,792	\$ 19,347,918	\$ 17,957,446
<b>Programmatic Changes</b>					
<i>Police Services for Chargers Games/Special Events</i>	-	-	1,550,000	1,550,000	566,149
<i>Increase to On-going Stadium Maintenance and ADA Compliance</i>	-	-	139,956	139,956	-
<i>Increase in Annual Transfer from TOT Fund</i>	-	-	-	-	1,300,000
<b>Other Changes</b>					
<i>Reduction of Non-discretionary Allocations</i>	-	-	(380,511)	(380,511)	-
<i>Removal of FY 2016 One-time Expenditures</i>	-	-	(266,000)	(266,000)	-
<i>Other Adjustments</i>	-	47,611	2,082	49,693	-
<b>FY 2017 Proposed Budget</b>	<b>38.00</b>	<b>\$ 3,611,737</b>	<b>\$ 16,829,319</b>	<b>\$ 20,441,056</b>	<b>\$ 19,823,595</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 47,611</b>	<b>\$ 1,045,527</b>	<b>\$ 1,093,138</b>	<b>\$ 1,866,149</b>

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## Department Review: QUALCOMM Stadium

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### ***Operating and Debt Service Costs***

While the future of the stadium—both its purpose and its existence—is up in the air, it is assumed that it will be operational as is, in the near term. Currently, the Stadium does not generate enough annual revenue to cover its operating and maintenance costs, and receives a transfer of TOT funds each year to fully fund its expenditures. In FY 2017 the proposed transfer from the TOT Fund is approximately \$12.9 million, or 65% of the Stadium's total revenue budget. Of that \$12.9 million, \$4.8 million is used to pay for debt service from the 1996A Qualcomm Stadium Bonds that were refunded as part of the 2010A Master Refunding Bonds, and that will be fully paid in FY 2026.



# Department Review: Real Estate Assets

## Real Estate Assets

### Mayor's FY 2017 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 2017 Proposed Budget for the General Fund portion of READ includes expenditures of \$8.0 million, an increase of approximately \$1.8 million over FY 2016. READ's General Fund revenues in the Proposed Budget total \$49.3 million, an increase of \$3.9 million over the FY 2016 Adopted Budget.

#### Significant Budget Adjustments

- The Proposed Budget includes an increase in expenditures of \$2.6 million associated with tenant improvements and office relocations for various departments, as identified below:

- \$805,000—Replacement space for Executive Complex
- \$560,000—Planning Department relocation
- \$425,000—Code Enforcement relocation
- \$425,000—Swing Space
- \$266,000—Initial Improvements at Civic Center Plaza
- \$150,000—Tenant Improvements for remainder of City Administration Building 4th Floor
- An increase of 1.00 FTE and \$84,000 to add an additional Property Agent, to assist with transitioning month-to-month leases to long-term leases, and/or public records requests and assistance for City Departments and City Council offices.
- An increase in revenues of \$3.9 million. \$2.3 million of this increase is due to

SUMMARY OF REAL ESTATE ASSETS DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	33.00	\$ 3,732,513	\$ 2,449,086	\$ 6,181,599	\$ 45,437,960
<b>Programmatic Changes</b>					
Tenant Improvements & Office Relocations	-	-	2,631,193	2,631,193	-
Addition of Property Agent Position	1.00	83,811	-	83,811	-
Appraisal Services	-	-	50,000	50,000	-
<b>Other Changes</b>					
Revenue Adjustments	-	-	-	-	3,885,365
Non-Discretionary/IT Support	-	-	(12,713)	(12,713)	-
Salary and Benefit Adjustments	-	60,583	-	60,583	-
One-Time Reductions/Annualizations	-	-	(1,000,000)	(1,000,000)	-
Other Adjustments	-	-	11,963	11,963	-
<b>FY 2017 Proposed Budget</b>	<b>34.00</b>	<b>\$ 3,876,907</b>	<b>\$ 4,129,529</b>	<b>\$ 8,006,436</b>	<b>\$ 49,323,325</b>
<b>Difference from 2016 to 2017</b>	<b>1.00</b>	<b>\$ 144,394</b>	<b>\$ 1,680,443</b>	<b>\$ 1,824,837</b>	<b>\$ 3,885,365</b>

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# Department Review: Real Estate Assets

anticipated increases in revenues from hotels in Mission Bay that pay percentage rents, \$546,000 is associated with increased rental revenues from hotels on Pueblo Lands, and \$1.1 million is associated with various other increased rents and concession fees throughout the City.

## Issues to Consider

### *Doculynx Funding*

READ indicates that a request for \$17,000 for Doculynx support was not included in the Proposed Budget, and may be requested in the May Revise. Doculynx is a company that scans all of READ's lease and property documents and stores them in an electronic retrieval system that is accessible by staff. The Department indicates that this work is necessary to support its day-to-day operations.

includes \$3.3 million in expenditures, a decrease of \$1.1 million from FY 2016. Of this amount, \$439,000 is due to a reduction in transfers in surplus revenue to the General Fund,. The bulk of remaining reductions are due to removal of one-time revenues and expenditures from FY 2016.

Proposed revenues for this fund total \$3.3 million, a decrease of \$454,000 from FY 2016. \$264,000 in that reduction is due to a reduction in the amount City employees pay for parking at the Evan Jones Parkade as a result of the new MOU. The remaining \$191,000 in reductions is due to reclassifying revenue from Civic Center Plaza parking to a separate area in the budget.

## Concourse & Parking Garage Operating Fund

The FY 2017 Proposed Budget for the Concourse and Parking Garage Operating Fund

SUMMARY OF CONCOURSE AND PARKING GARAGE OPERATING FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	2.00	\$ 200,708	\$ 4,238,309	\$ 4,439,017	\$ 3,774,659
<b>Programmatic Changes</b>					
<i>Reduction in General Fund Transfer</i>	-	-	(439,320)	(439,320)	-
<b>Other Changes</b>					
<i>Revenue Adjustments</i>	-	-	-	-	(454,198)
<i>Non-Discretionary/IT Support</i>	-	-	(1,203)	(1,203)	-
<i>Salary and Benefit Adjustments</i>	-	(9,333)	-	(9,333)	-
<i>One-Time Reductions/Annualizations</i>	-	-	(668,000)	(668,000)	-
<i>Other Adjustments</i>	-	-	2,070	2,070	-
<b>FY 2017 Proposed Budget</b>	<b>2.00</b>	<b>\$ 191,375</b>	<b>\$ 3,131,856</b>	<b>\$ 3,323,231</b>	<b>\$ 3,320,461</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ (9,333)</b>	<b>\$ (1,106,453)</b>	<b>\$ (1,115,786)</b>	<b>\$ (454,198)</b>

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# Department Review: Risk Management

## Risk Management

### Mayor's FY 2017 Proposed Adjustments

The Risk Management (RM) 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, and the Long-Term Disability Plan.

The RM 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.

City departments contribute to the RM Administration Fund revenues, on a per employee basis, as part of Fringe Benefits.<sup>1</sup> General Fund Fringe Benefits contributions of \$6.9 million comprise approximately 66%

of the revenues to the Risk Management Administration Fund, with Non-General Fund departments contributing \$3.6 million, or approximately 34%.

Both revenues and expenditures in RM's FY 2017 Proposed Budget total approximately \$10.5 million. The number of FTEs in the FY 2017 Proposed Budget has increased by 3.95 FTEs, from 83.28 to 87.23 FTEs, over the FY 2016 Adopted Budget.

Programmatic changes for RM Administration include the following:

- An increase of \$307,000 for the addition of 4.00 FTEs and related NPE to the Workers' Compensation (WC) Division, including 1.00 Program Coordinator, 1.00 WC Claims Aide, and 2.00 Claims Clerks. These additions will reduce the number of cases assigned to each WC Claims Representative and

SUMMARY OF RISK MANAGEMENT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	83.28	\$ 7,960,986	\$ 2,597,892	\$ 10,558,878	\$ 10,558,878
<b>Programmatic Changes</b>					
Workers' Compensation Support	4.00	296,966	10,000	306,966	-
Workers' Compensation Temporary Staffing	-	-	(250,000)	(250,000)	-
Program Coordinator for Information Technology Support	1.00	112,088	2,500	114,588	-
Claims Representative 2 for Public Liability & Loss Recovery	1.00	82,477	2,500	84,977	-
Transfer: Employee Assistance Program to Human Resources	(2.00)	(233,543)	(32,895)	(266,438)	-
<b>Other Changes</b>					
Hourly Wages	(0.05)	(4,549)	-	(4,549)	-
Other Fringe Increases	-	249,022	-	249,022	-
Net Other Adjustments	-	(197,609)	(54,170)	(251,779)	(29,569)
<b>FY 2017 Proposed Budget</b>	<b>87.23</b>	<b>\$ 8,265,838</b>	<b>\$ 2,275,827</b>	<b>\$ 10,541,665</b>	<b>\$ 10,529,309</b>
<b>Difference from 2016 to 2017</b>	<b>3.95</b>	<b>\$ 304,852</b>	<b>\$ (322,065)</b>	<b>\$ (17,213)</b>	<b>\$ (29,569)</b>

<sup>1</sup> Fringe benefits are non-wage costs related to personnel, such as Workers' Compensation, Long-Term Disability, the Actuarially Determined Contribution pension payment, Flexible Benefits, and Medicare.

# Department Review: Risk Management

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keep the Division on track in avoiding penalties by meeting State-mandated deadlines. It will also allow the Division to provide training and direction to the WC Claims Aides and facilitate succession planning.

- Note that \$250,000 for temporary Workers' Compensation staffing in FY 2016 has been removed from the budget for FY 2017 (no associated FTEs).
- An increase of \$115,000 for the addition of 1.00 Program Coordinator and related NPE to support long-term information technology projects planned over the next three to five years. Such projects include the upgrade of the Workers' Compensation and Public Liability claims management systems into a single platform that would also interface with SAP and external vendors. An Information Systems Analyst 3 position is also available as part of the base budget for assistance on these projects.
- An increase of \$85,000 for the addition of 1.00 Claims Representative 2 and related NPE for the Public Liability and Loss Recovery Division. This addition will reduce the number of cases assigned to each Claims Representative and keep the Division on track in meeting deadlines mandated by the California Government Code. It will also allow other Claims Representatives to perform more field work investigations and attend mediations, small claims courts, evaluation hearings, and regular Deputy City Attorneys' meetings.

- A decrease of \$266,000, including 2.00 FTE and related NPE, for the transfer of the Employee Assistance Program (Program Manager and Counselor) to the Human Resources Department.

Other budget changes include:

- A decrease of 0.05 FTE in non-standard hourly personnel—from 1.28 to 1.23 FTEs
- A decrease of \$192,000 in salaries and wages to align the budget to anticipated spending levels

## Issues to Consider

Risk Management Administration oversees the Public Liability, Workers' Compensation, and Long-Term Disability Funds. Information on these three funds is included in this report, under Significant Citywide Issues.

# Department Review: Special Events and Filming

## Special Events and Filming

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 Proposed Budget for the Special Events and Filming Department totals approximately \$1.3 million, a decrease of approximately \$213,000 from the FY 2016 Adopted Budget. The number of positions within the department did not change from the FY 2016 Adopted Budget and remains at 6.00 FTEs.

#### Significant Budget Adjustments

The FY 2017 Proposed Budget includes the following significant budget adjustment:

- A reduction of \$125,000 in non-personal expenses due to removal of one-time addition in the FY 2016 Adopted Budget. Funding was provided in FY 2016 to develop and issue Request for Information (RFI); evaluate responses to determine concerns of the filming industry; and further consideration of a regional film commission.

### Issues to Consider

#### Evaluation of the Film Commission

In FY 2016, the Special Events Department

issued a RFI related to the development and organizational structure of a film commission. In response to the RFI, the Department received multiple responses providing recommendations to consider. Additionally, in December 2015, the Department hired a program manager to research the current trends within the film industry and initiate the development of a platform for presenting the City as a desirable filming location.

On April 7, 2016, the Film Program Manager presented an update to the Economic Development and Intergovernmental Relations (ED&IR) Committee as to the activities and accomplishments already achieved by the Department for the film program. Within the Department's accompanying staff report (Report to City Council No. 16-032), there are several references to technology changing the traditional model for film offices. An example would be the development and deployment of Reel-Scout, which is an online tool that serves as a location gallery and information portal for production crew directories. Usage of this platform will serve a film office in multiple tasks that were previously undertaken by film of-

SUMMARY OF SPECIAL EVENTS AND FILMING - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2016 Adopted Budget	6.00	\$ 753,016	\$ 770,912	\$ 1,523,928	\$ 75,000
<b>Programmatic Changes</b>					
<i>One-Time Reductions and Annualizations</i>	-	-	(125,000)	(125,000)	-
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	77,509	-	77,509	-
<i>Non-Discretionary Adjustments</i>	-	-	(15,680)	(15,680)	-
<i>Other Adjustments</i>	-	(1,608)	(148,448)	(150,056)	-
<b>FY 2017 Proposed Budget</b>	<b>6.00</b>	<b>828,917</b>	<b>481,784</b>	<b>1,310,701</b>	<b>75,000</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ 75,901</b>	<b>\$ (289,128)</b>	<b>\$ (213,227)</b>	<b>\$ -</b>

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## Department Review: Special Events and Filming

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office staff or contractors.

The FY 2017 Proposed Budget maintains an allocation of \$100,000 for non-personnel expenses from the FY 2016 Adopted Budget. In discussion with the Department, these funds will be used to further develop the scope and depth of the City's website to support the local film industry, advance an advertising campaign, and support outreach to the local film industry.

For the FY 2017 Proposed Budget, the Department has not requested additional resources as staff is working to evaluate the evolution of the industry, assess the potential impacts and usages of technology, and determine the most appropriate organizational structure for a film commission.

## Department Review: Special Promotional Programs

# Special Promotional Programs

### Mayor's FY 2017 Proposed Adjustments

The FY 2017 proposed budget allocations for Special Promotional Programs is approximately \$111.2 million, a \$13.6 million or 13.9% increase over FY 2016. This increase is due to the projected continued growth of transient occupancy tax (TOT) revenue, and a \$3.4 million increase in the use of fund balance.

The expenditure and revenue budgets displayed in the table below incorporates the projected use of approximately \$8.0 million in fund balance in FY 2017, as well as allocations that support the FY 2017 proposed operating budgets for the Commission for Arts and Culture (\$997,000 included in the Arts, Culture, and Community Festivals line item) and the Special Events Department (\$1.3 million).

Funding for Special Promotional Programs

<b>SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS BUDGET CHANGES</b>			
	<b>FY 2016 ADOPTED</b>	<b>FY 2017 PROPOSED</b>	<b>CHANGE</b>
<b>Revenue</b>			
<i>Transient Occupancy Tax (TOT)</i>	\$ 92,876,240	\$ 103,074,544	\$ 10,198,304
<i>Special Events Department</i>	75,000	75,000	-
<i>Use of TOT Fund Balance</i>	4,637,713	8,049,811	3,412,098
<b>Total Revenue</b>	<b>\$ 97,588,953</b>	<b>\$ 111,199,355</b>	<b>\$ 13,610,402</b>
<b>Allocations</b>			
<i>Arts, Culture, and Community Festivals</i>	\$ 12,552,130	\$ 13,939,801	\$ 1,387,671
<i>Capital Improvements</i>	31,364,321	29,535,166	(1,829,155)
<i>Convention Center Complex</i>	12,563,450	12,560,450	(3,000)
<i>Mission Bay Park/Balboa Park Improvements</i>	1,673,526	1,665,941	(7,585)
<i>PETCO Park</i>	11,319,000	9,500,000	(1,819,000)
<i>QUALCOMM Stadium</i>	4,746,120	4,748,125	2,005
<i>Trolley Extension Reserve</i>	1,062,225	1,060,650	(1,575)
<i>Economic Development Programs</i>	1,710,000	1,710,000	-
<i>Major Events</i>	150,000	150,000	-
<i>Safety and Maintenance of Visitor-related Facilities</i>	51,812,502	65,864,388	14,051,886
<i>Discretionary TOT to General Fund</i>	18,175,248	20,214,909	2,039,661
<i>Mission Bay Park/Balboa Park Improvements</i>	451,474	359,059	(92,415)
<i>Convention Center</i>	4,049,543	4,283,543	234,000
<i>PETCO Park</i>	1,980,074	2,973,414	993,340
<i>QUALCOMM Stadium</i>	6,833,517	8,131,512	1,297,995
<i>Special Events Department</i>	1,523,928	1,310,701	(213,227)
<i>Trolley Extension Reserve</i>	9,503	3,000	(6,503)
<i>TOT Administration and Promotional Activities</i>	18,789,215	28,588,250	9,799,035
<b>Total Allocations</b>	<b>\$ 97,588,953</b>	<b>\$ 111,199,355</b>	<b>\$ 13,610,402</b>

# Department Review: Special Promotional Programs

comes from available fund balance and from 5 of the 10.5 cents of TOT revenue received by the City. Per the San Diego Municipal Code, 5.5 cents of the City's 10.5 cent TOT levy are deposited into the General Fund to support general government services, while the remaining 5 cents is deposited into the TOT Fund. Of this 5 cents, 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 Council.

## **Discretionary TOT to the General Fund**

The majority of the revenue from the 1 cent of TOT is transferred to the General Fund. In FY 2017 this transfer is approximately \$20.2 million, a \$2.0 million or 11.2% increase over the FY 2016 Adopted Budget. The increase in this transfer is a result of the projected increase in TOT revenue for FY 2017.

## **Program and Department Budgets**

A number of promotional programs, agencies, and City departments are supported wholly or in part by the TOT Fund and are discussed briefly in the following sections. Details on the changes in TOT funding to PETCO Park, QUALCOMM Stadium, and

the City's Special Events Department can be found in the FY 2017 Proposed Budget or in the "QUALCOMM Stadium," "Special Events and Filming," and "Other Departments" sections of this report.

## **Arts & Culture Funding**

The FY 2017 proposed Arts, Culture, and Community Festivals funding increased by approximately \$1.4 million or 11.1% over FY 2016. This increase is due to the higher TOT revenue projections in the FY 2017 Proposed Budget that increased the amount of funding allocated to arts and culture without altering the percent of TOT funding that is dedicated to arts and culture programming, as approved by the City Council.

The Penny for the Arts Five-Year Blueprint (Blueprint) was adopted by the 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 Blueprint funding in the FY 2017 Proposed Budget maintains the increased funding level of 6.44% of TOT that Council approved as part of the FY 2016 Adopted Budget, but the amount still falls short of the Blueprint FY 2017 goal of 9.52% as displayed in the table below.

According to the Blueprint, full Penny for the Arts funding was supposed to be achieved by FY 2017. Continued arts and

<b>PENNY FOR THE ARTS</b>		
	<b>FY 2016 ADOPTED</b>	<b>FY 2017 PROPOSED</b>
<i>Penny for the Arts Blueprint Goal (%)</i>	8.55%	9.52%
<i>Transient Occupancy Tax Projection (10.5 cents)</i>	195,040,104	216,456,542
<i>Penny for the Arts Blueprint Goal (\$, based on Goal %)</i>	16,675,929	20,606,663
<i>Penny for the Arts Budgeted Funding (\$, based on 6.44%)<sup>1</sup></i>	12,552,130	13,939,801
<b>Variance in Budgeted Funding from the Blueprint Goal (\$)</b>	<b>\$ (4,123,799)</b>	<b>\$ (6,666,861)</b>

<sup>1</sup>The FY 2016 Adopted Budget amount is slightly less than 6.44% of TOT due to rounding.



# Department Review: Special Promotional Programs

culture funding was prioritized by a majority of Councilmembers who requested increased funding for the Blueprint in their budget priority memoranda as discussed in IBA Report 16-03: FY 2017 City Council Budget Priorities. The current short-fall from the Blueprint is approximately \$6.7 million. If Council is interested in allocating additional arts and culture funding, our Office notes that:

- Increasing Blueprint funding by 0.5%, from 6.44% to 6.94% of TOT, would increase the FY 2017 allocation by \$1.1 million, to a total of \$15.0 million
- Increasing Blueprint funding by \$500,000 would increase the FY 2017 allocation to 6.67% of TOT, or \$14.4 million

## **Commission for Arts & Culture Department**

The Commission for Arts & Culture was established to advise the Mayor and City Council on a wide range of arts-related initiatives, programs, and policies. City staff advised by the Commission administer the Arts and Culture Funding programs and the Public Arts programs.

The FY 2017 proposed expenditure budget for the Department is approximately \$1.2 million, a \$60,000 or 4.9% reduction from FY 2016. This reduction is primarily due to

an \$84,000 reduction in fringe benefits offset by small increases in rent, the removal of the Department's FY 2016 vacancy savings, and other small non-personnel expense adjustments.

The Department had requested 1.00 Program Manager position for the FY 2017 Proposed Budget that was not funded. This position was requested in order to provide program management and administration support for the increased funding allocated to support the Blueprint. Staff has indicated that even without this position they have strategies in place to administer current programs and any programs that may be expanded or created in the future. Our Office suggests, however, that as funding for the Blueprint grows—either through the fulfillment of the Blueprint or through projected year-over-year increases in TOT revenue—the City Council should review staff capacity for program administration.

## **Convention Center**

The FY 2017 proposed TOT allocation for the Convention Center Expansion Fund and the Convention Center Corporation together totals \$16.8 million, an increase of \$231,000 or 1.4% over FY 2016.

<b>SUMMARY OF COMMISSION FOR ARTS &amp; CULTURE DEPARTMENT BUDGET CHANGES</b>					
<b>Description</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expense</b>	<b>Revenue</b>
FY 2016 Adopted Budget	7.00	\$ 807,205	\$ 403,987	\$ 1,211,192	\$ 154,643
<i>Reduction in Vacancy Savings</i>	-	4,657	-	4,657	-
<i>Fringe Benefits</i>	-	(84,401)	-	(84,401)	-
<i>Increase in CCP Rent</i>	-	-	13,100	13,100	-
<i>Other Adjustments</i>	-	908	6,011	6,919	-
<b>FY 2017 Proposed Budget</b>	<b>7.00</b>	<b>\$ 728,369</b>	<b>\$ 423,098</b>	<b>\$ 1,151,467</b>	<b>\$ 154,643</b>
<b>Difference from 2016 to 2017</b>	<b>-</b>	<b>\$ (78,836)</b>	<b>\$ 19,111</b>	<b>\$ (59,725)</b>	<b>\$ -</b>

# Department Review: Special Promotional Programs

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## ***Mission Bay Park/Balboa Park Improvements Fund (Improvements Fund)***

The Improvements Fund budget includes debt service payments (Capital Improvements line item), maintenance of the Balboa Park tram, and other small miscellaneous costs (Safety and Maintenance of Visitor-related Facilities line item). In the FY 2017 Proposed Budget, the Improvements Fund totals approximately \$2.0 million, a decrease of \$100,000 from FY 2016 due to the projected use of fund balance in FY 2017.

## ***TOT Administration and Promotional Activities***

A portion of the TOT 4 cent allocation is allocated to the General Fund to support promotional activities 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 2017 allocation for Administration and Promotional Activities is approximately \$28.6 million, a \$9.8 million or 52.2% increase over FY 2016 due to the projected increase in the City's TOT revenue, and the use of TOT Fund balance.

## Department Review: Transportation & Storm Water

# 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 rights-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.

<b>SUMMARY OF TRANSPORTATION &amp; STORM WATER GENERAL FUND BUDGET CHANGES</b>					
<b>Description</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expense</b>	<b>Revenue</b>
FY 2016 Adopted Budget	580.74	\$ 49,763,802	\$ 80,888,531	\$ 130,652,333	\$ 57,053,300
<b>Programmatic Changes</b>					
Storm Drain Channel Cleaning	13.00	1,012,790	2,465,000	3,477,790	-
Environmental Permitting	3.00	261,267	2,100,000	2,361,267	-
Catch Basin Cleaning	5.00	301,253	1,553,025	1,854,278	-
Pipe Repair Crew & Vehicles	6.00	401,737	1,200,000	1,601,737	-
Sidewalk Replacement	-	-	1,600,000	1,600,000	-
Street Light Series Circuit Upgrades	-	-	1,350,000	1,350,000	-
Trucking Crew - Truck Driver 2s & Vehicles	6.00	373,564	970,854	1,344,418	-
Graffiti Abatement	6.00	343,709	214,368	558,077	-
Street Preservation Ordinance	2.00	118,956	35,000	153,956	-
Other Additions	5.00	458,097	29,720	487,817	-
<b>Other Changes</b>					
Reversal of 2016 One-Time Expenditures	-	-	(13,242,391)	(13,242,391)	(513,115)
Reduction in SAP Support Allocation	-	-	(3,582,966)	(3,582,966)	-
Gas Tax Revenue Decrease	-	-	-	-	(1,796,628)
Net Information Technology Increases	-	-	847,289	847,289	-
Net Energy & Utilities Increases	-	-	410,352	410,352	-
Hourly Wages	(0.95)	(116,039)	-	(116,039)	-
Vacancy Savings Increase (Reduces Salaries)	-	(804,029)	-	(804,029)	-
Other Fringe Increases	-	613,688	-	613,688	-
Net Other Adjustments	-	270,381	601,116	871,497	1,696,314
<b>FY 2017 Proposed Budget</b>	<b>625.79</b>	<b>\$ 52,999,176</b>	<b>\$ 77,439,898</b>	<b>\$ 130,439,074</b>	<b>\$ 56,439,871</b>
<b>Difference from 2016 to 2017</b>	<b>45.05</b>	<b>\$ 3,235,374</b>	<b>\$ (3,448,633)</b>	<b>\$ (213,259)</b>	<b>\$ (613,429)</b>

# Department Review: Transportation & Storm Water

## Mayor's FY 2017 Proposed Adjustments

The FY 2017 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 changes to the Underground Surcharge Fund is included below. The total expenditures in the Proposed Budget for both funds combined total \$189.4 million, which is an increase of \$309,000 over FY 2016. Combined revenues in the Proposed Budget total \$119.8 million, which represents a \$613,000 decrease from FY 2016.

A review of the FY 2017 Proposed Budget and significant programmatic changes in each TSW division follows.

### 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 2017 Proposed Budget for the Street Division totals \$56.6 million in expenditures, a decrease of \$3.8 million from the FY 2016 Adopted Budget. The Proposed Budget includes 333.44 FTE positions, which is an increase of 11.65 FTEs over FY 2016. Significant programmatic changes are discussed below.

### Additional Street Repair

In 2015, the Mayor established a goal of repairing 1,000 miles of City streets by 2020, and increasing the Overall Condition Index (OCI) of City streets to over 70 by 2025.

The Proposed Budget includes a total of \$109.1 million for street repairs, with funding coming from Prop 42, the Gas Tax, Trench Cut fees, and bond funding. TSW

SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2015 Adopted Budget	9.00	\$ 914,735	\$ 57,473,806	\$ 58,388,541	\$ 63,388,541
<b>Programmatic Changes</b>					
Addition of 2.00 FTEs for Undergrounding Oversight	2.00	187,452	10,000	197,452	-
<b>Other Changes</b>					
Salary and Benefit Adjustments	-	180,447	-	180,447	-
Non-Discretionary/IT Support	-	-	143,664	143,664	-
Other Adjustments	-	-	910	910	-
<b>FY 2016 Proposed Budget</b>	<b>11.00</b>	<b>\$ 1,282,634</b>	<b>\$ 57,628,380</b>	<b>\$ 58,911,014</b>	<b>\$ 63,388,541</b>
<b>Difference from 2015 to 2016</b>	<b>2.00</b>	<b>\$ 367,899</b>	<b>\$ 154,574</b>	<b>\$ 522,473</b>	<b>\$ -</b>

# Department Review: Transportation & Storm Water

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anticipates making repairs to 308 miles of streets in FY 2017.

Of the \$109.1 million in funding, \$21.1 million is planned for slurry seal of streets, \$82.4 million for asphalt overlay, and \$5.6 for concrete streets.

Actual locations of street repairs are being determined in conjunction with the Street Condition Assessment, which is expected to be released in May, 2016.

## **Sidewalk Repairs**

The Proposed Budget includes \$2.0 million for sidewalk repairs, which includes a \$1.6 million addition over the base budget. An additional \$1.7 million is budgeted for installation of new sidewalks.

In 2015 TSW completed a condition assessment for all City sidewalks that identified \$46.4 million in repairs and replacement needed to bring all City sidewalks up to good condition. That assessment also identified 620 miles of areas where sidewalks do not exist.

The funding identified above will be used for major sidewalk repairs and new installations of sidewalks; a list of actual locations for repairs and installations is still being developed.

## **Streetlight Installation and Replacement**

The Proposed Budget includes \$1.4 million for upgrading one circuit of old street-lights from a series circuit to a parallel circuit. At present, there are roughly 30 locations where series circuit street lights are used in the City; these locations are largely in older neighborhoods. Due to the structure of these circuits, any single light going out on a

circuit results in all lights on that circuit going out.

Upgrading these circuits to parallel circuits will allow street lights on the same circuit to continue to function even if other lights on that same circuit are out.

## **Graffiti Abatement Program**

The Proposed Budget for Street Division includes the addition of 6.00 NPEs and \$558,000 of expenses to support the Department's Graffiti Abatement program. The Department began implementation of this program in FY 2015, and added staff and resources to support the program in FY 2016 as well.

Graffiti abatement work on public property is done by City employees, and abatement work done on private property is contracted out to Urban Corps.

## **Street Preservation Ordinance**

The Proposed Budget includes 2.00 FTEs and \$154,000 of expenditures in support of the street preservation ordinance. The Department indicates that these positions will assist with compliance and fee collection for the program.

## **Storm Water**

The Storm Water Division leads the City's efforts to protect and improve 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.

# Department Review: Transportation & Storm Water

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In May 2013, the new Municipal Water Permit (permit) was adopted by the San Diego Regional Water Quality Control Board (Regional Board). This permit mandates more stringent regulations which require a significant increase in municipal spending over the next several decades to ensure compliance with the permit.

In FY 2014, the Department 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 Storm Water Division's operational activities. This WAMP is updated periodically.

The most recent update to the WAMP projects compliance costs through FY 2040 as totaling \$3.1 billion. TSW staff proactively works with environmental stakeholders and the Regional Board to refine regulations and decrease compliance costs. TSW staff has been effective in achieving future compliance cost reductions. The \$3.1 billion cost estimate identified above has been reduced from \$3.9 billion when the WAMP was initially prepared. Even with reductions, however, compliance costs will remain high. To ensure long-term compliance with storm water regulations, significant sources of additional funding will be necessary in future years.

Development of the Division's FY 2017 Pro-

posed Budget was guided by the WAMP, which identified \$120.6 million in funding needed for compliance. Actual funding in the Proposed budget for the Storm Water division totals only \$60.6 million. Of this \$60.6 million amount, \$30.8 million is proposed for water quality efforts, and \$29.8 million for flood risk management.

## Changes to Budget

The FY 2017 Proposed Budget for the Storm Water Division's operating expenditures totals \$60.6 million, which is an increase of \$5.1 million over FY 2016. The Proposed Budget includes 202.35 FTE positions, an increase of 29.40 FTEs over FY 2016. Significant programmatic changes are discussed below.

### *Flood Risk Management*

The Proposed Budget includes significant additions related to channel clearing and flood risk management. These additions include:

- 13.00 FTE positions and \$3.5 million in expenditures to support channel cleaning and maintenance
- 6.00 FTE positions and \$1.6 million in expenditures to support pipe repairs to for flood risk management
- 3.00 FTE positions and \$2.4 million in expenditures to support environmental permitting associated with flood risk management

In FY 2016, the Division embarked on a significant increase in channel-clearing efforts in preparation for expected El Niño storm events. Largely on an emergency basis, the

# Department Review: Transportation & Storm Water

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Division cleared 22 storm channels, and an additional 6 are currently targeted for clearing. Ongoing environmental remediation costs for those emergency cleanings are still being determined, and are *not* included in the Proposed Budget..

Increases in the Proposed Budget are anticipated to allow TSW to clear six channels a year on an ongoing annual basis, whereas the department had previously been clearing between two and three channels each year.

## **Storm Water Permit Compliance**

The Proposed Budget includes the addition of 5.00 FTE positions and \$1.9 million to increase catch-basin cleanings, as part of improving storm water quality.

As noted previously, TSW staff continues to work with the Regional Board to refine and amend regulatory requirements. Compliance deadlines for storm water quality regulations begin in October 2017 for the Cholas Creek Metals TMDL, and then in winter of 2018 for the Bacteria TMDL.

## **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 2017 Proposed Budget for TEO includes \$9.0 million in expenditures, a decrease of \$2.7 million from FY 2016. The Proposed Budget includes 70.00 FTE positions in the division, which is the same number of FTEs that was included in FY 2016. Reductions in expenditures are largely due to the removal of one-time expenditures and non-discretionary adjustments.

## **Vision Zero Support**

The Proposed Budget for the TEO Division budget includes \$2.3 million and 20.50 FTE positions to support the Vision Zero plan for pedestrian and bicycle safety efforts. Support for Vision Zero was included in a majority of Council Budget Priority Memos.

## **ROW Management**

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 2017 Proposed Budget for ROW Management includes \$4.3 million in General Fund expenditures, an increase of \$1.3 million over the FY 2016 Adopted Budget. Underground Surcharge expenditures in the Proposed Budget total \$58.9 million, representing a \$522,000 increase over FY 2016. Revenues in the Underground Surcharge

# Department Review: Transportation & Storm Water

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Fund remain unchanged at \$63.4 million.

The ROW Management Division includes 31.00 FTE positions (11.00 of which are funded through the Underground Surcharge Fund), which is an increase of 6.00 FTE positions over FY 2016.

The Division estimates undergrounding 15 miles of overhead utilities in FY 2017, which is the same number of miles it expects to underground in FY 2016.



# Other Departments

## Airports

The FY 2017 Proposed Budget for the Airports Division is approximately \$5.1 million, a decrease of approximately \$220,000 from the FY 2016 Adopted Budget. Fund revenues are budgeted at \$5.0 million, an increase of approximately \$140,000 from FY 2016.

Significant adjustments include:

- An increase of \$425,000 for structural repairs of the Montgomery and Brown Field terminals
- An increase of \$150,000 for an as-needed agreement with Atkins North America, Inc. to provide general airport consultant services
- An addition of 2.00 FTE positions and \$138,000 to provide safety and operational support to the Airports Division
- An addition of 1.00 FTE and \$87,000 to conduct State and Federal mandated environmental studies
- A decrease of \$500,000 in maintenance, repair, and security expenditures
- A \$650,000 reduction in expenditures associated with one-time adjustments in FY 2016

## Ethics Commission

The FY 2017 Proposed Budget for the Ethics Commission is approximately \$1.2 million, an increase of \$133,000 or 12.7% over the FY 2016 Adopted Budget. This change is

almost entirely due to an increase of \$139,000 in fringe benefits and a modest net increase in non-personnel costs, mitigated by a reduction of almost \$9,000 in personnel costs.

## Infrastructure/ Public Works

The FY 2017 Proposed Budget includes expenditures for the Infrastructure/Public Works Branch of approximately \$989,000, a decrease of \$117,000 or 10.6% from the FY 2016 Adopted Budget. This decrease is almost entirely due to a \$115,000 reduction in the Branch's fringe benefits budget.

The Branch's FY 2017 projected revenues are \$139,000, a reduction of \$71,000 or 33.9% from the FY 2016 Adopted Budget. This decrease is wholly due to a reduction in labor reimbursement related to the City's SAP I AM project.

## Neighborhood Services

The FY 2017 Proposed Budget includes expenditures for the Neighborhood Services Branch of approximately \$980,000, an increase of \$123,000 or 14.4% over the FY 2016 Adopted Budget. This increase is due to the addition of 1.00 Administrative Aide 2 to support boards and commissions as discussed in the following section, as well as smaller increases in the Branch's fringe, information technology (IT), and non-discretionary budgets.

## Department Review: Other Departments

### **Citizens' Review Board on Police Practices**

The FY 2017 Proposed Budget includes the addition of 1.00 Administrative Aide 2 and \$66,000 in personnel expenditures to support the Neighborhood Services Branch. The Deputy Chief Operating Officer for Neighborhood Services has indicated that the added position will provide assistance to the three boards and commissions within the Branch, including support specifically for the Citizens' Review Board on Police Practices (CRB). An addition of \$6,000 in new information technology expenditures has also been added to the Proposed Budget in support of the CRB.

It is worth noting that a significant number of Councilmember Budget Priority Memoranda requested funding for additional staffing or contractual support for the CRB, either in the form of independent investigators or outside counsel. Funding for these items was not included in the FY 2017 Proposed Budget. The issue of outside counsel for the CRB has been discussed recently at the Public Safety & Livable Neighborhoods Committee and the Rules Committee as part of the consideration of a broader potential ballot measure proposal regarding the CRB. At both committee hearings, a motion was passed unanimously that recommended that the Mayor include funding in FY 2017 for independent outside counsel for the CRB. **Our office recommends that funding for this purpose be added to the Neighborhood Services Branch budget in the May Revision at a level deemed appropriate by the CRB.**

### **Office of the CFO**

The FY 2017 Proposed Budget for the Office of the Chief Financial Officer (CFO) includes approximately \$586,000 in expenditures, an increase of \$5,000 or 0.9% over the FY 2016 Adopted Budget. This increase is mostly due to an increase of \$13,000 in the Office's fringe benefits, that is mitigated through reductions in non-discretionary and IT allocations.

The Office of the CFO is comprised of 1.00 Chief Financial Officer and 1.00 Executive Secretary positions. Office staffing remains unchanged from the FY 2016 Adopted Budget at 2.00 FTE positions.

### **Office of the COO**

The FY 2017 Proposed Budget for the Office of the Chief Operating Officer (COO) includes approximately \$1.1 million in expenditures, an increase of \$43,000 or 4.1% over the FY 2016 Adopted Budget. This change is primarily due to a \$30,000 increase in fringe benefits, a \$5,000 addition to the budget for professional training, and increases to the Office's IT budget and non-discretionary allocations.

The Office of the COO is comprised of 5.35 FTE positions that support the Office of the COO and the Docket Office. Office staffing remains unchanged from the FY 2016 Adopted Budget.

### **Office of Homeland Security**

The FY 2017 Proposed Budget for the Of-

## Department Review: Other Departments

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Office of Homeland Security (OHS) is \$2.7 million, an increase of approximately \$347,000 over the FY 2016 Adopted Budget. The FY 2017 Proposed Budget results in a net increase of 1.65 FTE positions, due to the addition of 3.00 FTE positions and the reduction of 1.35 FTEs in non-standard hour personnel funding, for a total of 18.05 FTE positions at OHS. The 3.00 FTEs added in the FY 2017 Proposed Budget include 1.00 Supervising Management Analyst, 1.00 Associate Management Analyst, and 1.00 Administrative Aide 2 to support federal grant management. All three positions are fully funded by the federal Urban Area Security Initiative (UASI) grant program.

### Office of the IBA

The FY 2017 Proposed Budget for the Office of the Independent Budget Analyst (IBA) is approximately \$2.0 million in expenditures, an increase of \$128,000 or 7% over the FY 2016 Adopted Budget. This change is primarily due to an increase of \$74,000 in fringe benefits, \$51,000 in salaries and wages, and modest increases in information technology costs and the Office's non-discretionary allocations.

The Office of the IBA is comprised of 10.00 FTE positions. Office staffing remains unchanged from the FY 2016 Adopted Budget.

### PETCO Park

The FY 2017 Proposed Budget for the PETCO Park Fund is \$16.3 million, a decrease of \$23,000 from the FY 2016 Adopted Budget. Significant expenditure increases include \$600,000 in expenses for Police De-

partment services during events, and \$81,000 related to the Joint Ballpark Operating Agreement. Net reductions of \$706,000 in debt service payments associated with refinanced ballpark bonds offset these increases.

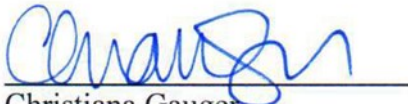
Revenue for the Fund is budgeted at \$15.5 million, an increase of \$250,000 over FY 2016.

# Budget Review for City Agencies

The IBA will release a review of the Convention Center on May 2, 2016, ahead of its budget hearing on May 4. Budget reviews for the San Diego Housing Commission, Civic San Diego/ Successor Agency, and the City Retirement System will be released on May 6, 2016, in anticipation of their budget hearings on May 10, 2016.

# The Office of the Independent Budget Analyst

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Christiana Gauger  
Fiscal & Policy Analyst



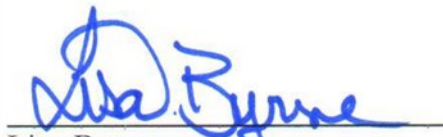
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