

## Review of the Fiscal Year 2019

# Proposed Budget

Andrea Tevlin  
Independent Budget Analyst  
April 27, 2018



Page Intentionally Left Blank

# Table of Contents

---

|   |           |
|---|-----------|
| <b>IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget.....</b>            | <b>1</b>  |
| <b>Comparing Mayor's Proposed Budget to Council Budget Priorities Resolution.....</b> | <b>13</b> |
| <b>General Fund Review.....</b>   | <b>17</b> |
| Expenditures Overview.....  | 17        |
| Revenue Overview.....   | 22        |
| <b>Reserves.....</b>  | <b>27</b> |
| General Fund Reserve.....   | 27        |
| Public Liability Funds.....   | 28        |
| Workers' Compensation Fund.....   | 29        |
| Long-Term Disability Fund.....  | 30        |
| Pension Payment Stabilization Reserve.....  | 31        |
| <b>Key Citywide Issues.....</b>   | <b>32</b> |
| Homelessness Programs.....  | 32        |
| Climate Action Plan.....  | 35        |
| Capital Improvements Program.....   | 38        |
| 101 Ash Street Building.....  | 43        |
| Pension.....  | 47        |
| <b>Department Reviews.....</b>  | <b>50</b> |
| City Attorney.....  | 50        |
| City Auditor.....   | 53        |
| City Clerk.....   | 54        |
| City Council.....   | 55        |
| City Treasurer.....   | 57        |
| Citywide Program Expenditures.....  | 60        |
| Communications.....   | 65        |
| Debt Management.....  | 66        |
| Department of Finance.....  | 68        |
| Department of Information Technology.....   | 70        |
| Development Services.....   | 74        |
| Economic Development.....   | 78        |
| Environmental Services.....   | 81        |
| Fire-Rescue.....  | 87        |
| Fleet Operations.....   | 92        |
| Government Affairs.....   | 96        |
| Human Resources.....  | 97        |

# Table of Contents

---

|  |     |
|--|-----|
| Library.....   | 98  |
| Low/Mod Income Housing Asset Fund.....               | 102 |
| Office of Boards and Commissions.....                | 104 |
| <i>Arts and Culture</i>                              |     |
| Office of Sustainability.....                        | 107 |
| Office of the Assistant Chief Operating Officer..... | 109 |
| <i>Special Events &amp; Filming</i>                  |     |
| Office of the Mayor.....                             | 111 |
| Parks & Recreation.....                              | 112 |
| Performance & Analytics.....                         | 118 |
| Personnel.....                                       | 120 |
| Planning.....  | 122 |
| Police.....  | 126 |
| Public Utilities.....                                | 130 |
| Public Works.....                                    | 135 |
| Public Works – Contracts.....                        | 136 |
| Public Works – Engineering & Capital Projects.....   | 138 |
| Public Works – General Services.....                 | 141 |
| <i>Facilities</i>                                    |     |
| <i>Publishing</i>                                    |     |
| Purchasing & Contracting.....                        | 144 |
| Real Estate Assets.....                              | 148 |
| Risk Management.....                                 | 151 |
| Special Promotional Programs.....                    | 153 |
| Stadium Operations.....                              | 156 |
| Transportation & Storm Water.....                    | 158 |
| Other Departments.....                               | 165 |
| <i>Airports</i>                                      |     |
| <i>DCCO: Infrastructure/Public Works</i>             |     |
| <i>DCCO: Internal Operations</i>                     |     |
| <i>DCCO: Neighborhood Services</i>                   |     |
| <i>Ethics Commission</i>                             |     |
| <i>Office of the Chief Financial Officer</i>         |     |
| <i>Office of the Chief Operating Officer</i>         |     |
| <i>Office of the Independent Budget Analyst</i>      |     |
| <i>Office of Homeland Security</i>                   |     |
| <i>PETCO Park</i>                                    |     |



# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

## IBA REVIEW AND ANALYSIS OF THE FY 2019 PROPOSED BUDGET

Each year, the Independent Budget Analyst (IBA) provides a comprehensive analysis of the Mayor's Proposed Budget for the City Council and the public – reviewing revenues and expenditures, consistency with City Council and community priorities, identifying service level impacts, ensuring the application of City budget policies and best budget practices, and pointing out potential impacts on future years. This involves significant cooperation from the Executive Branch to understand the workings of a \$3.8 billion budget, and we greatly appreciate the time taken by the departments and, notably, Financial Management, to answer our myriad questions over the past two weeks.

While the Mayor is responsible for developing the budget, it is the City Council that holds a host of public hearings and town halls in the community to take the pulse of the public regarding the Mayor's budget proposal. The Council also transmitted its FY 2019 Council Budget Priorities Resolution (discussed in detail in the next section of this report) to the Mayor in February 2018. The Mayor has provided the Council with a balanced, sensible and responsible initial FY 2019 budget proposal that is indicative of having given serious consideration to Council priorities. The Council has final budget authority and can develop its own set of final budget revisions or additions based on community input, hearings with City departments and our IBA review and analysis.

This Overview section touches on some key issues and high level findings for

Council consideration while the remaining sections provide significant detail and analysis on the following topics:

- Comparing Proposed Budget to City Council Priorities
- General Fund Overview: Expenditures and Revenues
- Discussion of City Reserves
- Key Citywide Issues, including programs for addressing homelessness, the Climate Action Plan (CAP), the Capital Improvements Program, the 101 Ash Street Project, and Pension issues
- Department Budget Reviews

We will also be issuing individual reports for the following City agencies prior to their budget hearing dates:

Convention Center (Monday, May 7, 2018)

Housing Commission (Monday, May 7, 2018)

SDCERS (Monday, May 7, 2018)

Civic San Diego/Successor Agency (Tuesday, May 8, 2018)

*“The Mayor has provided the Council with a balanced, sensible and responsible initial FY 2019 budget proposal that is indicative of having given serious consideration to Council priorities. The Council has final budget authority and can develop their own set of final budget revisions or additions based on community input, hearings with City departments and our IBA review and analysis.”*

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

## HOW THE MAYOR BALANCED THE FY 2019 PROPOSED BUDGET

The Mayor released a balanced FY 2019 Proposed Budget to the City Council and the public on Thursday, April 12th, in accordance with the City Charter which requires the Mayor to do so by April 15th of each year. Last November the Mayor projected a \$10.1 million deficit for FY 2019 in his FY 2019-2023 Five-Year Financial Outlook after incorporating the costs for his preliminary set of Critical Strategic Expenditures. In January 2018, the projected deficit increased to \$24.1 million, largely attributable to updated information on the City's projected Actuarially Determined Contribution (ADC) pension payment for FY 2019. After consideration of departments' highest priority funding needs for FY 2019, the Mayor incorporated additional Critical Strategic Expenditures into the Proposed Budget. The following mitigation actions have been utilized to address these needs and to close the projected funding gap for FY 2019.

### **Use of Excess Equity (One-Time) - \$12.3 Million**

To balance the budget, the Mayor has utilized the full amount of excess equity (available fund balance) anticipated for the current fiscal year. In recent years, excess equity has served as an important resource for funding one-time items identified in the Mayor's May Revision as well as providing a resource for Council's final budget modifications.

Last year at this time, \$26.4 million in excess equity was projected to be available. The Mayor utilized \$8.3 million of excess

equity to balance the FY 2018 Proposed Budget and an additional \$14.1 million for the May Revision, leaving \$4.0 million available for funding one-time critical items identified by the City Council in their final budget actions.

Financial Management will be updating the excess equity projection for the May Revision, and it is possible the estimate will increase as current fiscal year projections are updated. However, the Mayor will likely look to excess equity for funding revisions in the May Revision. It is uncertain if any excess equity will be available for final City Council budget actions.

### **Fund Balances, Transfers, and Reimbursements (One-time) - \$14.4 Million**

In addition to excess equity, a number of other funds and one-time sources are providing a total of \$14.4 million to balance the budget. The largest sources are discussed below.

First, \$4.8 million from the Compensated Absences Leave Fund will be transferred to the General Fund in FY 2019. This amount is related to overcharges to General Fund departments (since SAP implementation in 2010) for deferred compensation related to overtime. The Comptroller's Office evaluated this fund in December to determine the \$4.8 million excess balance, and the issue has been corrected for the future.

Additionally, two major funds utilized include the Fleet Operations Operating Fund Balance (\$4.6 million) and the Fleet Operations Replacement Fund Transfer (\$3.4 million). Of the \$8.0 million from the two Fleet funds, \$6.5 million was included in the FY 2018 budget for making improvements to a leased site to serve as a new

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

maintenance and repair facility for heavy duty fire apparatus. This was in response to findings by a fleet consultant, hired by the City in April 2016, who concluded “the current set up for performing the maintenance on both Fire and Refuse fleets at the Miramar Shop is not adequate to allow the technicians to be successful in keeping both fleets serviced, and meet the departments’ needs. ... In addition, without running a second shift, the Fire technicians do not have enough bay space to adequately do their jobs.”

A site for a new facility (the Othello site) was identified by staff in 2017 which would enable the department to address these concerns regarding effective fire apparatus maintenance and repair. The City entered into a 10-year, \$10.4 million lease agreement for this purpose in April 2017. This project is now on hold due to significantly higher estimates for construction costs for the improvements with no plans for moving forward. The funding intended for this project has been used to balance the FY 2019 Proposed Budget. The facility has been repurposed as warehouse space for other departments and for housing City employees who were moved out of the Executive Complex.

## **Workers Compensation and Long Term Disability Excess Reserve Balances (One-Time) - \$5.6 Million**

The FY 2019 Proposed Budget includes reduced departmental contributions for Workers’ Compensation and Long-Term Disability fringe benefits. For the General Fund, approximately \$4.0 million and \$1.6 million of the excess reserve balances are planned to be utilized to cover a portion of such fringe benefits payments.

## **Department Operations Reductions (Ongoing) - \$14.1 Million**

City departments were requested to submit 2% budget reductions for consideration in mitigating the FY 2019 deficit. The proposals totaled about \$20.2 million, and \$14.1 million in operational reductions were used to balance the budget. In developing the Proposed Budget and considering reduction proposals, there was a strong focus on maintaining City service levels. However, we have identified several proposed reductions that Council may want to revisit during the budget hearings, due to their potential impact on important services. Other department reductions recommended by the Mayor are discussed in the appropriate departmental sections.

### Transportation and Storm Water-\$882,000 Reduction in Tree Trimming Contract

This proposed reduction applies to broad-leaf and conifer trees, and will reduce the frequency those trees are trimmed from once every 9 years to once every 21 years. The number of trees expected to be trimmed in FY 2019 will fall from roughly 20,000 to 10,000 as a result of this reduction. The Mayor proposed this same reduction in the FY 2018 Proposed Budget; however, in their final actions, Council restored funding in order to maintain tree trimming service levels.

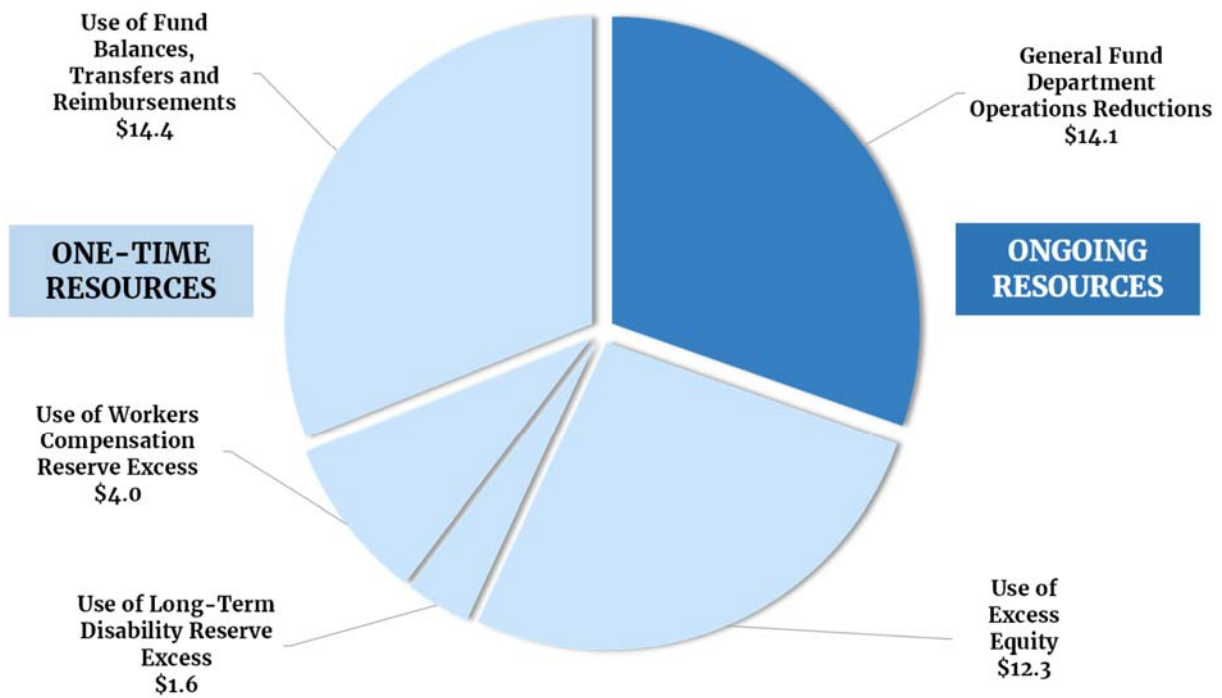
### Transportation and Storm Water-\$300,000 Reduction in Graffiti Abatement

This proposed reduction will reduce the scope of the department’s graffiti abatement contract with Urban Corps by eliminating graffiti removal on residential private property which accounts for roughly 15% of the total abatements performed.



# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

## GENERAL FUND MITIGATION ACTIONS: \$46.4 MILLION (\$ MILLIONS)



### Planning- \$202,000 Reduction in Contract Costs impacting Mira Mesa Community Plan Update

This proposed reduction could result in a delay of the Mira Mesa Community Plan Update of up to one year, which could delay completion to FY 2022. The department has indicated that it will explore options to mitigate the extent of the delay. It is unclear to what extent future community plan updates would be impacted.

### Parks and Recreation-\$267,000 Reduction in Citywide Park Maintenance Staff

This proposal would reduce four park maintenance staff which will not impact a

specific park or area, but is expected to result in less frequent services, such as mowing and pesticide application throughout the park system. While new maintenance positions have been added for 10 new parks coming online, these positions are intended for the 46 acres of new parkland.

### Public Works- \$355,000 Reduction in Facilities Maintenance Staff

This reduction proposal would eliminate five Facilities Maintenance positions including two carpenters, one plumber, one painter, and one HVAC technician. The department requested 21 new positions in FY 2018 which were not funded, and this

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

---

request was made again in FY 2019 with no funding authorized. Staff indicates there is not sufficient staff to maintain City facilities at the condition level adopted by the Council last spring. While the five positions are currently vacant and the department is having difficulty filling 13 other vacancies, recent condition assessments of our facilities and funding gaps demonstrate the serious needs in this area.

## **SELECT DEPARTMENT REQUESTS NOT FUNDED IN FY 2019**

The Mayor included funding for new departmental programmatic expenditures and expansions such as the Clean SD Initiative, homeless programs and services, new parks, recreation centers and libraries, continued one-time funding for Penny for the Arts — to name a few. We review these items in the appropriate department sections and in the following section, “Comparing the Mayor’s Proposed Budget to the Council Budget Priorities Resolution”.

During our analysis we also reviewed departments’ budget requests for FY 2019 that were not funded in the Proposed Budget, and we identify below those which may be of interest to the Council. These unfunded requests and others are discussed in greater detail in the department review sections.

### Library:

Expand the hours of security services at Branch Libraries - \$288,000

Increase the number of Radio Frequency Identification (RFID) security gates at the

branch libraries (requested for second consecutive year)-\$202,000

### Parks and Recreation:

Add one Open Space Park Ranger for managing additional open space acreage anticipated to be acquired by the City throughout the year- \$112,000

### City Attorney’s Office:

Fund 11.50 FTE new Attorney positions for various divisions, related support staff and Investigators- \$1.3 million

### Environmental Services:

Add a Program Manager and two Code Compliance Officers to support the Zero Waste Plan and the Climate Action Plan-\$384,000

### Public Works E & CP:

Add a Management Analyst to provide additional oversight of CIP allocations and projections- \$93,000

### Public Works Facilities:

Add contract costs for asbestos remediation in City facilities- \$150,000

Add 21 Facilities Maintenance positions to address adopted facilities condition goals-\$3.3 million (personnel and non-personnel expenditures; also includes one-time costs)

Fund supplies to carry out HVAC, plumbing, roof and electric systems repairs on City facilities- \$700,000

Fund contract costs for emergency repairs to City facilities- \$200,000

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

## Transportation and Storm Water:

Fund storm water CIP projects- \$25.0 million

## **IBA REVIEW OF FY 2019 REVENUE PROJECTIONS**

The Proposed Budget includes \$1.44 billion in General Fund revenues. Of this amount, \$1.05 billion is derived from the City's four major General Fund Revenues: Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees. These revenues are sensitive to the overall economic condition of the San Diego region, and are discussed in greater detail in our report's Revenue Overview. Overall, our Office believes that General Fund revenue projections included in the FY 2019 Proposed Budget are appropriate based on FY 2018 year-end revenue projections and the current economic forecast.

*"Overall, our Office believes that General Fund revenue projections included in the FY 2019 Proposed Budget are appropriate based on FY 2018 year-end revenue projections and the current economic forecast."*

## **POSITIVE ITEMS OF NOTE FOR FY 2019**

The following noteworthy items improve transparency for the Council and public in the FY 2019 Proposed Budget.

### **Zero-Based Budgeting Process Employed for Rightsizing FY 2019 Overtime Costs**

The FY 2019 Proposed Budget includes adjustments to overtime expenditures in three major departments (Fire-Rescue, Police, and Transportation & Storm Water) based on a comprehensive zero-based budgeting process conducted by Financial Management and the participating depart-

ments. An explanation of the process and the resulting overtime budget changes is included in Attachment B to Volume 1 of the Proposed Budget. Our Office has reviewed the updated overtime budgets for these departments and we have provided further analysis of overtime expenditures for the departments in the "Department Review" section of this report. Our Office will continue to monitor departments' overtime expenditures throughout FY 2019 but will pay special attention to tracking the implementation of the changes proposed as a result of the zero-based process.

Our Office notes that the application of a zero-based budgeting process to select department expenditure categories in FY 2019 is a positive step in budget transparency and carries forward an initiative started by Financial Management in FY 2017. **We encourage Financial Management to continue to select new expenditure areas for zero-based analysis in future years. Financial Management has indicated it plans on conducting another zero-based budgeting exercise for the FY 2020 Proposed Budget but has not yet selected a specific expenditure area.**

### **User Fees Undergo Comprehensive Review**

The User Fee Policy was adopted by the City Council in March of 2009 to provide guidelines and incorporate best practices in establishing user fees. Prior to this time, the City had not operated with a comprehensive policy or approach to user fees. The intent of user fees is to recover



# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

the costs of services from those that utilize the service such as Parks and Recreation classes, fire alarm permits, building permits, and fire inspections to name a few.

Per City policy, a comprehensive user fee analysis is undertaken every three years. Fees may be raised or lowered based on the cost of service, and others may be eliminated.

This year's process resulted in the elimination of library fines for overdue books which have been in place for generations. Studies show late charges are not the best way to motivate people to return books and can be deterrent to checking out books in the first place. It was also determined through the user fee review that it was costing more staff time to collect the fees than the amount of the fees being collected.

Out of 288 existing fees that were reviewed 25 were eliminated, 57 were decreased, 97 were increased, and 109 remained the same. The net result of the various changes is a \$135,000 increase to the General Fund which will be included in the Mayor's May Revision.

## **NOTEWORTHY AREAS OF CONCERN FOR FY 2019**

The following items may have negative impacts on the General Fund or City operations in FY 2019.

### **Ongoing Funding Remains an Issue for Homelessness Programs**

While the FY 2019 costs for the new bridge shelters are proposed to be funded by the San Diego Housing Commission's (SDHC) property reserves, no funding source has been identified should they operate beyond

FY 2019. Continued use of SDHC's property reserves is not a sustainable option. Similarly, the new transitional storage center is relying on one-time savings, realized from FY 2018 bridge shelter operations, to fund FY 2019 costs. No ongoing funding source has been identified for operating costs beyond FY 2019. This issue is discussed in further detail in the Key Issues section on Homelessness Programs.

### **Delayed Facilities Impact the Budget in Numerous Ways**

#### 101 Ash Street Building

In October 2016, the City entered into a 20-year lease-to-own agreement for the 21-story 101 Ash office building with the goal of moving employees from rental space to that building. The plan proposed renovation of five floors (1, 2, 17, 18, and 19), which was estimated to cost around \$5.0 million and could be accomplished relatively quickly for a July 2017 phased-in move-in schedule. The remaining floors were represented as needing minimal refurbishments. Following Council approval, staff began working with a space planner/design architect and with impacted City departments, which spanned most of 2017. From this work effort, staff determined that all 19 floors of office space should be renovated in order to increase the number of work stations from 800 to 1,150.

In January 2018, the City put the project out to bid based on the 19 floor renovation. As bids began to be received, staff updated the total project cost estimate to \$32 million. Due to the significant cost increase, all bids have now been rejected. The full project is included in the FY 2019 CIP budget with a new cost estimate of \$27 million based largely on the same design.

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

At this point, only \$5-7 million in General Funds has been identified for funding. Staff is considering a commercial paper loan of up to \$16 million for the portion of the renovations attributed to the Development Services Department (DSD). Staff is proposing that DSD fees be increased in order to repay the loan over 15 years.

The remainder of the General Fund portion of tenant improvement costs has not yet been identified. Relocation costs for the General Fund of \$2.1 million have been included in the FY 2019 Proposed Budget along with \$2.6 million for furniture. Based on the current timing of the project, it will be difficult to expend those funds in FY 2019 without significantly reducing the amount of renovations or paying for a costly 24/7 construction schedule. A portion of this funding may be needed, however, to pay for new leases for various city employees who have moved out of the Executive Complex into other rental properties while the Ash Street Building is being resolved. This issue is discussed in further detail in the "Key Citywide Issues- 101 Ash Street" Section.

**To potentially reduce project costs, consideration should be given to including alternative levels of tenant improvements in the next RFP, in line with the initial plan to renovate only five floors.**

## Civic Center Plaza

In January 2015, the City entered into a lease-to-own agreement for the Civic Center Plaza (CCP) building where many City employees were and are still housed. Staff estimated that \$15 million in capital costs would be required at CCP to make floor reconfigurations to maximize space

efficiencies, implement ADA improvements and Title 24 requirements, and allow for remediation of asbestos. Condition assessments of CCP determined at the time that up to \$6.4 million in additional capital improvements were also expected to be required during the first five years of operations. Staff indicated they planned to evaluate CCP's needs regularly and to submit additional CIP funding requests as part of the City's budget process.

For the Mayor's FY 2018-2022 Five-Year Financial Outlook, Real Estate Assets submitted a request for \$7.6 million over five years beginning with \$2.8 million in FY 2018 to reconfigure office space at CCP and to increase the number of work stations from 800 to 900. This request was not funded in the budget. The reconfiguration of CCP is dependent on utilizing the City Operations Building (COB) as swing space while carrying out renovations in CCP. It is our understanding that CCP improvements are now on hold until the Ash Street Building is either completed or DSD is relocated to a new facility. In the FY 2019 Proposed Budget the Office of the City Attorney requested \$125,000 in funding to begin replacing carpet on one floor of CCP to start to address concerns about trip hazards from rips in the carpet. This funding request was denied. This issue is also discussed in the City Attorney's Office section.

## Delay of New Fleet Facility for Fire Apparatus Maintenance and Repair (The Othello Facility)

As discussed earlier in this section, this facility, which was leased by the City to improve the efficiency and timeliness Fire

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

Apparatus maintenance, is on hold due to higher construction costs than anticipated. The \$6.5 million budgeted in FY 2018 to make the necessary improvements has been used to balance the FY 2019 Proposed Budget. The City entered into a 10-year, \$10.4 million lease of the facility in April 2016. At this time the facility has been repurposed and is serving as warehouse space for other departments and for housing City employees who vacated the Executive Center. **The City Council may want to revisit this issue to learn the status of addressing the need for improved space for Fire apparatus maintenance and any new or revised plans for the Othello facility.**

**Decisions need to be made, and implementation plans and financing plans developed, for these facilities. Once a plan and financing for Ash Street has been decided by the Mayor and City Council, we recommend that City space planning be looked at globally and that a strategic and comprehensive space plan, including financing options, be developed.**

## **IDENTIFYING RESOURCES FOR POTENTIAL COUNCIL BUDGET REVISIONS**

Our Office has identified the following resources for potential Council budget revisions or additions.

### **Excess Equity**

As discussed in earlier, it is uncertain whether any excess equity will be available to serve as a resource for funding Council's final budget revisions. This has been the case in recent years, however, the current excess equity projection of \$12.3 million has been fully utilized to balance the Mayor's FY 2019 Proposed Budget. The excess equity position will be updated by

Financial Management for the May Revision.

### **Public Liability Fund Excess Reserves**

We have identified one-time resources in the Public Liability Operating Fund that exceed projected FY 2018 costs by about \$7.3 million. These one-time funds could be used for one-time expenditures. This amount is above and beyond the \$2.0 million in excess Public Liability Reserve that is estimated for FY 2019.

### **General Fund Relocation Costs for 101 Ash Street**

Based on the timetable that staff is currently facing with respect to the renovation of the Ash Street property, without significant reductions to the planned tenant improvements or a costly 24/7 work schedule, it will be difficult to achieve move-in by June 2019. The FY 2019 budget includes \$2.1 million for moving expenses for General Fund departments which were anticipated to relocate to the building within the next fiscal year.

## **LOOKING TO FY 2020 AND A FUTURE DEFICIT**

While the FY 2019 Proposed Budget is balanced, we are potentially heading, based on current information, into a deficit situation for FY 2020. A number of financial issues will contribute to FY 2020 being another difficult budget year, with the City possibly facing a double-digit deficit that could require more reductions, operational efficiencies, and/or new revenue sources in order to balance the budget. Discussed below are some of the factors that could create or exacerbate a FY 2020 deficit.

While we are concerned about the potential deficit facing us in FY 2020, the City



# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

has the tools, policies, principles and oversight in place to avoid a structural budget deficit. In 2009 the Council and the Mayor, working with the CFO and IBA, embarked on a year-long process for developing and adopting a Structural Budget Deficit Elimination Plan which included eleven guiding principles for eliminating the City's structural budget deficit and preventing it from occurring in the future. With Council adoption of this Plan in 2010, and Mayors, Councils and City financial staff adhering to its principles and policies, the City has since consistently balanced its budget structurally. This plan is relevant today and adherence to it will be continuously monitored.

## **Some Factors That Could Impact an FY 2020 Deficit**

### Employee Compensation Increases Related to Negotiated Labor Agreements

Compensation related to negotiated labor agreements with the City's employee organizations is anticipated to further increase by at least \$29 million for FY 2020 (not including defined benefit pension payment increases). This estimate is based on costing information as of the FY 2019-2023 Five-Year Outlook, as well as costing information from the recently approved special salary adjustments, so this figure is anticipated to change.

### Actuarially Determined Contribution (ADC) increase

The defined benefit pension payment, or ADC, is projected to increase by \$24.5 million, from \$322.9 million to \$347.4 million, in FY 2020. This is the citywide figure, and the General Fund impact is estimated to be \$18.1 million. A large portion of the increase is related to the negotiated compensation increases with the Police

Officer's Association. Note that this figure is also an estimate. Because of the complexity of the pension system variables, the total of all impacts to the FY 2020 ADC will not be known until the FY 2018 actuarial valuation has been completed. The FY 2018 valuation is anticipated to be available in January 2019.

### General Fund Reserve Contribution

Because the City prefunded \$10.3 million of the FY 2019 General Fund Reserve contribution in FY 2018, the FY 2019 budgeted General Fund Reserve contribution is only \$554,000. The FY 2020 contribution is currently estimated to be \$9.6 million.

### Temporary Bridge Shelters for the Homeless and the Transitional Storage Center

As previously mentioned, no ongoing funding source has been identified for operating costs for these centers beyond FY 2019. The FY 2019 General Fund Proposed Budget includes \$2.8 million for three bridge shelters, with an additional \$10.1 million in operational costs supported by the San Diego Housing Commission (SDHC) – pending approval of SDHC's FY 2019 Proposed Budget. Also, SDHC's FY 2019 Transitional Storage Center operations budget is \$1.7 million.

### Increase to Vehicle Usage Fees

In FY 2019, the General Fund is receiving one-time rate relief of approximately \$4.6 million from the use of Fleet Operating Fund balance. Assuming Fleet operations remain consistent in FY 2020, the General Fund will incur increased costs for vehicle usage fees due to the depletion of Fleet's fund balance in FY 2019.

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

---

## Next Steps in the Process and Council's Role

The Office of the IBA appreciates the timely responses from City departments and agencies to our questions over the past two weeks. We look forward to working with the City Council, the Mayor, CFO, Financial Management, City departments, and our residents to ensure that the City's budget is structurally balanced, is responsible and responsive to our diverse communities, and maintains the City's excellent and efficient services and programs. Throughout the City Council budget process we are available to support the City Council, Council staff, and members of the public including answering questions, discussing our report findings, researching issues and attending hearings or other meetings in the community.

The Mayor has proposed his budget, now the Council has the authority to either approve the budget as submitted, or modify it in whole or in part. The Council may increase or decrease any item, provided the budget remains structurally balanced with ongoing expenditures funded with ongoing resources. Then the Mayor can approve, veto, or modify any line item approved by Council. Finally, the Council can override the Mayor's veto with a two-thirds vote.

*"The Mayor has proposed his budget, now the Council has the authority to either approve the budget as submitted, or modify it in whole or in part"*

Important next steps in the annual budget process are outlined below:

**May 2-4, 7-9:** Budget Review Committee hears "IBA Review of the FY 2019 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals

**May 14:** City Council holds evening hearing to receive further input from the public

**May 17:** Budget Review Committee reviews the Mayor's May Revise and Year-End Budget Monitoring Report for consideration in final budget decisions

**May 21:** City Councilmembers issue final budget modification priority memoranda, including recommendations for potential budget revisions, to the Office of the IBA

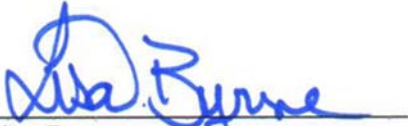
**June 4:** Office of the IBA issues final report on recommended revisions to the Mayor's FY 2019 Proposed Budget including the May Revise, based on input from City Council memoranda and feedback, public comment, and independent analysis

**June 11:** City Council makes final FY 2019 budget decisions and takes action on any FY 2019 budget revisions

**June 26:** City Council introduces and adopts the FY 2019 Appropriation Ordinance

# Overview: IBA Review and Analysis of the Mayor's FY 2019 Proposed Budget

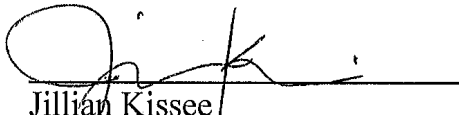
---



Lisa Byrne  
Fiscal & Policy Analyst



Angela Colton  
Fiscal & Policy Analyst



Jillian Kisseel  
Fiscal & Policy Analyst



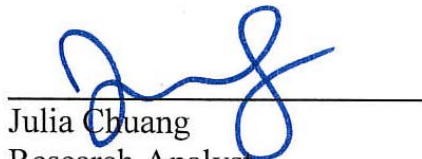
Charles E. Modica, Jr.  
Fiscal & Policy Analyst



Chris Olsen  
Fiscal & Policy Analyst



Baku Patel  
Fiscal & Policy Analyst



Julia Chuang  
Research Analyst



Jeff Kavar  
Deputy Director



Andrea Tevlin  
Independent Budget Analyst



## Comparing the Mayor's Proposed Budget to the Council Budget Priorities Resolution

### City Council Budget Priorities

The FY 2019 City Council Budget Priorities Resolution, which identifies the highest – priority fiscal and policy items identified by Councilmembers for the upcoming fiscal year, was adopted by Council on February 12, 2018. For FY 2019, Councilmembers unanimously supported three broad priorities:

- The provision of services to San Diego's homeless population;
- Support for programs related to the City's Climate Action Plan (CAP); and
- A wide variety of capital projects.

Other priority categories receiving majority support from Councilmembers included:

- Public safety, including support for the Police Department, Fire-Rescue Department, and Lifeguard Services;
- Storm water infrastructure and maintenance, including support for increased channel clearing and CIP projects;
- Sanitation services, including support for programs administered by the Environmental Services Department;
- Arts and Culture funding;
- CONNECT2Careers program funding;
- Earned Sick Leave and Minimum Wage Ordinance support in the City Treasurer's office;
- Code Enforcement position additions within the Development Services De-

partment;

- CIP Projects, including Park CIP projects, pedestrian and cyclist safety efforts, and repairs and installation of sidewalks, streets, and streetlights; and
- Council Administration support by adding 1.00 Council Representative 1 position.

A comparison of the Mayor's FY 2019 Proposed Budget to the Council Budget Priorities Resolution is provided in the form of a matrix on the following pages.

# FY 2019 City Council Budget Priorities

| <b>COMPARISON OF COUNCIL FY 2019 BUDGET PRIORITIES RESOLUTION TO MAYOR'S<br/>FY 2019 PROPOSED BUDGET (Y=Yes, N=No, P=Partial Funding)</b> |   |   |
|---|---|---|
| <b>GENERAL FUND BUDGET PRIORITIES<br/>(FIVE OR MORE COUNCILMEMBER MENTIONS)</b>   | <b>FUNDED IN<br/>FY 2019<br/>BUDGET</b> | <b>NOTES</b>  |
| <b>Programs for the Homeless</b>  |   |   |
| Expansion of Homeless Outreach Services   | N <sup>1</sup>                          | No increase from the General Fund (see footnote 1).   |
| Increased Park Ranger and Library Security Services   | P                                       | Proposed Budget includes 1.00 Senior Park Ranger and \$88,000 in expenditures to manage and coordinate Park Ranger activities along the San Diego River. No funding provided for two other requests, a Downtown Park Ranger and increased Library security services of \$288,000. |
| Select Committee on Homelessness Funding  | Y                                       | Proposed Budget includes \$38,000 to fund existing contract through December 31, 2018.  |
| Workforce Development Strategies for Homeless Individuals   | N                                       | Not included in Proposed Budget.  |
| Public Restrooms Funding  | Y                                       | Includes \$898,000 to fund eight portable restrooms and security services at three locations downtown.  |
| Continued Bridge Shelters Funding   | Y                                       | Proposed Budget includes \$2.8 million from the General Fund and \$10.0 million in Housing Commission local funds <sup>2</sup>  |
| Resources for a Homeless Navigation Center  | Y                                       | Proposed Budget includes \$300,000 from the General Fund, \$250,000 from the Low and Moderate Income Housing Asset Fund, and \$1.0 million in CDBG funding.   |
| Additional Psychiatric Emergency Response Team (PERT) Staffing  | N                                       | No increase included in Proposed Budget.  |
| <b>Climate Action Plan</b>  |   |   |
| Adaptive Traffic Signals  | N                                       | No additional resources included above FY 2018 amounts.   |
| City's Urban Forestry Program   | N                                       | 1.00 FTE Horticulturist position is relocated from DSD to TSW, but no additions are proposed. The budget for the City's tree trimming contract is reduced by \$882,000 which will reduce broadleaf tree trimming from once every 9 years to once every 11 years.                  |
| Vision Zero Program   | Y                                       | 1.00 FTE Civil Engineer has been reclassified as a Program Manager in part to oversee Vision Zero implementation. The Proposed Budget includes \$18.6 million for projects that support Vision Zero and improve safety for all modes of transportation.                           |
| Community Choice Energy Local Buildout Study  | N                                       | While not specifically mentioned in the Proposed Budget, this study is planned for evaluation by the new Office of Sustainability and will likely be grant funded.  |
| Bicycle, Pedestrian, and Transit Mode Share Monitoring Program  | Y                                       | Staff transferring into the new Office of Sustainability will be deploying and evaluating smart sensors on streetlight infrastructure in FY 2019.   |
| CAP Social Equity Metrics   | Y                                       | A Community Development Specialist 4 position is being added in the new Office of Sustainability in the FY 2019 Proposed Budget. This position will dedicate time to developing social equity metrics for the CAP.  |
| <b>Police</b>   |   |   |
| Enhance Police Department Recruitment and Retention   | Y                                       | \$18.5 million increased salary-related expenditures for POA members included in Proposed Budget.   |
| <b>Fire-Rescue</b>  |   |   |
| Additional Resources for the Fire-Rescue Department's Resource Access Program (RAP)   | N                                       | No additional RAP resources in Proposed Budget.   |
| Increased Lifeguard Services Staffing   | N                                       | No additional Lifeguard positions in Proposed Budget.   |

# FY 2019 City Council Budget Priorities

| <b>COMPARISON OF COUNCIL FY 2019 BUDGET PRIORITIES RESOLUTION TO MAYOR'S<br/>FY 2019 PROPOSED BUDGET (Y=Yes, N=No, P=Partial Funding)</b> |   |   |
|---|---|---|
| <b>GENERAL FUND BUDGET PRIORITIES<br/>(FIVE OR MORE COUNCILMEMBER MENTIONS)</b>   | <b>FUNDED IN<br/>FY 2019<br/>BUDGET</b> | <b>NOTES</b>  |
| <b>Storm Water Infrastructure and Maintenance</b>   |   |   |
| Increased Channel Clearing  | N                                       | No additional channel clearing resources in Proposed Budget.  |
| Neighborhood Storm Water Projects   | P                                       | Proposed Budget includes \$873,000 for a nine-member storm water pipe repair crew. Funding for specific storm water CIP projects is not identified.   |
| <b>Sanitation Services</b>  |   |   |
| Ongoing Street Sanitation   | Y                                       | The Proposed Budget includes \$1.3 million for contracted sidewalk sanitization services primarily to occur in the downtown area. This is a component of the CleanSD program.   |
| Additional Code Compliance Officers   | Y                                       | The Proposed Budget includes 4.00 Code Compliance Officers, 1.00 Code Compliance Supervisor, and 1.00 Senior Code Compliance Supervisor to enforce illegal dumping. This is a component of the CleanSD Program.   |
| Illegal Dumping Programs  | Y                                       | The Proposed Budget includes various efforts to address illegal dumping, including riverbed clean-up efforts, scheduled waste abatements downtown, curbside community clean-ups, and illegal dumping enforcement. These are all components of the Clean SD Program.   |
| Community Clean-ups   | Y                                       | The Proposed Budget includes increased frequency of Community Clean-ups. These curbside collection events which are currently held once per week, would increase to 2-3 times per week at different locations around the City. This is a component of the CleanSD Program.  |
| Green Waste Collection  | N                                       | No funding for green waste collection.  |
| Mission Beach Second Trash Pick-Up  | Y                                       | The Proposed Budget includes \$70,000 in one-time funding to perform two collections per week during the summer months. This is the same level of service that was funded in the FY 2018 Adopted Budget.  |
| <b>Arts and Culture</b>   |   |   |
| Arts and Culture Funding Increase   | P                                       | The Proposed Budget includes \$14.5 million for Arts, Culture and Community Festivals funding, a slight decrease of approximately \$150,000 or 1.0% from the FY 2018 funding level of \$14.6 million.   |
| <b>CONNECT2Careers Program</b>  |   |   |
| CONNECT2Careers Program Funding Increase  | N                                       | Proposed Budget reduces CONNECT2Careers funding in EDD by \$100,000, with \$324,000 remaining in the General Fund budget after the cut. However, a CDBG allocation of \$625,000 is included (\$225,000 to existing program and \$400,000 for a new mentorship program). An additional \$50,000 is provided by the former Enterprise Zone. |

# FY 2019 City Council Budget Priorities

| <b>COMPARISON OF COUNCIL FY 2019 BUDGET PRIORITIES RESOLUTION TO MAYOR'S<br/>FY 2019 PROPOSED BUDGET (Y=Yes, N=No, P=Partial Funding)</b> |   |  |
|---|---|--|
| <b>GENERAL FUND BUDGET PRIORITIES<br/>(FIVE OR MORE COUNCILMEMBER MENTIONS)</b>   | <b>FUNDED IN<br/>FY 2019<br/>BUDGET</b> | <b>NOTES</b>   |
| <b>Earned Sick Leave and Minimum Wage Ordinance</b>   |   |  |
| Additional Staff and/or Increased Non-Personnel Budget for City Treasurer   | N                                       | No additional resources included above FY 2018 amounts.  |
| <b>Development Services Department - Code Enforcement</b>   |   |  |
| Additional Staffing for Code Compliance Officers, Inspectors or Zoning Investigators  | N                                       | The Proposed Budget does not include any additional staffing in the Development Services Department for Code Enforcement.  |
| <b>Capital Projects Priorities</b>  |   |  |
| Park Capital Improvement Program (CIP) Projects   | Y                                       | Proposed Budget includes \$11.8 million for park CIP projects, also \$4.7 million is anticipated in Commercial Paper funding.  |
| Pedestrian and Cycling Safety   | Y                                       | Proposed Budget includes \$18.6 million for projects that support Vision Zero and improve safety for all modes of transportation.  |
| Sidewalk Repair and Installation  | Y                                       | Proposed Budget includes \$5.0 million for repair/reconstruction and \$1.2 million for installation.   |
| Street Repair   | Y                                       | Proposed Budget includes \$75.9 million total for streets, of which \$46.9 million is for capital projects. <sup>3</sup>   |
| Streetlight Installation  | Y                                       | \$1.9 million budgeted in the CIP annual allocation.   |
| <b>Council Administration</b>   |   |  |
| Addition of 1.00 Council Representative 1   | N                                       | Council requested the addition of 1.00 Council Representative 1 to provide additional support to Council Administration. Not included in Proposed Budget. Annual cost is \$66,000. |

<sup>1</sup> San Diego Housing Commission (SDHC) oversees the administration of the temporary bridge shelters which includes 18 homeless outreach ambassadors. Due to the bridge shelters operating at capacity, the ambassadors are broadening their focus to connecting people to other services. In addition, the SDHC has a coordinated outreach position that is working to develop a regional street outreach plan with the Regional Task Force on the Homeless.

<sup>2</sup> The SDHC budget has not been approved by the Board. The Board will consider the budget at the meeting on May 4.

<sup>3</sup> This includes \$20.9 million in anticipated commercial paper proceeds for FY 2019 pending separate approval from Council.



## General Fund Overview: Expenditures

# Expenditures Overview

Total General Fund expenditures are increasing by \$13.9 million, or 1%—from the \$1.43 billion FY 2018 Adopted Budget to the \$1.45 billion FY 2019 Proposed Budget. Non-Personnel Expenditures (NPE) budget changes are highlighted below, and Personnel Expenditures (PE) changes on the following page. A brief discussion of some of these major changes begins on the third page of this section.

| <b>SUMMARY OF GENERAL FUND EXPENDITURE CHANGES</b>   |                 |                   |                  |                   |
|--|-----------------|-------------------|------------------|-------------------|
| (dollars in millions)  | FTE             | PE                | NPE              | Total Changes     |
| FY18 Adopted Budget  | 7,527.43        | \$ 985.4          | \$ 448.4         | \$ 1,433.8        |
| <b>Budget Change Highlights</b>  |                 |                   |                  |                   |
| <i>PE Changes (See Next Page for Listing)</i>  | 68.81           | 34.1              | -                | 34.1              |
| Removal of FY18 One-Time Reduction for Bond Payments Paid by the Capital Outlay Fund   | -               | -                 | 4.0              | 4.0               |
| Parks & Recreation - Net Increase to Water Services Costs  | -               | -                 | 3.9              | 3.9               |
| Pension Payment Stabilization Reserve - Replenishment Funding  | -               | -                 | 3.6              | 3.6               |
| Clean SD - NPE for Waste Abatements (\$1.8m) and Sidewalk Sanitation Services (\$1.3m)   | -               | -                 | 3.1              | 3.1               |
| Bridge Shelter Funding   | -               | -                 | 2.8              | 2.8               |
| Increases to IT Costs Not Included Elsewhere   | -               | -                 | 2.7              | 2.7               |
| Energy Efficiency Debt Payments - Transportation & Storm Water Lighting Improvements   | -               | -                 | 2.3              | 2.3               |
| Transportation & Storm Water Contracts - Misc Fees and Charges   | -               | -                 | 1.7              | 1.7               |
| Discretionary Hardware/Software (\$980k, Police); PC Replacements (\$657k, Dept of IT)   | -               | -                 | 1.6              | 1.6               |
| Fire-Rescue Capital Lease Debt Service Payments Related to the Sikorsky Helicopter   | -               | -                 | 1.3              | 1.3               |
| Increase in General Fund Charges from the Wireless Communication Technology Fund   | -               | -                 | 1.2              | 1.2               |
| Transfers to the Capital Improvements Program for IT Projects  | -               | -                 | 1.2              | 1.2               |
| RWQC Board Penalty Costs (\$501k, Storm Water); Towing Services Costs (\$500k, Police)   | -               | -                 | 1.0              | 1.0               |
| Support for Eight Downtown Portable Restrooms - Cleaning and Security  | -               | -                 | 0.9              | 0.9               |
| Mitigation Payments - Habitat Credit Purchases   | -               | -                 | (0.7)            | (0.7)             |
| Removal of FY18 One-Time Funding for Littering and Graffiti Abatement Pilot Program  | -               | -                 | (0.8)            | (0.8)             |
| Removal of FY18 One-Time Funding for Tree Trimming Expenditures  | -               | -                 | (0.9)            | (0.9)             |
| Removal of FY18 One-Time Transfer to Stadium Operations Fund for Debt Service Payment  | -               | -                 | (1.0)            | (1.0)             |
| Decrease in Transfer to Parks Improvement Funds  | -               | -                 | (1.0)            | (1.0)             |
| Removal of FY18 One-Time Homeless Prevention and Diversion Program (SDHC) Funding  | -               | -                 | (1.1)            | (1.1)             |
| Parks & Recreation - Electric Services Cost Decrease   | -               | -                 | (1.5)            | (1.5)             |
| Removal of FY18 One-Time Funding of \$500k each for Police Officer Recruitment/ Retention Study & Marketing Plan; Testing of Sexual Assault Kits, and City Attorney Office | -               | -                 | (1.5)            | (1.5)             |
| Public Liability Operating Expenses - Insurance Premium Decrease   | -               | -                 | (1.5)            | (1.5)             |
| Transfer to Infrastructure Fund - Proposition H  | -               | -                 | (1.7)            | (1.7)             |
| Transportation & Storm Water - City Services Billed  | -               | -                 | (1.8)            | (1.8)             |
| Removal of FY18 One-Time Funding for Executive Complex Rent  | -               | -                 | (2.3)            | (2.3)             |
| Decrease to Fleet Vehicle Usage Fees   | -               | -                 | (2.5)            | (2.5)             |
| Removal of FY18 One-Time Transfer to PUD for Low Flow Diversion Program Costs  | -               | -                 | (3.0)            | (3.0)             |
| Removal of FY18 One-Time Transfer to the Public Liability Reserve  | -               | -                 | (3.1)            | (3.1)             |
| Removal of FY18 One-Time Funding for Police Officer Recruitment and Retention  | -               | -                 | (4.0)            | (4.0)             |
| Removal of FY18 One-Time IT Network & Desktop Services Costs and IT Discretionary Items  | -               | -                 | (4.2)            | (4.2)             |
| Removal of FY18 One-Time Funding for the TOT Ballot Initiative (Special Election Funding)  | -               | -                 | (5.0)            | (5.0)             |
| General Fund Reserve Transfer Decrease   | -               | -                 | (16.8)           | (16.8)            |
| FY18 One-Time Removals Not Included Elsewhere  | -               | -                 | (4.2)            | (4.2)             |
| Net Other Adjustments  | -               | -                 | 7.1              | 7.1               |
| <b>FY19 Proposed Budget</b>  | <b>7,596.24</b> | <b>\$ 1,019.5</b> | <b>\$ 428.2</b>  | <b>\$ 1,447.7</b> |
| <b>Difference from FY18 to FY19</b>  | <b>68.81</b>    | <b>\$ 34.1</b>    | <b>\$ (20.2)</b> | <b>\$ 13.9</b>    |

# General Fund Overview: Expenditures

## Personnel Expenditures (PE)

Major changes in General Fund PE are shown in the following table. The \$34.1 million increase is largely due to effects of labor agreements with the City's employee organizations.

| <b>SUMMARY OF GENERAL FUND PERSONNEL EXPENDITURE (PE) CHANGES (Salaries &amp; Fringe)</b>   |                 |                   |
|---|-----------------|-------------------|
| <i>(dollars in millions)</i>  | <b>FTE</b>      | <b>Total PE</b>   |
| <b>FY18 Adopted Budget</b>  | 7,527.43        | \$ 985.4          |
| <b>FTE Additions (departmental additions listed below do not include FTE and PE increases for transfers)</b>  |                 |                   |
| City Attorney - 4.0 FTEs for Family Justice Center, 1.0 Assistant for Community Outreach, 3.0 DCAs - 1.0 Criminal, 1.0 Civil, 1.0 Public Safety Section (4.0 add'l Family Justice Center FTEs transferred from the Police Department) | 8.00            | 1.0               |
| City Treasurer - 3.0 FTEs for Cannabis Business Tax Collection Program, 2.0 FTEs for Lease and Franchise Audits   | 5.00            | 0.5               |
| Environmental Services - 16.0 FTEs for Clean SD, 1.0 Public Info Clerk for Increased "Get It Done" App Requests   | 17.00           | 1.2               |
| Fire-Rescue - 8.0 Fire Dispatchers and 1.0 Fire Battalion Chief in the Emergency Command & Data Center  | 9.00            | 0.8               |
| Fire-Rescue - Bayside Fire Station Annualization (5.0 FTEs), 1.0 Program Mgr for EMS Airport Contract   | 6.00            | 0.7               |
| Gov't Affairs - 1.0 Grants Coordinator (3.0 add'l FTEs transferred from the Mayor's Office and 1.0 FTE from PUD)  | 1.00            | 0.1               |
| Library - 3.37 FTEs to Support the New Mission Hills Library and the New San Ysidro Library   | 3.37            | 0.2               |
| Office of Boards & Commissions - 1.0 Assoc Mgmt Analyst (an add'l 9.0 FTEs were transferred from other depts)   | 1.00            | 0.1               |
| Office of the Chief Operating Officer - 1.0 Deputy Chief Operating Officer to Oversee Civic Initiatives   | 1.00            | 0.2               |
| Office of Homeland Security - 2.0 Program Coordinators to Provide Operational Coordination Related to Countering Local Terrorism Efforts and the Urban Area Security Initiative (UASI)  | 2.00            | 0.2               |
| Parks & Recreation - 3.0 FTEs to Manage and Support the Newly Created Recreation Center Funds   | 3.00            | 0.3               |
| Parks & Recreation - 5.5 FTEs for the New Pacific Highlands Ranch Recreation Center and Community Park  | 5.50            | 0.3               |
| Parks & Recreation - Maintenance at Joint Use Parks (4.0 FTEs) & Torrey Meadows Neighborhood Park (1.0 FTE)   | 5.00            | 0.4               |
| Parks & Recreation - 2.0 FTEs to Support Maintenance at Transit Station Facilities  | 2.00            | 0.1               |
| Parks & Recreation - 1.0 Sr Park Ranger (San Diego River Ranger Operations), 1.0 Aquatics Technician 2 for the Murphy Canyon Rd Training Facility Pool, 0.22 Grounds Maintenance Worker 2s to Support Community Parks                 | 2.22            | 0.2               |
| Parks & Recreation - 1.5 Hourly Grounds Maint Worker 1s to Support 24-Hour Balboa Park Restroom Maint   | 1.50            | 0.0               |
| Performance & Analytics - 1.0 Program Coordinator for the "Get It Done" Customer Experience Program   | 1.00            | 0.1               |
| Police - 1.0 Police Captain, and 1.0 Supervising Management Analyst for the Neighborhood Policing Administration (1.0 additional FTE for an Assistant Police Chief was transferred from Performance & Analytics)                      | 2.00            | 0.4               |
| Police - Civilian FTEs: 10.0 FTEs in the Communications Unit for Dispatch and 3.0 FTEs in the Special Events Unit   | 13.00           | 1.0               |
| Purchasing & Contracting - 1.0 Program Manager to Support the Administrative Appeals Hearing Program  | 1.00            | 0.1               |
| Storm Water - 9.0 FTEs to Support the Pipe Repair Team  | 9.00            | 0.7               |
| Streets - 2.0 Ass't Civil Engineers for Sidewalk Repair/Replacements; 1.0 FTE for Trench Restoration Oversight  | 3.00            | 0.3               |
| Net Transfers From Non-General Funds  | 5.01            | 0.1               |
| <b>Subtotal - FTE Additions</b>   | <b>106.60</b>   | <b>\$ 9.1</b>     |
| <b>Other Changes</b>  |                 |                   |
| Transportation & Storm Water Overtime Increase  | -               | \$ 1.6            |
| Net Reduction to Hourly FTEs/Net Hourly Wages Change (not including impacts from FTE adds included above)   | (9.94)          | 0.3               |
| Net Reductions to Standard Hour FTEs (Non-Hourly FTEs)  | (27.85)         | (2.5)             |
| Net Police and Fire-Rescue Overtime Decreases (\$1.8m and \$1.6m, respectively)   | -               | (3.4)             |
| Police Vacancy Savings Increase (A Decrease to Salaries Expenditures)   | -               | (3.4)             |
| Other Salaries & Wages Changes - Includes Effects of Agreements With the City's Employee Organizations  | -               | 35.2              |
| Actuarially Determined Contribution (ADC) Increase  | -               | 2.6               |
| Supplemental Pension Savings Plan Increase  | -               | 1.0               |
| Retiree Health/Other Post-Employment Benefits (OPEB) Increase   | -               | 0.8               |
| Adjustment to Remove Fringe Included Above (to avoid double counting in this table)   | -               | (2.4)             |
| Flexible Benefits Decrease - Largely Due to POA Flexible Benefits That Were Replaced by Increased Salaries  | -               | (2.5)             |
| Workers' Compensation Decrease  | -               | (2.6)             |
| Other Fringe Changes  | -               | 0.3               |
| <b>FY19 Proposed Budget</b>   | <b>7,596.24</b> | <b>\$ 1,019.5</b> |
| <b>Net Increase from FY18 to FY19</b>   | <b>68.81</b>    | <b>\$ 34.1</b>    |

# General Fund Overview: Expenditures

---

As shown in the tables on the previous two pages, Personnel expenditures (PE) are increasing by \$34.1 million and non-personnel expenditures (NPE) are decreasing by \$20.2 million—for a net General Fund Expenditure increase of \$13.9 million.

Major changes in PE are highlighted in the following paragraphs. Additional details are discussed in the Department Review sections of this report.

## Personnel Expenditures (PE)

Major changes in General Fund PE are shown in table on the preceding page. As stated previously, the \$34.1 million increase is largely due to compensation increases resulting from labor agreements with the City's employee organizations. For a brief discussion on the labor agreements, refer to Volume I of the FY 2019 Proposed Budget, page 48.

Additionally, there are 106.60 FTEs added to the budget (103.73 non-hourly and 2.87 hourly), which are listed in the table on the previous page; and 27.85 non-hourly and 9.94 hourly FTEs are reduced in the budget, yielding a net 68.81 FTE increase. A list of FTE reductions (as well as additions) is included in Attachment A to Volume 1 of the FY 2019 Proposed Budget.

### Salaries and Wages

Salaries and wages are increasing by a net \$34.6 million from the FY 2018 Adopted Budget. Included in this increase is \$32.4 million related to the labor agreements, (with other offsetting increases and decreases discussed later in this section):

- \$18.8 million related to Police Officer's Association (POA) salary increases, \$17.2 million of which are salary in-

creases resulting from the POA agreement; and \$1.6 million are special pay increases that are the result of those salary increases

- \$12.1 million related to salary increases for Non-POA employee organizations
- \$533,000 in special pay increases for Non-POA employee organizations
- \$1.1 million related to recent Council approval of the Mayor's recommended special salary increases for specific job classifications

Other increases include:

- \$5.8 million increase for 106.60 additional FTEs listed on the first page of this section
- \$1.6 million increase in Transportation and Storm Water overtime (adjusted to recent trends)
- \$310,000 increase in hourly wages
- \$2.9 million for net other salaries and wages adjustments, including step increases

These salaries and wages increases are partially offset by:

- \$3.4 million Police vacancy savings increase (which decreases salaries)—adjusted to reflect recent trends
- \$1.8 million decrease in Police overtime (adjusted to recent trends and then reduced by \$3.0 million for anticipated reductions in extension of shift overtime—see Police section under our Departmental reviews for more information.)
- \$1.6 million decrease in Fire-Rescue

# General Fund Overview: Expenditures

---

overtime (adjusted to recent trends and then reduced by \$3.4 million for anticipated operational efficiencies—see Fire-Rescue section under Departmental reviews.)

- \$1.6 million for the removal of budgeted standard hour (non-hourly) FTEs

## Public Safety Overtime

Overtime decreases of \$3.4 million for Police and Fire-Rescue are included in the Proposed Budget. However, we have some concern as to whether the FY 2019 Proposed Budget overtime levels will be adequate. The reductions are in anticipation of operational efficiencies, and whether those are achieved remains to be seen. For further discussion see the Police and the Fire-Rescue sections under Departmental reviews.

## Vacation Pay-in-Lieu

Vacation pay-in-lieu is an area we have discussed in prior reports. In FY 2017, actual General Fund expenditures were \$9.2 million; and FY 2018 expenditures are projected to be \$9.3 million (per the Mid-Year Report projection).

However, the FY 2019 Proposed Budget for General Fund vacation pay-in-lieu is less than recent trends, at \$6.9 million. Moreover, when taking into account trends going back further than the past two fiscal years, pay-in-lieu could be over-budget by over \$2.0 million in FY 2019.

Adding recent events to the analysis, the modified pay-in-lieu program (approved by Council in April 2018 for five of the six employee organizations) may have an effect on spending levels. Before the program modifications become effective on January 1, 2019, there may be even higher

spending than past trends would otherwise indicate.

After the modifications to the pay-in-lieu program are implemented for a couple calendar years, vacation pay-in-lieu should become easier to forecast, as employees will make specific pay-in-lieu designations before the start of each calendar year. However, FY 2019 expenditures could be significantly higher than what is included in the Proposed Budget.

## *Fringe Benefits*

The City's budgeting system provides a relatively precise allocation of the ADC, and other fringe benefits, among employees and their respective departments. For example, 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.

Fringe Benefits are decreasing by \$514,000 for the FY 2019 Proposed Budget. The largest decreases include:

- \$2.6 million in decreased Workers' Compensation (WC) budget—about \$2.3 million of the decrease relates to a reduction in budgeted operational expenditures and \$300,000 relates to the increased use of excess WC Reserve balance
- \$2.5 million in flexible benefits decreases, which is largely related to POA compensation increases that partially shifted from flexible benefits to increased salaries

These decreases are partially offset with the following increases:



# General Fund Overview: Expenditures

---

- \$2.6 million for the Actuarially Determined Contribution (ADC) pension payment (see the Pension Section of this report under “Key Citywide Issues”)
- \$1.0 million for Supplemental Pension Savings Plan (SPSP) increases—primarily due to increasing numbers of employees entering the SPSP-H interim defined contribution plan (for employees hired after implementation of Proposition B)

The \$19.5 million General Fund SPSP budget for FY 2019 is slightly lower than the FY 2018 Mid-Year Report projection of \$19.8 million.

With increasing membership, the FY 2019 expenditures may be around \$2.0 million over-budget.

We would note that there were one-time SPSP and other fringe additions to the FY 2018 Adopted Budget for Firefighters that were not added to the FY 2019 Proposed Budget.

Financial Management will examine any potential adjustments during the May Revision process.

- \$764,000 increase in Retiree Health/Other Post-Employment Benefits (or OPEB), which relates to agreements with the labor organizations that provided for up to 2.5% annual increases in OPEB funding (This 2.5% increase has been applied to the citywide OPEB budget.)

## **Non-Personnel Expenditures (NPE)**

NPE changes are highlighted on the table

on the first page of this section. For additional discussion, see the Department Reviews Sections of this report, as well as Volume 1 of the FY 2019 Proposed Budget.

# General Fund Overview: Revenue

## Revenue Overview

The FY 2019 Proposed Budget for the General Fund includes approximately \$1.44 billion in revenues, an increase of \$27.7 million or 2.0% above the FY 2018 Adopted Budget. The four major General Fund revenues—property tax, sales tax, transient occupancy tax (TOT), and franchise fees—total \$1.05 billion, or 73.0% of all General Fund revenues. In FY 2019, major General Fund revenues increased \$42.1 million or 4.2% over FY 2018.

This section provides a brief overview of the economic outlook included in the Proposed Budget, a discussion of each of the City’s four major General Fund revenues, and the expected fiscal impact of the City’s Cannabis Business Tax which began collecting revenues in FY 2018, but will collect its first full year of receipts in FY 2019.

### Economic Outlook

The FY 2019 Proposed Budget continues trends in the FY 2018 Adopted Budget by including major General Fund revenue projections that assume a positive but slowing economic forecast. That forecast encompasses a number of factors, including: an increase in the county’s median home price to new record highs, contin-

ued low unemployment rates, high levels of consumer confidence, and ongoing increases in the Index of Leading Economic Indicators for San Diego County as of December 2017. Risks to San Diego’s economy could include uncertainty associated with further increases in interest rates, the potential impacts of federal economic and trade policies, increased volatility in financial markets, and the sustainability of the current period of economic expansion. Major economic forecasts for the region do not anticipate any recession in the next 18 to 24 months, but they are also growing increasingly wary of a significant economic slowdown or recession after that.

Overall major General Fund revenue growth in the FY 2019 Proposed Budget is similar to the budget projections included in the FY 2019–2023 Five-Year Financial Outlook, though property tax and transient occupancy taxes have seen some reductions in projections that are partly offset by increases in franchise fee projections. A more detailed discussion of each of the City’s four major General Fund revenues, as well as a discussion of projected Cannabis Business Tax revenues, is included on the following pages.

| SUMMARY OF GENERAL FUND REVENUES (\$ in millions) |                    |  |                     |                                 |                                   |
|---|--------------------|--|---------------------|---------------------------------|-----------------------------------|
|   | FY 2018<br>ADOPTED | FY 2018<br>MID-YEAR<br>PROJECTED<br>YEAR-END | FY 2019<br>PROPOSED | CHANGE,<br>ADOPTED/<br>PROPOSED | CHANGE,<br>PROJECTED/<br>PROPOSED |
| <i>Major General Fund Revenues</i>                | \$1006.1           | \$1011.0                                     | \$1048.2            | \$42.1                          | \$37.2                            |
| <i>Property Tax</i>                               | 534.6              | 532.9  | 559.5               | 24.9                            | 26.6                              |
| <i>Sales Tax</i>                                  | 275.3              | 275.4  | 281.9               | 6.6                             | 6.5                               |
| <i>Transient Occupancy Tax</i>                    | 121.1              | 123.3  | 127.9               | 6.8                             | 4.6                               |
| <i>Franchise Fees</i>                             | 75.1               | 79.5   | 78.9                | 3.8                             | (.6)                              |
| <i>Property Transfer Tax</i>                      | 10.1               | 10.4   | 10.9                | 0.9                             | 0.5                               |
| <i>Other General Fund Revenue</i>                 | 391.6              | 393.3  | 376.3               | (15.3)                          | (17.0)                            |
| <b>Total Revenue</b>                              | <b>\$1,407.7</b>   | <b>\$1,414.8</b>                             | <b>\$1,435.4</b>    | <b>\$27.7</b>                   | <b>\$20.7</b>                     |

# General Fund Overview: Revenue

## Property Tax

The FY 2019 Proposed Budget for property tax is \$559.5 million. This represents an increase of \$24.9 million or approximately 4.7% from the FY 2018 Adopted Budget. The FY 2018 projection for property tax, as of mid-year, was \$532.9 million, which is slightly under budget.

The property tax budget is made up of the 1% tax assessed on property owners, revenue received in-lieu of motor vehicle license fees, and residual Redevelopment Property Tax Trust Fund distributions.

While property tax values continue to increase, the growth in home sales is slowing as well as the number of foreclosures. With Proposition 13 (passed in 1979), the assessed value of a home cannot increase more than 2% per year unless the home is sold or improved. The FY 2019 Proposed Budget assumes a 5.5% growth in the 1% property tax and in-lieu of motor vehicle license fees payment, which make up 97% , or \$540.2 million, of the total property tax revenue. This is slightly higher than the 5% growth projected in the Fiscal Year 2019-2023 Five-Year Financial Outlook. Our office believes the revised projections to be appropriate for FY 2019.

The remaining component of the property tax budget are residual distributions from the Redevelopment Property Tax Trust Fund, which total \$19.3 million. This projection is reduced from the amounts projected in the Fiscal Year 2019-2023 Five-Year Financial Outlook primarily due to accelerated repayments of Community Development Block Grant loans, as noted in the Fiscal Year 2018 Mid-Year Budget Monitoring Report.

## Property Transfer Tax

The FY 2019 Proposed Budget for property transfer tax is \$10.9 million, an 8.7% growth over the FY 2018 Adopted Budget of \$10.1 million. This tax is received when property is sold and is based on the sale price. The Fiscal Year 2019-2023 Five-Year Financial Outlook projected \$10.5 million in property transfer tax for FY 2019. However, the projection for FY 2018 of \$10.4 million is already higher than the FY 2018 Adopted Budget due to continued increase in median home prices. As a result, the FY 2019 projected amount has also been increased. Our office believes the revised projections to be appropriate for FY 2019.

## Sales Tax

FY 2018 sales tax receipts are currently projected at \$275.4 million, which is slightly above the FY 2018 Adopted Budget's projections of \$275.3 million. The FY 2019 Proposed Budget for sales tax revenue is approximately \$281.9 million. This represents a \$6.5 million or 2.4% increase from FY 2018 projections.

Sales tax revenue is highly sensitive to economic conditions, including job growth, consumer spending, and business investment. The overall economy in the San Diego region has continued to grow, and taxable sales have largely tracked that overall economic growth. Online retail sales continue to increase as a share of taxable sales, and sales taxes on these purchases are paid into a county pool which is then allocated to cities on a pro-rata basis based on their overall county-wide proportion of brick-and-mortar retail sales. While the City does not receive the entire share of sales taxes for online purchases that are delivered to City residents, resulting 'lost' sales tax receipts are

# General Fund Overview: Revenue

---

somewhat offset by receipt of a portion of sales tax revenue for online purchases that are delivered to non-City residents in the County.

The Proposed Budget assumes 2.5% annual growth in the first quarter of FY 2019, and 3.0% growth thereafter. These growth rates closely track projections prepared by the City's sales tax consultant MuniServices and projections made by Beacon Economics. Our office believes that these growth rates are appropriate, though as always it will be important to monitor actual sales tax performance throughout the fiscal year and to make adjustments to projections as merited by actual receipts.

## Transient Occupancy Tax

The FY 2019 Proposed Budget for Transient Occupancy Tax (TOT) revenue to the General Fund is \$127.9 million. This reflects 5.5 cents of the total 10.5 cents per dollar levied on taxable rent for stays of less than a month. The total TOT budget for FY 2019 is \$244.2 million, with the balance budgeted in Special Promotional Programs.

The FY 2019 Proposed Budget reflects an increase of \$6.8 million, or approximately 5.7% over the FY 2018 Adopted Budget. The FY 2019 budget is slightly lower than the \$130.6 million projected in the Fiscal Year 2019-2023 Five-Year Financial Outlook due to a slow down in actual receipts and updated information from the Tourism Authority which reflects a slowdown in the growth of overnight visitors to hotels/motels. Overall, this reflects a very small reduction from the projection in the Fiscal Year 2019-2023 Five-Year Financial Outlook and our office believes this projection to be appropriate for FY 2019.

## Franchise Fees

The FY 2019 Proposed Budget projects General Fund franchise fees to total \$78.9 million. This is an increase of \$3.8 million or 5.1% over the FY 2018 Adopted Budget of \$75.1 million, but a decrease of \$617,000 from currently projected year-end receipts. Those year-end receipts are impacted heavily by unanticipated revenue from San Diego Gas & Electric (SDG&E) franchise fee receipts, which is discussed below.

Franchise fee revenue is derived primarily from three sources: 1) a 3% 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 fees are received from other energy, railroad, and towing franchises in the City.

### SDG&E

The largest source of General Fund franchise fee revenue is the surcharge on SDG&E, which accounts for \$47.7 million or 60.5% of General Fund franchise fees included in the FY 2019 Proposed Budget. This amount is based on a 2.0% calendar-year annual growth rate in SDG&E franchise fees. The amount in the Proposed Budget is \$3.2 million or 7.1% above amounts included in the FY 2018 Adopted Budget, but \$155,000 below current year-end projections. The City's accrual practices lead to the discrepancies between year-end projections and the percentage differences between growth rates and budget changes.

While FY 2018 SDG&E franchise fee revenues have experienced significant growth, SDG&E revenues have historically been difficult to accurately forecast, due to sub-



# General Fund Overview: Revenue

---

stantial volatility in the energy market, and because SDG&E, as a publicly traded company, does not share its financial forecasts for electricity and natural gas rates or sale volumes with the City. Franchise fee revenue from SDG&E has varied significantly from year-to-year, with a 6.9% annual decline in receipts in FY 2017 followed by projected growth of 7.1% in FY 2018. The 2% calendar year growth rate used to forecast the FY 2019 Proposed Budget's SDG&E revenues is appropriately conservative.

## **Cable**

The second largest portion of franchise fee revenue is from cable television franchise fees, which total \$15.8 million or 20.0% of General Fund franchise fees in the Proposed Budget. This amount assumes a 2.0% decline in cable franchise fee revenue from current FY 2018 projections.

Cable television franchise fee revenue showed year-over-year declines from FY 2011 through FY 2014. While there was growth in these revenues in FY 2015, declines continued in FYs 2016-2018. The proposed decline in the Proposed Budget tracks the average of these declines; this revenue source should be monitored throughout the year to track any further changes in receipts.

## **Refuse Hauling**

The third largest portion of franchise fee revenue is derived from refuse hauler and landfill disposal fees. The Proposed Budget includes \$13.4 million, or 17.0% of General Fund franchise fees, from this source. This is an increase of \$800,000 over the FY 2018 Adopted Budget.

These revenues are based on total refuse tonnage hauled and disposed. Tonnage is directly tied to activity in the residential and commercial construction market and

general economic activities, as residents renovate homes and buildings, purchase new consumer goods, and/or replace older items that are discarded.

## **Cannabis Business Tax**

The City began collecting revenue from the Cannabis Business Tax (CBT) in January 2018, following the regulated legalization of non-medical marijuana under California state law. The CBT was approved by voters as Measure N in November 2016 and is a gross receipts tax on all non-medical cannabis businesses that operate within the City. The CBT rate is currently 5% and will increase automatically to 8% on July 1, 2019 (affecting revenue in FY 2020).

The FY 2018 Adopted Budget included approximately \$2.4 million in CBT revenue based on a half-year of anticipated receipts. As of April 2018, CBT revenue for FY 2018 is estimated to be close to that amount at approximately \$2.3 million by year-end. For FY 2019, the Proposed Budget includes increased CBT revenue of \$3.6 million for a total of \$6.0 million in budgeted CBT revenue.

Our office notes that the FY 2019 projection for CBT revenue is more than double the amount budgeted in FY 2018. Therefore, budgeted revenue not only assumes a full-year of current half-year receipts but also assumes an increase in the volume of gross receipts. Based on our review of Financial Management's analysis of CBT revenue, we concur with the projection for FY 2019 for the following reasons. Currently, CBT revenue is being received from 13 out of 18 permitted marijuana outlets. By fiscal year-end, Financial Management expects the City to receive revenue from two more outlets. Additionally, current FY

# General Fund Overview: Revenue

---

2018 revenue is only being collected from retail outlets. In FY 2019, up to 40 ancillary facilities (for production, testing, and other permitted uses) may receive conditional use permits and begin remitting additional CBT.

CBT revenue, as well as associated expenditures and personnel associated with tax collection and auditing, is also discussed in our Office's review of the Proposed Budget for the City Treasurer's office. The FY 2019 Proposed Budget for the City Treasurer includes 3.00 FTE positions, consisting of 1.00 Accountant 4 and 2.00 Administrative Aide 2s, and \$283,000 to support cannabis audits, contracts, and cash collection. Other non-personnel expenditures totaling \$150,000 are included for banking and security services.

## Reserves: General Fund Reserve

# General Fund Reserve

The City Reserve Policy’s overall General Fund (GF) Reserve goal is 16.7% of operating revenues, which is to be phased-in through FY 2025. The City’s Reserve requirement is based on the past three fiscal years’ audited GF operating revenues. It is the product of the three-year revenue average and the City Reserve Policy’s target percentage for the applicable year.

The FY 2018 target percentage is 15% of operating revenues, which equates to a \$181.3 million Reserve requirement. In accordance with the Reserve Policy’s phase-in plan, the FY 2019 Reserve target increases to 15.25%, and is estimated to be \$192.2 million.

The combination of the \$181.3 million FY 2018 Reserve, \$10.3 million in FY 2018 prefunding of the FY 2019 Reserve contribution, and \$554,000 in FY 2019 budgeted Reserve contribution is anticipated to bring the Reserve to its projected FY 2019 target balance of \$192.2 million.

### Estimated Excess Equity

As reflected in the table below, projected FY 2018 Excess Equity as of the Mid-Year Report is \$12.3 million. This projection is

derived by adjusting the FY 2018 beginning Reserve balance of \$218.2 million by the following items:

- \$8.7 million reduction for the FY 2018 budgeted use of Excess Equity
- \$5.6 million reduction for additional use of Excess Equity to support FY 2018 General Fund operations, as projected in the Mid-Year Budget Monitoring Report
- \$10.3 million decrease for the budgeted prefunding of the FY 2019 General Fund Reserve contribution, as it is also reduces available Reserve

Adjusting the \$218.2 million beginning Reserve for the items described above leaves \$193.6 million in FY 2018 estimated year-end Reserve. Then comparing this estimated year-end Reserve to the \$181.3 million Reserve requirement yields projected Excess Equity of \$12.3 million for FY 2018—again based on the projections from the Mid-Year Report.

The FY 2019 Proposed Budget utilizes all of the \$12.3 million FY 2018 estimated Excess Equity.

| FY18 Year-End Excess Equity Estimate (\$ in millions)                     |                     |
|---|---------------------|
| FY18 Beginning Reserve Balance  | \$ 218.2            |
| FY18 Budgeted Use of Excess Equity <sup>1</sup>                           | (8.7)               |
| FY18 Projected Additional Use of Excess Equity (Based on Mid-Year Report) | (5.6)               |
| FY18 Prefunding of FY19 GF Reserve Contribution                           | (10.3)              |
| <b><i>FY18 Year-End Reserve Estimate</i></b>                              | <b><i>193.6</i></b> |
| FY18 15% Reserve Requirement ( <i>includes FY18 contribution</i> )        | (181.3)             |
| <b>FY18 Year-End Excess Equity Estimate</b>                               | <b>\$ 12.3</b>      |

<sup>1</sup> "FY18 Budgeted Use of Excess Equity" does not include 1) the \$7.0M FY18 budgeted GF Reserve contribution, which is incorporated in the "FY18 15% Reserve Requirement" line and 2) the \$10.3M FY18 prefunding of the FY19 Reserve contribution, which is included on its own line.

# Public Liability Funds

The Public Liability (PL) Funds support costs to the City related to claims against the General Fund (GF). The PL Funds are therefore supported entirely by GF contributions, specifically from the Citywide Program Expenditures budget.

PL Funds will be discussed in the PL Operating Fund and PL Reserve Fund sections below.

### Public Liability Operating Fund

The FY 2019 Proposed Budget includes \$28.0 million to support FY 2019 PL operating expenses, down \$1.5 million from the \$29.5 million in the FY 2018 Adopted Budget. This decrease is due to a reduction for insurance premiums.

FY 2018 claims payouts, expenses, and insurance for the PL Operating Fund are estimated to be \$45.4 million. Additionally, there are \$9.0 million in other pending claims that are being monitored.

The resulting potential \$54.4 million in Public Liability costs are offset with the \$29.5 million budgeted and transferred from the General Fund in FY 2018, as well as the following sources:

- \$22.3 million in beginning cash balance
- \$9.8 million in insurance reimbursements for current year claim expenditures

The \$61.6 million in total estimated FY 2018 resources outlined above exceeds the \$54.4 million in potential costs by about \$7.3 million. These funds may be utilized by the Mayor in the May Revision. However,

they may also be available for Council priority changes.

It is important to note that the Public Liability Operating fund can be very volatile and needs to be continually monitored throughout the year.

### Public Liability Reserve Fund

The PL Reserve goal is specified in the City Reserve Policy (Council Policy 100-20). The goal is to maintain a balance equal to 50% of the PL actuarial liability—which is based on the most recent three-year average of actuarial liabilities (FY 2015 through FY 2017). Per the Reserve Policy, the 50% goal is to be achieved by FY 2019.

As an interim step to that final 50% goal, the FY 2018 reserve target is 47%, or \$32.6 million. Compared to the projected FY 2018 ending Reserve balance, there is \$4.1 million in estimated excess Reserve (shown in the table below).

The FY 2019 50% Reserve target amount is currently estimated to be \$34.7 million. With a projected FY 2019 year-end Reserve balance of \$36.7 million, there is estimated excess Reserve of \$2.0 million.

| <b>(\$ in millions)</b>          | <b>FY18</b>   | <b>FY19</b>   |
|----------------------------------|---------------|---------------|
| Reserve Target %                 | 47%           | 50%           |
| <b>Beginning Reserve Balance</b> | <b>\$33.6</b> | <b>\$36.7</b> |
| <b>General Fund Contribution</b> | <b>3.1</b>    | <b>-</b>      |
| <b>Ending Reserve Balance</b>    | <b>36.7</b>   | <b>36.7</b>   |
| Reserve Target Amount            | 32.6          | 34.7          |
| <b>Estimated Excess Reserve</b>  | <b>\$ 4.1</b> | <b>\$ 2.0</b> |



# 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 benefits expenditures.

The \$24.6 million budgeted in the FY 2019 Proposed Budget for citywide fringe payments to the WC Fund has decreased by a \$3.0 million (from \$27.6 million in the FY 2018 Adopted Budget).

About \$2.6 million of the decrease relates to a reduction in budgeted operational expenditures. The remaining \$400,000 relates to the increased use of excess WC Reserve balance (from \$4.6 million budgeted in FY 2018 to \$5.0 million in FY 2019) to cover a portion of the WC fringe payments for operating costs, which are estimated to be \$29.6 million in FY 2019.

The General Fund portion of the WC budget is decreasing by \$2.6 million, from \$22.3 million to \$19.7 million. The General Fund portion of allocated WC fringe benefits expenditures is 80%.

### **WC Reserve**

The WC Reserve goal is specified in the City Reserve Policy (Council Policy 100-20). The goal is to maintain a balance equal to 12% of the WC actuarial liability—which is based on the most recent three-year average of actuarial liabilities (FY 2015 through FY 2017). This 12% Reserve

policy goal equates to \$30.0 million for FY 2018 and is estimated to be \$31.7 million for FY 2019.

The 12% funding goal was approved by the City Council on February 13, 2017, when it replaced the prior funding goal of 25%. This City Reserve Policy amendment produced excess WC Reserve, which management intends to use to partially offset WC fringe payments through FY 2020. As noted earlier, this budget relief began in FY 2018, with the budgeted use of \$4.6 million in excess WC Reserve.

Additionally, some of the excess Reserve was budgeted as transfers to the General Fund in FY 2018:

- \$7.0 million to cover the FY 2018 General Fund Reserve contribution
- \$3.1 million to cover the Public Liability Fund Reserve contribution

After accounting for the \$10.1 million in transfers to the General Fund, \$1.9 million in transfers to Non-General Funds, and the currently estimated utilization of excess Reserve for FY 2018 and FY 2019 operating costs, the remaining excess Reserve at FY 2019 year-end is estimated to be around \$4.0 million—with the General Fund portion at \$3.2 million.

There may be interest in utilizing all, or a portion of, the WC excess Reserve for one-time needs in FY 2019. However, the Proposed Budget indicates that this remaining balance is planned to be used to support WC operating expenses through FY 2020.

# 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.

FY 2019 LTD operational costs are estimated to be \$2.4 million. As in FY 2018, the FY 2019 Proposed Budget does not include funding for LTD fringe benefits payments to cover these costs, as excess LTD Reserve will be utilized to cover them.

### **LTD Reserve**

Per the City Reserve Policy (Council Policy 100-20), the LTD Reserve goal is to maintain a balance equal to 100% of the LTD actuarial liability—which is based on the most recent three-year average of actuarial liabilities (FY 2015 through FY 2017). Currently, this 100% Reserve policy goal equates to \$5.5 million.

Compared to the FY 2018 projected LTD Reserve balance of \$15.7 million, the \$5.5 million Reserve target level is projected to be exceeded by \$10.2 million. Utilizing \$2.4 million of this excess for estimated LTD costs in FY 2019 would bring the excess Reserve to an estimated \$7.8 million—with the General Fund portion at 66%, or \$5.1 million.

During our review of the Five-Year Outlook, we suggested that the City could consider using a portion of the excess LTD Reserve funds for one-time needs.

We note, however, that the City is current-

ly negotiating with its recognized employee organizations regarding a death and disability benefit for employees who were hired on or after July 20, 2012, and, per the parameters of Proposition B (passed by the voters in June 2012), are not eligible for the defined benefit pension. Excess LTD Reserve amounts have been anticipated as a funding source for the new death and disability benefit.

The excess Reserve could also be used to cover LTD operating costs in FY 2020, as is being proposed for FY 2019.

### **Other Future Considerations**

For future budget cycles, we recommend consideration be given to adjusting the allocation of LTD fringe benefits costs among departments. We suggest allocating LTD fringe costs among departments based upon historical LTD costs associated with each department, or an alternate allocation method, rather than the current method of assigning a single rate to all City employees.

Aligning fringe costs paid by each department with the proportion of LTD costs incurred by each department would allow for more precise cost matching of LTD fringe expenditures.

# Pension Payment Stabilization Reserve

The purpose of the Pension Payment Stabilization Reserve (PPSR) is to have a source of funds available “to mitigate service delivery risk due to increases in the annual pension payment, the Actuarially Determined Contribution (ADC).” The PPSR was incorporated into the City’s Reserve Policy (Council Policy 100-20) in April 2016.

The \$16.0 million General Fund (GF) portion of the PPSR was funded in FY 2016, and was fully employed in the FY 2018 Adopted Budget as a resource to mitigate the ADC increase. For historical context, the FY 2018 GF portion of the ADC increased by \$45.2 million, two-thirds of which was primarily related to mortality assumption changes.

Within a year of (full or partial) depletion of the PPSR, the Mayor is required, per the City Reserve Policy, to prepare a plan for its replenishment. This plan was presented in the most recent Five-Year Outlook, and included \$3.5 million to \$3.9 million in contributions to the PPSR in each of the five Outlook years. The FY 2019 Proposed Budget amount for the PPSR is \$3.6 million; and it is budgeted in Citywide Program Expenditures.

## Key Citywide Issues: Homelessness

# Homelessness Programs

The FY 2019 Proposed Budget provides \$7.9 million, of which \$7.7 million is General Fund, for various homelessness programs as reflected in the table below. This is a \$450,000, or 6.0%, increase over FY 2018.

The following sections provide additional information for several programs and provides issues for Council consideration in its review of homelessness services.

### Bridge Shelters

On November 14, 2017, the Housing Authority and the City Council approved the necessary agreements and funding for the operation of three bridge shelters. These shelters provide roughly 700 beds for individuals and families experiencing homelessness to access shelter and services while they prepare for more permanent

housing placements. Costs for the shelters are budgeted in both the City's FY 2019 Proposed Budget and the San Diego Housing Commission's (SDHC) FY 2019 Proposed Budget.

The SDHC's FY 2019 Proposed Budget has not yet been approved by the Board. The Board heard the budget as an informational item on April 6, 2018 and will take action on May 4. However, SDHC funding is referenced here to provide additional context for funding the bridge shelters.

Amendments to the existing Memorandum of Understanding between the City of San Diego and the SDHC governing the City's Homeless Shelters and Services Programs were made to establish the roles related to administration of the shelters. Among its responsibilities, the City was required to make the sites ready for operation. These

**City Homelessness Program Funding in FY 2018 and Proposed Funding for FY 2019**

| Program   | FY 2018 <sup>1</sup> | FY 2019          | Change         |
|---|----------------------|------------------|----------------|
| Bridge Shelters   | \$ 1,880,000         | \$ 2,762,000     | \$ 882,000     |
| Homeless Shelters and Services Programs <sup>2</sup>          | 2,315,000            | 2,287,106        | -27,894        |
| Safe Parking Program  | 310,000              | 308,000          | -2,000         |
| Housing Navigation Center <sup>3</sup>                        | -                    | 300,000          | 300,000        |
| San Diego Misdemeanants At Risk Track (SMART) Program         | 32,000               | 40,000           | 8,000          |
| Homeless Outreach Team  | 1,837,049            | 1,924,902        | 87,853         |
| Consultant for Select Committee on Homelessness               | -                    | 38,000           | 38,000         |
| SDHC's Homeless Prevention and Diversion Program <sup>4</sup> | 1,066,068            | -                | -1,066,068     |
| <b>General Fund sub-total</b>                                 | <b>7,440,117</b>     | <b>7,660,008</b> | <b>219,891</b> |
| Housing Navigation Center <sup>5</sup>                        | -                    | 250,000          | 250,000        |
| Bridge Shelters <sup>6</sup>                                  | 20,000               | -                | -20,000        |
| <b>Total</b>  | <b>7,460,117</b>     | <b>7,910,008</b> | <b>449,891</b> |

<sup>1</sup> Funding levels for the bridge shelters and the Safe Parking Program are based on forecasted expenditures included in the FY 2018 Mid Year Budget Monitoring Report

<sup>2</sup> Programs that receive City General Fund include: the City's Year-Round Interim Housing Program; Interim Bed Program at Connections Housing Downtown; the transitional storage center located at 252 16th Street; and the Serial Inebriate Program

<sup>3</sup> \$7.3 million in Community Development Block Grant (CDBG) funds were appropriated for the acquisition of the facility in the current fiscal year. An additional \$1.0 million in CDBG funds for FY 2019 was approved by Council on April 23, 2018.

<sup>4</sup> One-time funding

<sup>5</sup> Low and Moderate Income Housing Asset Fund

<sup>6</sup> Various non-General Fund sources

<sup>7</sup> Table does not include all staff-related costs

# Key Citywide Issues: Homelessness

---

activities included: installing a fence perimeter around each shelter site; obtaining and installing necessary utility hook-ups; installing office trailers, shower facilities, wash stations, storage space, and restrooms.

The FY 2018 Mid-Year Budget Monitoring Report provided an estimate of costs the City will incur for the initial term of the operating agreements, from December 1, 2017 to June 30, 2018. Because many of the set-up costs are rented equipment and facilities, these are ongoing costs for the duration of the program. Therefore, the FY 2019 Proposed Budget includes \$2.8 million in General Funds to continue these services for all three shelters, contingent upon Housing Authority approval of extending the operating agreements.

## **City Reimbursement for SDHC FY 2018 Operating Costs Not Budgeted**

The SDHC is authorized to spend up to \$8.3 million for set-up and operations of the bridge shelters through June 30, 2018. Of this amount, \$6.5 million in SDHC funds were reallocated to the shelters that were previously budgeted for permanent supportive housing projects.

The approval of the operating agreements for the bridge shelters included revisions requesting that the reallocated funds be replaced in the SDHC's budget. In addition, it was requested that the Mayor and the SDHC staff identify a schedule for: 1) allocating at least \$6.5 million in the City's Low to Moderate Income Housing Asset Fund for permanent supportive housing projects in FY 2018, or 2) a future Notice of Funding Availability for permanent supportive housing projects.

Our Office notes that the SDHC has not been reimbursed to date, and a planned reimbursement is not included in either the City's or SDHC's proposed FY 2019 budgets.

**Council may wish to request more information on the plan and the timeline to reimburse the SDHC so that permanent supportive housing projects are not impacted.**

## **Ongoing Funding Remains an Issue**

The SDHC's FY 2019 Proposed Budget, pending SDHC Board approval, includes \$10.1 million to support the operation of the bridge shelters. Together with City General Fund, the bridge shelters would be funded at \$12.9 million for FY 2019. The SDHC is supporting its contribution by drawing on its property reserves (revenue generated from the properties the SDHC owns).

Though SDHC is realizing savings from current fiscal year operations, which is estimated to be \$2.5 million, these savings have been approved by the Housing Authority to cover FY 2018 costs and are intended to cover FY 2019 costs for the new transitional storage center approved on March 20, 2018.

When the transitional storage center was approved, the Housing Authority made several changes to the operating agreement. One change included the requirement that the SDHC bring forward a comprehensive funding plan for the second and third years of the storage center during the FY 2019 budget hearings. The SDHC has identified the funding levels for both years of \$1.7 million, but a funding source for only FY 2019 has been identified.

If the bridge shelters and the transitional storage center are approved to continue past FY 2019, no ongoing funding source has been identified. Continued use of SDHC's property reserves is not a sustainable option. These concerns were raised by our Office in our review of the proposal for the transitional storage center.



# Key Citywide Issues: Homelessness

---

**Our Office recommends that Council request an ongoing funding plan for both the bridge shelters and the transitional storage center.**

## **Transitional Storage Center**

Though funding is not included in the City's FY 2019 Proposed Budget, the newly established transitional storage center could have budget implications for the City in future years for the reasons outlined above. Therefore we include additional information on updated operating costs in this section.

Upon approval of the operating agreement for the storage center, amendments were made that had an impact on the estimated operating costs that were provided when the project came before the Housing Authority and Council for approval. The operating agreement has since increased by about \$135,000 annually to provide increased security. As stated earlier, the SDHC FY 2019 Proposed Budget, pending approval, includes \$1.7 million for the operation of the storage center, which is intended to be funded by FY 2018 temporary bridge shelter savings.

Similar to the establishment of the temporary bridge shelters, responsibilities of the SDHC and the City were outlined through an amendment to the existing MOU. The SDHC is required to provide administration and oversight of the storage center. The City is required to provide various services including litter removal around the facility three times per week, waste abatement twice per week, and sanitization of the surrounding sidewalks. These activities are budgeted within the Clean SD project. For more information on Clean SD, please refer to the Environmental Services departmental review section of this report.

Finally, the City has also committed to increased San Diego Police Department pa-

trols in the in the facility's vicinity which will be conducted by the newly formed Neighborhood Policing Division.

## **Safe Parking Program**

The Safe Parking Program provides those who are temporarily living in cars with a safe place to park at night, assistance finding permanent housing, and other services. The FY 2018 Mid-Year Budget Monitoring Report indicated that \$310,000 in General Fund expenditures are expected to be incurred by the end of the fiscal year for the expanded Safe Parking Program. The expanded program adds 80 parking spots (20 at the original site and 60 at a new site), for a total of 120 parking spots. The FY 2019 Proposed Budget includes \$308,000 General Fund for the entire program. According to staff, an additional \$102,667 will be requested for ongoing operations at the May Revision.

## Climate Action Plan

In December 2015, the City Council adopted the Climate Action Plan (CAP) for the City of San Diego. The CAP is an organized plan with defined strategies, goals, actions, and targets. With a primary goal of greenhouse gas (GHG) reduction, the CAP establishes GHG reduction goals of 15% by 2020, 40% by 2030, and 50% by 2035 from measured 2010 baseline amounts.

The CAP includes a requirement for an Annual Monitoring Report to provide an updated status on the City's progress toward achieving identified goals. The most recent assessment is presented in the Appendix to the 2017 CAP Annual Report. Among other things, this Appendix provides GHG measurements for calendar year 2016.

The Appendix indicates GHG emissions in the City in 2016 represent a 19.3% decrease from the City's 2010 baseline. The 2016 measurement was 10.5 MT CO<sub>2</sub>e (metric tons of carbon dioxide equivalent), an improvement over the 2015 measurement of 10.8 MT CO<sub>2</sub>e and 0.5 MT CO<sub>2</sub>e under the 2020 target.

| San Diego's GHG Emission Measurements & Targets               |      |      |      |      |
|---|------|------|------|------|
|   | 2010 | 2016 | 2020 | 2035 |
| Communitywide greenhouse gas emissions (MT CO <sub>2</sub> e) | 13.0 | 10.5 | 11.0 | 6.5  |

\*MT CO<sub>2</sub>e - Million metric tons of carbon dioxide equivalent, a standard unit of measurement for greenhouse gas emissions.  
Baseline/2016 measurements from 2017 Annual Report Appendix

The 2017 CAP Annual Report indicates the 19.3% reduction in GHG is largely due to higher vehicle efficiency standards, increases in renewable energy generation (SDG&E's higher renewable content and increases in distributed solar systems in the City), and a higher solid waste diversion rate. It should be noted that more than two-thirds of the identified GHG

emission targets in the CAP are to result from State and Federal actions (e.g., legislation mandating lower vehicle emission standards).

### CAP Strategies & Goals

The CAP seeks to leverage existing City programs (street/sidewalk repair, energy efficient street lights, Free Tree Program) and also develop/implement new plans and programs (Pure Water Program, implementation of Advanced Metering Infrastructure). While GHG reduction is a primary goal, the CAP is a diversified plan that additionally aspires to create well-paying green/clean jobs, address social equity, and achieve environmental sustainability. The following five CAP strategies establish goals, actions and targets for the City to pursue:

#### Strategy 1: Energy & Water 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 (CNG).

#### 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.

# Key Citywide Issues: Climate Action Plan

## Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage.

### CAP in the FY 2019 Proposed Budget

The FY 2019 Proposed Budget attributes \$152.9 million of expense to CAP-related projects, programs and activities. Staff indicates these are new expenditures as opposed to pre-existing funding built into the base budget from prior fiscal years.

These CAP-related expenditures often involve several departments, programs and functions within the City. In order to report on the annual budget for CAP-related expenses, staff must assign a percentage of the expenditure that is attributed to the CAP. Expenses are either characterized as “direct” if they directly address CAP goals (e.g., landfill gas capture) or “indirect” if they indirectly address CAP goals (e.g., Pure Water Program).

The following tables provide a breakdown of the \$152.9 million in the FY 2019 Proposed Budget. The first table provides a breakdown of direct and indirect expenditures. The second table shows the amounts attributable to department operating budgets and the CIP.

| FY 2019 Proposed Budget<br>Direct or Indirect CAP Support |                |
|---|----------------|
| Direct  | \$19.7         |
| Indirect  | \$133.2        |
| <b>Total</b>  | <b>\$152.9</b> |

| FY 2019 Proposed Budget<br>CAP Expense in Operating Budget or CIP |                      |
|---|----------------------|
| Project   | Amount<br>(millions) |
| Departments' Operating Budgets                                    | \$10.9               |
| Capital Improvement Projects                                      | \$142.0              |
| <b>TOTAL</b>  | <b>\$152.9</b>       |

Staff is in the process of posting the supporting detail for the \$152.9 million figure discussed in the FY 2019 Proposed Budget to the Sustainability page on the City’s website. In reviewing this detail, CAP-related expenditures are found in several departments as shown in the table below:

| FY 2019 Proposed Budget<br>CAP Funding per Department |                      |
|---|----------------------|
| Department  | Amount<br>(millions) |
| City Council (CPPS funds)                             | \$0.1                |
| Environmental Services                                | \$3.8                |
| Office of Sustainability                              | \$1.3                |
| Park and Recreation                                   | \$0.9                |
| Planning  | \$0.3                |
| Public Utilities                                      | \$132.6              |
| Public Works  | \$0.7                |
| Transportation and Storm Water                        | \$13.2               |
| <b>TOTAL</b>  | <b>\$152.9</b>       |

The following table shows how identified CAP-related expenditures are assigned to the five CAP strategies:

| FY 2019 Proposed Budget<br>CAP Funding per Strategy        |                      |
|--|----------------------|
| Strategy   | Amount<br>(millions) |
| <b>Strategy 1 - Energy &amp; Water Efficient Buildings</b> | \$1.1                |
| <b>Strategy 2 - Clean/Renewable Energy</b>                 | \$0.7                |
| <b>Strategy 3 - Transit &amp; Land Use</b>                 | \$13.4               |
| <b>Strategy 4 - Zero Waste</b>                             | \$2.9                |
| <b>Strategy 5 - Climate Resiliency</b>                     | \$133.7              |
| Overarching Implementation                                 | \$1.1                |
| <b>TOTAL</b>   | <b>\$152.9</b>       |

The disproportional allocation in each of the above tables reflects the fact that \$121.4 or 79.4% of the \$152.9 million

# Key Citywide Issues: Climate Action Plan

---

budgeted for CAP is for the Pure Water Program in the Public Utilities Department—a program that provides indirect support.

## **New Office of Sustainability**

The FY 2019 Proposed Budget creates an Office of Sustainability to lead implementation of the City's CAP. In addition to focusing on CAP GHG reduction targets, the Office is to facilitate innovative efforts across multiple City departments to enhance economic, social, and environmental sustainability.

The new centralized Office combines: 17.35 positions from the Energy Conservation Program (ECP) of the Environmental Services Department; 2.00 staff from the Economic Development Department who work on projects/programs in support of CAP objectives; and also adds 5.00 additional staff to further support the CAP. Total staffing in the new Office is 24.35 positions.

The transfer of the ECP into the new Office of Sustainability appears to be a good fit as their mission is to “pursue energy independence and make San Diego a model city for energy conservation and use of renewable energy resources.” ECP's stated strategic objectives to accomplish their mission include: management of energy use; conservation of energy; enhanced energy efficiency in existing City facilities; pursuing energy independence in City facilities through self-generation of electrical energy using renewable resources; and ensuring efficiency in new facilities and major remodels.

## **Looking Forward**

On March 8, 2018, the IBA presented an initial draft of a five-year CAP Expenditure Outlook to the Environment Committee. In making the presentation, the IBA cited a number of challenges in developing the initial CAP Expenditure Outlook and made

recommendations to assist in developing more useful CAP expenditure planning tools going forward. One of the recommendations was to consider asking the CFO to incorporate anticipated CAP-related expenditures into an addendum to the annual Five-Year Financial Outlook. Another recommendation was to better develop implementation timelines and associated cost estimates for the City's existing strategic plans (e.g., the Bicycle Master Plan or the Urban Forestry Plan).

The City's 100% renewable energy goal is a critical component of the City's CAP. In pursuit of this goal, CAP Program staff are working to assess the feasibility of Community Choice Aggregation (CCA) and an alternative program proposed by San Diego Gas & Electric. While both options are being evaluated for potential benefits and risks to San Diegans, the City continues to wait for a CPUC decision related to Power Charge Indifference Adjustment fees (PCIA or exit fees) as it could significantly impact the viability of either option. The CPUC has indicated a desire to reach a tentative decision regarding the future of PCIA fees by July 2018. In the event the CPUC delays their decision, City management has committed to move forward with business planning for a CCA and continued due diligence for the SDG&E proposal.

A copy of the City's CAP and the 2017 CAP Annual Report can be found on the Sustainability page of the City's webpage using the following link:

<https://www.sandiego.gov/sustainability>

# Capital Improvements Program

This section provides an overview of funding included for the Capital Improvements Program (CIP) in the FY 2019 Proposed Budget, and issues for consideration for the budget as well as the future.

## FY 2019 Proposed CIP Budget

The City's CIP is a compilation of almost 1,300 capital improvement projects and their funding sources. Capital improvement projects are construction projects that provide long-term improvements or additions of a fixed or permanent nature, such as a new or expanded library. The City provides necessary additional funding to a portion of these projects each year in the CIP.

### High-Level Overview

The FY 2019 Proposed Budget includes \$553.2 million to be added to the CIP. This is a \$77.6 million increase, or 16.3%, over the FY 2018 Adopted Budget and represents 14.6% of total proposed expenditures in the FY 2019 Proposed Budget.

Funding for the CIP comes from a variety of sources each with unique spending restrictions. Because the City's water and wastewater systems have a dedicated funding source (fees paid by customers), 85.2% of the proposed funding to be added to the CIP would go to support these project types, which fall under the operation of the Public Utilities Department (PUD).

Implementation of the Pure Water Program continues to be a priority and the major driver of the growing CIP. Of the \$471.3 million proposed to be added to the CIP for PUD projects, 25.8%, or \$121.4 million, is added for the Pure Water Program. In addition, \$165.2 million is allo-

cated for water and sewer main replacements, as well as pipeline rehabilitation.

### New for this Year

The FY 2019 Proposed CIP Budget adds funding for 88 projects. Of these projects, 12 are included in the publication for the first time. Of these 12, five projects are information technology projects that have been shifted from the operating budget to the capital budget because they are eligible for capitalization. The other seven projects are not proposed as new projects, but rather reflect projects that have been approved by Council since the adoption of the FY 2018 budget.

### Planned Construction Contracts

The FY 2019 Proposed CIP Budget also includes a list of projects in which construction contracts are planned to be bid and awarded during FY 2019. The estimated value of the planned construction contracts is \$1.10 billion, which would take multiple years to carry out. These are projects that the City Council has previously approved, including their associated budgets. For construction contracts that are above \$30 million, separate Council approval is required. Any changes to this list are typically included in the biannual State of the CIP reports.

The following is a list of a few significant construction contracts planned for FY 2019:

- Nine contracts totaling \$687.7 million to support the Pure Water Project;
- One contract for \$60.0 million for the Balboa Park Plaza de Panama Project;
- Three contracts each at \$11.5 million for street resurfacing for a total of \$34.5 million; and



# Key Citywide Issues: Capital Improvements Program

- One contract for \$1.0 million for side-walk replacement.

## Anticipated Funding

An additional \$376.1 million is anticipated to be received during the second half of FY 2018 and FY 2019. Appropriation of these funds will require separate Council approval. The budget publication shows anticipated funding amounts and their intended allocations to provide a more holistic view of the CIP budget incorporating all known and anticipated fund sources.

One significant source of anticipated funding is \$80.0 million attributed to a commercial paper borrowing program scheduled to come before Council for approval on May 15. On this date, Council will also be asked to increase the FY 2018 Adopted CIP Budget and approve a project list with associated funding allocations.

Commercial paper is a short-term financing mechanism that allows the City to borrow when funds are needed for projects instead of issuing the full amount of project costs upfront using long-term bonds.

At the Infrastructure Committee meeting on April 25, 2018 the project list for issuance of commercial paper funding was approved. In developing the list, staff prioritized existing projects that need additional

funding in order to be completed. No new projects were considered for funding. Our Office notes that funding for new projects that respond to the City's deferred capital backlog and to provide critical public services will also have to be addressed in the future.

The first anticipated commercial paper note issuance to fund CIP expenditures is October 2018 (FY 2019). Therefore, it is important to consider these allocations alongside the FY 2019 Proposed CIP Budget.

The table below shows the proposed CIP budget allocations by asset, totaling \$553.2 million and the proposed allocations for commercial paper proceeds. It is important to note that \$80.0 million in commercial paper notes is anticipated to be issued over two fiscal years.

Traditionally the City has relied upon lease revenue bonds to finance capital improvements for assets without a dedicated funding source such as parks, sidewalks, and storm water. Since 2009, the bonds issued by the City totals \$333.3 million. As of April 2018, all funding has been spent except for \$7.4 million encumbered in contracts and an uncommitted balance of \$759,000. As this funding source nears

FY 2019 Proposed Budget and Proposed Commercial Paper Allocations by Asset

| Asset                                  | FY 19 Proposed Budget | Commercial Paper  | Total              |
|--|-----------------------|-------------------|--------------------|
| Water                                  | \$206,044,180         | \$0               | \$206,044,180      |
| Wastewater                             | 144,413,168           | 0                 | 144,413,168        |
| Pure Water                             | 121,379,888           | 0                 | 121,379,888        |
| Other <sup>1</sup>                     | 31,240,275            | 1,290,000         | 37,445,275         |
| Streets Resurfacing and Reconstruction | 24,822,333            | 47,700,000        | 72,522,333         |
| Parks                                  | 10,129,246            | 4,664,631         | 14,793,877         |
| Sidewalks <sup>2</sup>                 | 6,382,000             | 0                 | 6,382,000          |
| General Fund City Facilities           | 3,896,694             | 8,723,591         | 12,620,285         |
| Storm Water                            | 0                     | 17,621,778        | 17,621,778         |
| Traffic Signals                        | 4,915,000             | 0                 | 4,915,000          |
| <b>Total</b>                           | <b>553,222,784</b>    | <b>80,000,000</b> | <b>633,222,784</b> |

<sup>1</sup>Other includes: Proposed Budget: various roadway projects, the Utilities Undergrounding Program, landfills, bike facilities, information technology, bridges, streetlights. Commercial Paper: three stand-alone projects that relate to street modifications, guard rails, and traffic signals.

<sup>2</sup>Sidewalks includes installation, repair and reconstruction, and contributions to a stand-alone project.

# Key Citywide Issues: Capital Improvements Program

exhaustion, the City is developing an alternative approach to funding these asset types over the next two years through a commercial paper program.

## Allocation of Limited Flexible Resources Generally Aligns with Council Priorities

The City's five year forecast of capital needs and funding, the CIP Outlook, showed that a \$1.58 billion funding gap exists over the five-year period associated with asset types that do not have a dedicated funding source. Storm water needs comprise almost 25% of all of the City's anticipated capital needs for FY 2019. Behind storm water, the City's most significant capital needs are streetlights, existing General Fund facilities, parks, and sidewalks. All of these asset types compete for limited flexible funding sources. Among the most flexible fund sources in the CIP are the Infrastructure Fund and anticipated commercial paper proceeds.

The allocations of these funds displayed in the table below reflect both the Mayor's and Councilmember priorities.

### Infrastructure Fund

The FY 2019 Proposed Budget includes a \$16.2 million transfer to the Infrastructure fund, a decrease of 9.4% over the FY 2018 Adopted Budget (which was the fund's first year of operation). The table below shows that streets continue to be the highest priority capital asset. The funding level proposed will result in exceeding the Mayor's goal of repairing 1,000 miles of streets over a five year period, and providing the repairs needed to keep streets in good condition for both FY 2019 and FY 2020. Storm water projects and improvements to City facilities also are among the top funded assets.

### Commercial Paper

The priorities reflected in the table below broadly align to the capital priorities submitted by Councilmembers which were in the areas of street repair and resurfacing, sidewalk repair and installation, parks, and streetlight installation, and capital projects that enhance pedestrian and cycling safety which would fall under the

**Proposed Allocations for Infrastructure Fund and Commercial Paper**

| Project                            | Infrastructure Fund | Commercial Paper  |
|------------------------------------|---------------------|-------------------|
| Streets                            | \$ 5,000,000        | \$ 47,700,000     |
| Storm Water                        | -                   | 17,621,778        |
| Facilities <sup>1</sup>            | 2,290,000           | 8,723,591         |
| Parks <sup>2</sup>                 | 1,595,000           | 4,664,631         |
| Sidewalk Repair and Reconstruction | 5,000,000           | -                 |
| Street Light Installation          | 1,271,068           | -                 |
| Minor Bike Facilities              | 800,000             | -                 |
| Street Modification                | -                   | 540,000           |
| Guard Rails                        | -                   | 450,000           |
| Traffic Signal Installation        | -                   | 300,000           |
| Traffic Calming                    | 200,000             | -                 |
| <b>Total</b>                       | <b>16,156,068</b>   | <b>80,000,000</b> |

<sup>1</sup> **Infrastructure Fund:** \$2.1 million for the annual allocation for City Facilities Improvements; \$200,000 for Tierrasanta Library Expansion. **Commercial Paper:** includes \$6.9 million for City Facilities Improvements, and funding for fire stations, the Ocean Beach Lifeguard Station, and other stand-alone projects

<sup>2</sup> **Infrastructure Fund:** \$345,000 for park security lighting upgrades and \$1.3 million for repairs to basketball courts. **Commercial Paper:** \$3.1 million for Ocean Beach Pier Assessment, \$900,000 Hickman Fields Athletic Area; \$107,000 Skyline Hills Community Park ADA Improvements; \$554,000 Fairbrook Neighborhood Park Development

# Key Citywide Issues: Capital Improvements Program

---

minor bike facilities, sidewalks, traffic calming, and traffic signal installation asset types.

It should be noted that \$1.0 million of commercial paper funding is intended to backfill funds that were previously loaned to other projects, and therefore do not reflect additional investment in the associated asset. This includes \$923,000 for facilities and \$107,000 for parks.

## Issues for Consideration

### Determine the Capacity to Spend Additional Funding for Sidewalks

The FY 2019 Proposed CIP Budget includes investments in asset types that have a significant unfunded need. The CIP Outlook identified a \$36.1 million need for sidewalks in FY 2019, of which \$21.1 million is attributed to installing new sidewalks. The budget proposes \$1.2 million for new sidewalks and \$5.0 million for sidewalk repair and replacement. The budget also proposes to include 2.00 FTE positions for the Transportation & Storm Water Department that would manage capital sidewalk repair and construction contracts.

The City completed a condition assessment of its network of sidewalks in FY 2015 which identified 85,503 locations that need repair and 650 miles of missing sidewalk. The total estimated cost to address the capital repairs (excluding maintenance repairs) was \$46.1 million in 2015. The Transportation & Storm Water Department has indicated that the costs related to the backlog have increased since the last assessment. Additional locations needing maintenance have been identified, locations for capital repair have been revised, and costs for sidewalk replacement have increased. The revised costs related to the backlog of sidewalk capital repairs is \$57.1 million. Since the condition assessment, \$7.3 million has been allocated to address capital needs, which leaves a balance of \$49.9 million.

An allocation of \$1.2 million for new sidewalks would provide roughly one-third of one mile of new sidewalk, using the cost assumptions provided in the CIP Outlook. An allocation of \$5.0 million for sidewalk repair and reconstruction would address roughly 3,300 locations for a non-tree related repair. Tree-related repairs would result in fewer locations addressed as they cost more to do. However, the actual number of miles and locations addressed with these investments depend on other factors that can contribute to the complexity of each individual project which will determine how far the money will go.

Making sidewalks a priority in the proposed budget is a positive step in making progress on reducing the backlog identified in the sidewalk assessment. However, our Office notes that as of April 2018, there is \$4.4 million in unspent funds that have carried over from previous years.

While additional staff are being proposed, **Council may want to ensure that the department has the capacity to spend the funds carried over from prior years in addition to the \$5.0 million being proposed in the budget.** This information would be helpful in ensuring that the limited funding available for underfunded capital assets is efficiently allocated.

## Looking Forward

In recent years the City has prioritized assessing the condition of General Fund assets to better understand the inventory it has, and the magnitude of investment necessary to bring assets to an adequate condition. Condition assessments have been conducted for streets, General Fund facilities, sidewalks, and the City is in the process of assessing amenities, such as playgrounds, in developed parks. Since the completion of these assessments, the City has prioritized providing streets with the requisite funding to keep them in good condition. However, limited progress has been made on addressing deferred maintenance and capital repairs for Gen-

## Key Citywide Issues: Capital Improvements Program

---

eral Fund facilities, sidewalks, and parks amenities.

The City has also prioritized the rollout of the Infrastructure Asset Management San Diego System, a new information technology system which is expected to significantly improve the way the City plans and prioritizes funding for capital investments. Department asset management plans will be incorporated into the system which will inform the City of when a repair or a replacement is needed and the level of funding needed to bring assets to a good condition as well as adequately maintain them.

With this valuable tool coming online, having a plan to support the assets prioritized for funding will be critical for effective asset management and avoiding increases in costs associated with deferring maintenance and capital repairs. However, the funding likely needed to adequately support the City's General Fund assets far exceeds the funding available. Therefore, additional revenue sources should be considered in the future.

In addition to preserving the assets that the City currently has, there is also pressure for the construction of new facilities, such as recommended fire stations to improve emergency response times. The new commercial paper program reasonably prioritizes finishing existing projects that lack the necessary funding instead of taking on new long-term costs. However, as the City contemplates issuing additional debt for General Fund assets over the next five years, consideration should be given to balancing investments that support preserving its existing assets as well as providing critical new services to the public.

# 101 Ash Street Building

In October 2016, the City entered into a 20-year lease-to-own agreement for the 21-story<sup>1</sup> 101 Ash office building, with the goal of relocating several City departments to that building from other owned and leased office space in the City. As of today, the building remains unoccupied.

The FY 2019 Proposed Budget includes \$13.8 million in operating expenditures in General Fund and non-General Fund departments associated with relocation, rent, and expenses for the space. The FY 2019 Proposed Budget for the Capital Improvement Program also includes a capital project for 101 Ash renovations that totals \$27.0 million.

As will be described below, there is a potential that renovations to the building will not be complete in FY 2019. The Proposed Budget, however, includes relocation costs in multiple department budgets. This may necessitate changes to the operating budgets for these departments at the May Revise. This section of our report discusses the background, timeline, and potential budgetary implications of the City's efforts to prepare the building for occupation by City departments.

## Background

### Timeline—FY 2017

In October 2016, the City Council approved an agreement to take possession of 101 Ash beginning January 1, 2017. That agreement included an allocation of \$5.0 million to the City to pay for renovations and tenant improvements at the building. The \$5.0 million was expected to cover the costs for renovations and improvements for five

floors of the building—the bottom two and top three floors—with the expectation that any additional renovations and associated costs for the remaining fourteen floors would be substantially smaller and potentially phased. At the time the City took possession of the building, the expectation was that City departments—including the Development Services Department—would begin relocating to the building in July 2017.

In December 2016, the City engaged Gensler to prepare a space plan for the building.

In April 2017, during development of the City's FY 2018 Budget and during the Council's deliberations on the FY 2018 Proposed Budget, Real Estate Assets Department (READ) staff indicated that the schedule for renovations to the building and subsequent relocation of City departments into the building had shifted, but that renovations to the building were expected to be completed in FY 2018, and that City departments would be relocated to the building in FY 2018 or very early in FY 2019.

### Timeline—FY 2018

The FY 2018 Adopted Budget included \$3.9 million in moving expenses in the City's operating budget (\$2.1 million of which was from the General Fund, and \$1.8 million from non-General Fund departments). The FY 2018 Adopted Budget also included a new CIP project for 101 Ash renovations with funding of \$5.0 million that indicated the project would begin in FY 2018 with completion possibly extending into FY 2019. This was the last update on

---

<sup>1</sup>The 101 Ash Street Building consists of 19 floors of office space, and 2 floors on which building equipment is housed. City staff are planned to eventually occupy the 19 stories of office space.



# Key Citywide Issues: 101 Ash

project costs and timelines made available to the City Council.

Work on space planning for the building extended through the first half of FY 2018, and was completed in November 2017. During the space planning process, City staff decided that the City should complete renovations to all 19 floors of the building prior to moving any City departments into the building, and that the scope of renovations should include increasing the number of employees that could be accommodated at the building from 800 to 1,150. In December 2017, the Public Works Department estimated that the cost for renovation of all floors in the building would total \$17.0 million.

In January 2018, the City put the project out to bid, with a requirement that respondents would need to do work on a 24/7 basis to ensure completion of work in FY 2019. As bids began to be received, staff updated the total project cost estimate from \$17.0 million to approximately \$32.0 million. In March 2018, City staff cancelled bids for the project, and began work to brief Councilmembers on the status of the project and to contemplate a re-scoped RFP that would not require 24/7 work in an attempt to reduce renovation costs, but that would still maintain renovation of all 19 floors.

The release of the FY 2019 Proposed Budget earlier this month includes an updated CIP project for 101 Ash renovations that

now shows total project costs as \$27.0 million.

## Updated & Re-scoped Project

As noted above, bidding on 101 Ash renovations that began in January has been cancelled, and City staff indicate they plan to re-scope the project, largely by no longer requiring RFP respondents to maintain 24/7 construction schedules, which could potentially reduce costs by \$4.0 to \$5.0 million. Staff are scheduled to present a comprehensive overview of the 101 Ash project, including a financing plan, at the May 23rd meeting of the City Council Infrastructure Committee, followed by a presentation of the finalized plan for renovations and a project RFP to the full City Council. **It would be appropriate for Council to consider requesting that the RFP include bid-alternates that contain different scopes of work depending on the desired level and timeline of building renovations.** Upon Council approval, the City would then re-issue an RFP for the work.

While removing the 24/7 work schedule requirement is anticipated to result in substantially reduced costs, the delay in issuing an RFP and potential for the City to accept a bid with a less rapid construction schedule creates a strong possibility that renovation work at 101 Ash will not be completed until FY 2020.

The FY 2019 Proposed Budget, however, was prepared with the anticipation that renovations to 101 Ash would be completed

| 101 Ash Operating Expenditures in Proposed Budget |                     |                     |                      |
|---|---------------------|---------------------|----------------------|
| Department  | Relocation          | Rent & Expenses     | Total Expenditures   |
| Information Technology                            | \$ 180,781          | \$ 552,480          | \$ 733,261           |
| Development Services                              | 1,389,892           | 4,027,319           | 5,417,211            |
| Local Enforcement Agency                          | 71,975              | 219,943             | 291,918              |
| Boards and Commissions                            | 47,987              | 149,488             | 197,475              |
| Office of Sustainability                          | 67,420              | 219,943             | 287,363              |
| Facilities Financing                              | 71,975              | 219,943             | 291,918              |
| General Fund Departments                          | 2,100,000           | 4,469,238           | 6,569,238            |
| <b>Total</b>                                      | <b>\$ 3,930,030</b> | <b>\$ 9,858,354</b> | <b>\$ 13,788,384</b> |

Office of the Independent Budget Analyst  
April 2018

# Key Citywide Issues: 101 Ash

---

in FY 2019, and that departments would move into the building in FY 2019. The Proposed Budget therefore includes expenditures for relocation expenses in various department budgets, as is indicated on the table on the previous page. Those departments also are budgeted to make rent payments for their share of 101 Ash, though they are not scheduled to occupy the building until full renovations are completed.

## Potential Budgetary Impacts

As discussed, the FY 2019 Proposed Budget includes \$13.8 million in expenditures from operating department budgets for relocation to and rent for 101 Ash. READ staff indicates that if the \$2.1 million General Fund portion of relocation expenses cannot be spent on relocating staff to 101 Ash, it could instead be used on expenses related to moving staff, furnishings, and equipment out of the City's leased space at 1010 Second Avenue (Executive Complex) building, which was vacated earlier this year after renovations at that building led to positive tests for asbestos.

Staff from the many departments that had been located at Executive Complex, however, have largely been relocated to existing City-owned facilities. While some relocated staff that will ultimately move into 101 Ash are likely to require interim rented space, it is not clear that those costs will exceed the cost of rent that would otherwise have been paid for space at Executive Complex. Additionally, \$450,000 for relocation from Executive Complex is already included in the Proposed Budget's General Fund Citywide expenditures.

A detailed cost estimate covering expenses for relocating furnishings and equipment at Executive Complex has not been provided, and as a result the full amount of expenditures for relocation to 101 Ash in-

cluded in the Proposed Budget may exceed costs necessary for interim relocation. Adjustments to the budget at the May Revise may therefore be appropriate.

Additionally, on April 18, 2018, the Budget and Government Efficiency Committee heard a proposal to increase the Development Services Department's (DSD's) user fees in part to pay for DSD's share of renovation costs at 101 Ash (currently estimated at up to \$16.0 million). As costs related to 101 Ash impact DSD's budget, it is important that those costs, along with a financing plan to cover DSD's portion of those costs, be identified prior to DSD fee increases. The Proposed FY 2019 Budget for DSD includes a deficit of \$4.6 million, and as such the urgency to address these issues remains high.

We also note that space DSD currently occupies in the City Operations Building had been planned to be used as swing space for staff at Civic Center Plaza (CCP) during planned renovations that building. As DSD has been unable to relocate to 101 Ash, floor-by-floor renovations at CCP have been further delayed.

Finally, a funding plan for the General Fund portion of proposed renovations at 101 Ash should be identified as soon as possible, and in conjunction with the funding plan for enterprise fund portions of the building. While Volume Three of the Proposed Budget includes a rough description of funding sources for renovations, and Financial Management staff indicate that the FY 2018 Year-End report will request a transfer of \$2.1 million in excess equity that had been planned to be used for relocation of departments to 101 Ash in this Fiscal year, Council should be provided a detailed plan of how renovations will be funded. A significant portion of project costs are expected to be debt-financed,

## Key Citywide Issues: 101 Ash

---

and a vehicle for that financing should be identified as well.

## Pension

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

The FY 2019 Proposed Budget includes \$322.9 million for the Actuarially Determined Contribution (ADC), which is the City's defined benefit (DB) pension contribution requirement. This is a decrease of \$1.6 million from the FY 2018 Adopted Budget amount of \$324.5 million.

The General Fund portion of the FY 2019 budgeted payment is \$239.0 million—an increase of \$2.6 million from the FY 2018 Adopted Budget of \$236.4 million. The General Fund portion is 74% of the FY 2019 budgeted payment. This has increased from 72.8% in FY 2018, which is the reason why the General Fund portion of the payment is increasing while the entire pension payment is decreasing slightly.

The FY 2019 ADC of \$322.9 million is based on the FY 2017 actuarial valuation. The valuation shows that the pension system's Unfunded Actuarial Liability (UAL) totals \$2.76 billion as of June 30, 2017—up from \$2.56 billion.

The City's pension system liabilities as of June 30, 2017 are funded at a rate of 71.2%—a decrease from the 71.6% funding ratio at June 30, 2016. The ADC is 8.5% of total FY 2019 budgeted expenditures for the City and is 16.5% of budgeted expenditures for the General Fund.

The City's budgeting system provides a relatively precise allocation of the ADC, and other fringe benefits, among employees. The ADC budget distribution is based on actual filled positions and is calculated

based on percentages of salaries, from information contained in the pension system's actuarial valuation.

### **Decreases to the Defined Benefit ADC**

As mentioned above, the FY 2019 ADC of \$322.9 million is \$1.6 million lower than the FY 2018 ADC. A number of offsetting increases and decreases bring the ADC to its FY 2019 level. The largest changes to the ADC relate to two types of factors:

- Changes to assumptions used in the actuarial valuation for FY 2017
- FY 2017 “experience gains and losses” (the differences between actual results and what was assumed in the FY 2016 valuation)

Effects of the experience gains and losses for FY 2017 include:

- A \$10.3 million ADC decrease, primarily related to a higher than assumed investment return for FY 2017—The FY 2017 investment return of 13.5% was higher than the 7% return assumed in the FY 2016 valuation.
- A partially offsetting \$8.8 million ADC increase related to the pension liability experience loss category—The primary contributing factor to this loss/ADC increase is related to salaries (promotional increases that were larger than assumed).

Effects of assumption changes for FY 2017 include:

- A \$22.5 million ADC decrease related to a SDCERS<sup>1</sup> Board-approved change to

<sup>1</sup>SDCERS is the San Diego City Employees Retirement System.

# Key Citywide Issues: Pension

---

the method for calculating the UAL amortization payment. More specifically, the Board implemented a five-year layering approach to amortizing the June 30, 2009 experience loss UAL and the non-Police UAL as of June 30, 2012, to improve long-term contribution stability. This approach extends the amortization periods for those portions of the UAL by one to four years.

- A partially offsetting \$17.5 million ADC increase related to a SDCERS Board-approved reduction in the discount rate assumption—from 7% to 6.75% for the FY 2017 valuation. (Note that the discount rate is scheduled to be further reduced to 6.5% for the FY 2018 valuation, which has already been built into future ADC projections.)

## Future ADC Considerations

There are a couple of items that could potentially impact the City's most recent estimate for the FY 2020 ADC (most recently projected to be \$347.4 million citywide).

- Investment return: If FY 2018 investment return ends up being either higher or lower than the 6.75% return assumed in the FY 2017 valuation, there will be an investment experience gain or loss—which would be a factor that decreases or increases the FY 2020 ADC, accordingly. Whatever the FY 2017 investment return ends up being, the preliminary impact will likely be quantifiable by August 2018.
  - Many investment consultants believe a market correction is possible in the next five years. Although SDCERS maintains that its diversified portfolio may mitigate a market correction's impact, if actual invest-

ment earnings are lower than assumed in the actuarial valuation, future ADCs could be further increased.

- More conservative assumption changes: The SDCERS Board has previously discussed potential assumption changes, including further reducing the discount rate and changing the UAL amortization timeframe so the UAL will be paid off sooner.
  - The Board is anticipated to begin discussions about these topics this coming July. However, it is unknown whether the Board will approve these types of changes for the FY 2018 valuation or any future valuations.

## 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 2019 proposed SPSP-H budget is



# Key Citywide Issues: Pension

---

\$18.8 million citywide. This figure includes amounts for the interim defined contribution plan, as well as hourly workers (\$17.9 million and \$862,000, respectively). The SPSP-H budget for the interim DC plan has increased by \$2.5 million from FY 2018.

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.

## **Legal Challenge to Proposition B**

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.

On April 11, 2017 the California Court of Appeal ruled in favor of the City—concluding that Proposition B, a citizen's initiative, was not subject to meet and confer before the City Council placed it on

the ballot. The City's recognized employee organizations subsequently requested that the California Supreme Court review the appellate court decision. The decision of the California Supreme Court is currently pending.

# Department Review: City Attorney

## City Attorney

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Office of the City Attorney is approximately \$57.7 million, an increase of \$3.4 million or 6.2% from the FY 2018 Adopted Budget. The FY 2019 Proposed Budget includes 370.73 FTE positions, an increase of 12.00 FTE positions from FY 2018. Budgeted revenue totaling \$4.2 million represents an increase of \$250,000.

**Transfer of Family Justice Center**  
Responsibility and oversight of the Family Justice Center is being transferred from the Police Department to the City Attorney in FY 2019. The Police Department is transferring 4.00 FTE civilian positions to the City Attorney budget. An additional 4.00 FTE positions have been added to replace the support previously provided by sworn and other Police personnel. The total Family Justice Center budget of \$1.0 million for FY 2019 reflects a net increase to the General Fund of \$504,000.

The City Attorney has hired an Executive Director for the Family Justice Center, who began on April 9, 2018 and is working to fill vacant positions and transfer the responsibility for operations from the Police Department. The 8.00 FTE positions budgeted for the Family Justice Center in FY 2019 are:

- 1.00 Executive Director
- 1.00 Program Coordinator
- 1.00 Senior Management Analyst
- 2.00 Assistant Management Analysts
- 1.00 Executive Secretary
- 1.00 Victim Services Coordinator
- 1.00 Clerical Assistant 2

The Office of the City Attorney indicated that, with the restructure, they intend to enhance services, make the Family Justice Center a regional asset, work on partnerships with other organizations, develop a new strategic plan and seek more grant funding and donations.

| SUMMARY OF CITY ATTORNEY BUDGET CHANGES                          |               |                      |                     |                      |                     |
|--|---------------|----------------------|---------------------|----------------------|---------------------|
| Description  | FTE           | PE                   | NPE                 | Total Expense        | Revenue             |
| FY 2018 Adopted Budget   | 358.73        | \$ 50,164,192        | \$ 4,114,717        | \$ 54,278,909        | \$ 3,910,296        |
| <b>Programmatic Changes</b>                                      |               |                      |                     |                      |                     |
| <i>Family Justice Center</i>                                     | 8.00          | 809,191              | 189,686             | 998,877              | -                   |
| <i>Deputy City Attorney - Public Safety Civil Advisory</i>       | 1.00          | 183,316              | -                   | 183,316              | -                   |
| <i>Deputy City Attorney - Domestic Violence &amp; Sex Crimes</i> | 1.00          | 144,012              | 4,500               | 148,512              | -                   |
| <i>Deputy City Attorney - Civil Litigation</i>                   | 1.00          | 144,012              | 2,000               | 146,012              | -                   |
| <i>Assistant for Community Outreach</i>                          | 1.00          | 121,675              | 1,500               | 123,175              | -                   |
| <i>Removal FY18 Support for Mayor/Council Priorities</i>         | -             | -                    | (500,000)           | (500,000)            | -                   |
| <i>Removal FY18 Tuition Reimbursement for DCAs</i>               | -             | -                    | (75,000)            | (75,000)             | -                   |
| <b>Other Changes</b>   |               |                      |                     |                      |                     |
| <i>Salary and Benefit Adjustments</i>                            | -             | 2,629,499            | -                   | 2,629,499            | -                   |
| <i>Information Technology Adjustments</i>                        | -             | -                    | (189,055)           | (189,055)            | -                   |
| <i>Non-Discretionary Adjustments</i>                             | -             | -                    | (87,838)            | (87,838)             | -                   |
| <i>Other Adjustments</i>   | -             | (1,127)              | -                   | (1,127)              | 249,667             |
| <b>FY 2019 Proposed Budget</b>                                   | <b>370.73</b> | <b>\$ 54,194,770</b> | <b>\$ 3,460,510</b> | <b>\$ 57,655,280</b> | <b>\$ 4,159,963</b> |
| <b>Difference from 2018 to 2019</b>                              | <b>12.00</b>  | <b>\$ 4,030,578</b>  | <b>\$ (654,207)</b> | <b>\$ 3,376,371</b>  | <b>\$ 249,667</b>   |

Office of the Independent Budget Analyst  
April 2018

# Department Review: City Attorney

---

## Significant Budget Additions

An additional 4.00 FTE positions have been added to the Office of the City Attorney's budget for FY 2019. These positions are currently filled and have been supplemental in FY 2018:

- 1.00 Deputy City Attorney that provides Civil Advisory support to the Police Department
- 1.00 Deputy City Attorney in the Criminal Division working on domestic violence and sex crimes cases
- 1.00 Deputy City Attorney in the Civil Litigation Division that defends the City against lawsuits
- 1.00 Assistant for Community Outreach that supports the entire department with community outreach efforts

These 4.00 FTE positions and associated non-personnel expenses total approximately \$601,000 for FY 2019.

## Significant Budget Reductions

In FY 2018, the City Council added \$500,000 of one-time funding to the City Attorney budget for support of Mayor and Council initiatives such as homelessness issues, Climate Action Plan initiatives and labor issues. This budget item has been removed in the FY 2019 Proposed Budget. This reduction partially offsets the budget increase of the 4.00 FTE positions listed above.

## Issues for Council Consideration

### Deputy City Attorney Tuition Reimbursement

The FY 2019 Proposed Budget for the Office of the City Attorney does not include funding for tuition reimbursement for the Deputy City Attorneys. This is a negotiated

benefit in the labor agreement with the Deputy City Attorneys Association of San Diego, which states that “the City will reimburse each employee up to \$2000 per fiscal year for attending Continuing Legal Education, seminars, training and other educational or professional development events which will maintain or enhance the member’s job-related skills or knowledge or contribute to the employee’s broadening and diversification of his or her skills.”

The FY 2018 budget included \$75,000 for Deputy City Attorney tuition reimbursement; however, it was coded as one-time funding, rather than ongoing, and subsequently removed from the budget for FY 2019. The Office of the City Attorney requested \$120,000 for this year's budget but it was not approved. Staff has indicated that they intend to request this funding again for the May Revision.

## Unfunded Requests

The City Attorney requested an additional 11.50 FTE positions and associated non-personnel expenses, for a total of approximately \$1.3 million, that were not included in the FY 2019 Proposed Budget:

- 1.50 Deputy City Attorneys, 1.00 City Attorney Investigator and 1.00 Legal Secretary in anticipation of Council adopting Short Term Rental regulations
- 1.00 Assistant City Attorney to support Community Justice Division which handles consumer and environmental protection, code enforcement and neighborhood justice programs such as the San Diego Misdemeanants At-Risk Track (SMART)
- 2.00 Deputy City Attorneys: one for defending the City against lawsuits and one for Civil Advisory support on land

# Department Review: City Attorney

---

use and environmental matters

- 1.00 Program Coordinator to support and improve internal operations within the Civil Advisory and Special Projects Divisions
- 2.00 City Attorney Investigators: one for investigations in employment and police-related lawsuits and a grant-funded position, which will be filled over-budget with offsetting revenue, for investigations into consumer privacy and piracy complaints
- 1.00 Senior Clerk/Typist and 1.00 Court Support Clerk 2 to provide court-related support to the Criminal Division

The Office of the City Attorney also requested \$125,000 in funding to replace carpet at Civic Center Plaza. Staff are concerned about trip hazards from rips and snags. The proposal would replace carpet in common areas on one floor. Funding would be needed each year for seven years until all floors are completed. The City Attorney's staff indicated that they were waiting for the planned tenant improvements at Civic Center Plaza but have been informed that those improvements are delayed until 101 Ash is completed.

# City Auditor

## Impacts of Mayor’s FY 2019 Budget Proposal

As shown in the table below, the FY 2019 Proposed Budget for the Office of the City Auditor is approximately \$4.1 million, an increase of \$108,000 from the FY 2018 Adopted Budget. The Office has no budgeted revenue. The number of positions remains unchanged from FY 2018, at 22.00 FTEs.

On January 8, 2018 the City Auditor’s Office presented the Audit Committee with a recommended approach to the FY 2019 Budget, which included a \$14,000 budget reduction.

The Committee discussed that although there was a request from the Chief Operating Officer for 2% budget reduction proposals for FY 2019, the impact of such a cut to the City Auditor’s Office would be too adverse for the Office and for the City.

The City Auditor indicated that a 2% cut-back would lead to the reduction of critical office operations expenditures—such as auditor training, the electronic workpaper system, the Fraud Hotline provider, or a staff position. In FY 2018, the City Audi-

tor’s Office sustained a 3% budget reduction (not including CAFR contract costs), which significantly reduced the discretionary portion of the Office’s Non-Personnel Expenditures (NPE) budget.

The Audit Committee recommended that the City Council adopt a FY 2019 Budget for the Office of the City Auditor with no cuts from the FY 2018 Adopted Budget. Note that minor NPE reductions to the City Auditor’s budget are in the non-discretionary category—which includes costs that are allocated by servicing departments, such as Information Technology.

| SUMMARY OF CITY AUDITOR BUDGET CHANGES                    |              |                     |                    |                     |             |
|---|--------------|---------------------|--------------------|---------------------|-------------|
| Description   | FTE          | PE                  | NPE                | Total Expenditures  | Revenue     |
| FY 2018 Adopted Budget                                    | 22.00        | \$ 3,344,105        | \$ 644,958         | \$ 3,989,063        | \$ -        |
| <b>Budget Changes</b>                                     |              |                     |                    |                     |             |
| <i>Salaries Adjustment (3.3% General Salary Increase)</i> | -            | 68,048              | -                  | 68,048              | -           |
| <i>Fringe Increases (Includes Retirement ADC)</i>         | -            | 59,259              | -                  | 59,259              | -           |
| <i>Other Adjustments</i>                                  | -            | -                   | (19,649)           | (19,649)            | -           |
| <b>FY 2019 Proposed Budget</b>                            | <b>22.00</b> | <b>\$ 3,471,412</b> | <b>\$ 625,309</b>  | <b>\$ 4,096,721</b> | <b>\$ -</b> |
| <b>Difference from 2018 to 2019</b>                       | <b>-</b>     | <b>\$ 127,307</b>   | <b>\$ (19,649)</b> | <b>\$ 107,658</b>   | <b>\$ -</b> |



## Department Review: City Clerk

# City Clerk

| Performance Measure   | Target<br>FY 2017 | Actual<br>FY 2017 | Target<br>FY 2018 | Estimated<br>FY 2018 | Target FY<br>2019 |
|---|-------------------|-------------------|-------------------|----------------------|-------------------|
| Percentage of legal requirements adhered to including state and local mandates and deadlines related to city government       | 99%               | 100%              | 98%               | 97%                  | 100%              |
| Percentage of customer service provided with accurate and thorough responses in a courteous, timely, and user-friendly manner | 89%               | 94%               | 92%               | 93%                  | 94%               |

The City Clerk supports the City Council, coordinates City elections, and manages the City's records management program, while also functioning as an access point to local government for the public. The Clerk's office additionally provides immediate information about the disposition of items in Council, operates a passport program that allows US citizens to apply for passports, and preserves and digitizes historical City records and materials.

### Significant Budget Reductions

- A decrease of \$14,000 in expenditures related to reductions in travel and training, printing and supplies, and other expenses.

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Office of the City Clerk totals approximately \$5.9 million, which is an increase of approximately \$191,000 over the FY 2018 Adopted Budget. The number of FTE positions in the Office is 47.32, which represents no change from FY 2018.

| SUMMARY OF CITY CLERK BUDGET CHANGES                |              |                     |                     |                     |                  |
|---|--------------|---------------------|---------------------|---------------------|------------------|
| Description   | FTE          | PE                  | NPE                 | Total Expense       | Revenue          |
| FY 2018 Adopted Budget                              | 47.32        | \$ 4,593,637        | \$ 1,091,187        | \$ 5,684,824        | \$ 94,582        |
| <b>Programmatic Changes</b>                         |              |                     |                     |                     |                  |
| <i>Savings from Reduced Travel, Printing, Etc</i>   | -            | -                   | (14,000)            | (14,000)            | -                |
| <b>Other Changes</b>                                |              |                     |                     |                     |                  |
| <i>Non-Discretionary and Information Technology</i> | -            | -                   | (37,366)            | (37,366)            | -                |
| <i>Salary and Benefit Adjustments</i>               | -            | 242,112             | -                   | 242,112             | -                |
| <i>Non-Standard Hourly Personnel</i>                | -            | 606                 | -                   | 606                 | -                |
| <b>FY 2019 Proposed Budget</b>                      | <b>47.32</b> | <b>\$ 4,836,355</b> | <b>\$ 1,039,821</b> | <b>\$ 5,876,176</b> | <b>\$ 94,582</b> |
| <i>Difference from 2018 to 2019</i>                 | -            | \$ 242,718          | \$ (51,366)         | \$ 191,352          | -                |

Office of the Independent Budget Analyst

April 2018

# City Council

## Council Offices

The FY 2019 Proposed Budget for the City Council is approximately \$12.2 million, an increase of approximately \$611,000 or 5.3% from the FY 2018 Adopted Budget. The proposed increase results from increases to personnel expense (PE), non-personnel expense (NPE), and Community Projects, Programs and Services (CPPS).

Each Council Office has an operating budget (comprised of PE and NPE) and a CPPS budget. In FY 2019, the proposed combined operating budget for the nine Offices is approximately \$11.3 million, a \$453,000 or 4.2% increase from the FY 2018 Adopted Budget. Each Council District Office has 10.00 FTE positions in the FY 2019 Proposed Budget for a total of 90.00 positions, unchanged from FY 2018.

Although each Council Office has the same number of budgeted positions (10.00), annual operating budgets vary in amount. There is a \$182,000 difference between the highest and lowest operating budget in the FY 2019 Proposed Budget. This differential is primarily explained by differences in fringe benefits costs for employees that are based on staff hire dates.

Excluding CPPS and fringe benefit costs

(which are more problematic to control and change with staff turnover), there is an \$87,000 difference between the highest and lowest Council Office budget in the FY 2019 Proposed Budget. Budget adjustments have been made in recent years to narrow the differences in Council Office operating budgets.

In FY 2018, one-time reductions totaling \$94,000 were made to the operating budgets of Council Districts 1 and 3. These reductions are not restored in the FY 2019 Proposed Budget. In discussing this with the Mayor's staff, the IBA was informed that this was an oversight that will be rectified in the May Revise.

### CPPS Budget Allocations & Policy

The proposed combined CPPS budget for the nine Offices in FY 2019 is approximately \$921,000, a \$158,000 or 20.6% increase from the FY 2018 Adopted Budget.

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

| SUMMARY OF CITY COUNCIL BUDGET CHANGES            |              |                     |                     |                      |             |
|---|--------------|---------------------|---------------------|----------------------|-------------|
| Description                                       | FTE          | PE                  | NPE & CPPS          | Total Expense        | Revenue     |
| FY 2018 Adopted Budget                            | 90.00        | \$ 9,335,825        | \$ 2,293,706        | \$ 11,629,531        | \$ -        |
| <b>Other Changes</b>                              |              |                     |                     |                      |             |
| Other Salary & Wage Adjustments                   | -            | \$233,228           | -                   | \$233,228            | -           |
| Other Fringe Increases (including Retirement ADC) | -            | \$241,554           | -                   | \$241,554            | -           |
| Other NPE and CPPS Adjustments                    | -            | -                   | \$135,926           | \$135,926            | -           |
| <b>FY 2019 Proposed Budget</b>                    | <b>90.00</b> | <b>\$ 9,810,607</b> | <b>\$ 2,429,632</b> | <b>\$ 12,240,239</b> | <b>\$ -</b> |
| <b>Difference from 2018 to 2019</b>               | <b>-</b>     | <b>\$ 474,782</b>   | <b>\$ 135,926</b>   | <b>\$ 610,708</b>    | <b>\$ -</b> |

# Department Review: City Council

each district office, unexpended PE and NPE from each office's prior year operating budget becomes the CPPS budget allocation for each office in the following fiscal year. Variances in annual CPPS funding between Council offices are therefore explained by the differences in prior year operating budget savings.

## Council Administration

The Council Administration Department provides general office management and critical support services for the City Council. The FY 2019 Proposed Budget for Council Administration is approximately \$2.6 million, a \$17,000 or 0.6% reduction from FY 2018. This budget decrease is due to a reduction in fringe benefits that is partially offset by increases in other PE and NPE. Total FTE positions for the Department remain unchanged at 16.37.

The budget includes a one-time addition of \$38,000 in NPE for consulting services for the Select Council Committee on Homelessness. These funds are intended to cover consultant services for an additional six months through December 2018 when the term of the special issue Committee is set to expire.

### Issues to Consider

On February 12, 2018, the City Council adopted a resolution detailing their budget priorities for FY 2019. One of the priorities detailed within the resolution was to add

1.00 FTE position to the Council Administration Department to provide services in support of City Council operations.

Documentation submitted in support of this priority requests 1.00 Council Representative 1 position be added to ensure service levels are met and key responsibilities are performed. The requested position would perform several duties including: assisting with the administration and tracking of grant funding programs focusing on grants using the City Council's CPPS or for Arts, Culture, and Community Festivals; ensuring contracting requirements are met; oversight of credit card usage for all City Council offices; processing and accounting for all travel requests; and other complex administrative support activities.

This budget priority was added after the release of IBA Report 18-01 (FY 2019 City Council Budget Priorities) when the Council made the motion to adopt their budget priorities resolution.

**If the Council desires to add 1.00 Council Representative 1 to the Council Administration budget in FY 2019 Budget, the IBA recommends the Mayor be requested to include ongoing expense of \$66,000 for this position in the May Revise. Alternatively, City Council could include this in their final budget decisions if a resource is identified.**

| SUMMARY OF CITY COUNCIL ADMINISTRATION BUDGET CHANGES  |              |                     |                   |                     |             |
|--|--------------|---------------------|-------------------|---------------------|-------------|
| Description  | FTE          | PE                  | NPE               | Total Expense       | Revenue     |
| FY 2018 Adopted Budget                                 | 16.37        | \$ 2,341,922        | \$ 286,393        | \$ 2,628,315        | \$ -        |
| <b>Other Changes</b>                                   |              |                     |                   |                     |             |
| Other Salary & Wage Adjustments                        | -            | \$38,428            | -                 | \$38,428            | -           |
| Decrease in Fringe Benefits (including Retirement ADC) | -            | (\$97,128)          | -                 | (\$97,128)          | -           |
| Funding for Homelessness Committee Consultant          | -            | -                   | \$38,000          | \$38,000            | -           |
| Increase in Hourly Wages                               | -            | \$319               | -                 | \$319               | -           |
| Other Adjustments                                      | -            | -                   | \$3,793           | \$3,793             | -           |
| <b>FY 2019 Proposed Budget</b>                         | <b>16.37</b> | <b>\$ 2,283,541</b> | <b>\$ 328,186</b> | <b>\$ 2,611,727</b> | <b>\$ -</b> |
| <b>Difference from 2018 to 2019</b>                    |              | <b>\$ (58,381)</b>  | <b>\$ 41,793</b>  | <b>\$ (16,588)</b>  | <b>\$ -</b> |

# City Treasurer

## Impacts of Mayor’s FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the City Treasurer includes General Fund and Parking Meter Operations Fund revenues and expenditures. The proposed FY 2019 budget for the City Treasurer (all funds) is approximately \$27.4 million and includes 139.00 FTE positions. This is an overall increase of approximately \$474,000 or 1.8%, and an increase of 4.30 FTE positions over FY 2018. The table below reflects the net changes from FY 2018 for both funds within the Office. In FY 2019, the Proposed Budget includes an increase of \$4.1 million in revenue, which is described in more detail in the General Fund section below.

### General Fund

The Proposed Budget for the General Fund component includes \$16.8 million and 124.00 FTE positions, an increase of \$189,000 or 1.1% and 4.30 FTE positions over FY 2018.

## Significant Budget Additions

Cannabis Business Tax (CBT) Program. The FY 2019 Proposed Budget includes the addition of \$433,000 in expenditures and \$3.6 million in increased revenue related to the CBT Program (for a total of \$6.0 million in FY 2019 CBT revenue). Expenditures include 3.00 FTE positions, consisting of 1.00 Accountant 4 and 2.00 Administrative Aide 2s, and \$283,000 to support cannabis audits, contracts, and cash collection. Other non-personnel expenditures totaling \$150,000 are included for banking and security services.

Of the \$3.6 million in added revenue for the CBT Program, \$250,000 is projected from audit related activities. The balance, approximately \$3.3 million, represents projected additional CBT in FY 2019 over the FY 2018 Adopted Budget of \$2.4 million. Additional information related to CBT revenue can be found in the “General Fund Revenue” Section in our Report.

The Department will be conducting an audit in May to determine the effects on expenditures and revenues since marijuana outlets began remitting CBT to the City in

| SUMMARY OF CITY TREASURER BUDGET           |                   |                   |                  |
|--|-------------------|-------------------|------------------|
|  | FY 2018 BUDGET    | FY 2019 PROPOSED  | CHANGE           |
| General Fund FTE                           | 119.70            | 124.00            | 4.30             |
| Parking Meter Operations Fund FTE          | 15.00             | 15.00             | -                |
| <b>TOTAL CITY TREASURER FTE</b>            | <b>134.70</b>     | <b>139.00</b>     | <b>4.30</b>      |
| General Fund Expenditures                  | \$ 16,594,023     | \$ 16,782,706     | \$ 188,683       |
| Parking Meter Operations Fund Expenditures | \$ 10,313,775     | \$ 10,598,817     | \$ 285,042       |
| <b>TOTAL CITY TREASURER EXPENDITURES</b>   | <b>26,907,798</b> | <b>27,381,523</b> | <b>473,725</b>   |
| General Fund Revenue                       | \$ 23,125,337     | \$ 26,956,241     | \$ 3,830,904     |
| Parking Meter Operations Fund Revenue      | \$ 10,767,852     | \$ 11,017,852     | \$ 250,000       |
| <b>TOTAL CITY TREASURER REVENUE</b>        | <b>33,893,189</b> | <b>37,974,093</b> | <b>4,080,904</b> |

# Department Review: City Treasurer

January 2018.

**Lease and Franchise Audit Section.** The FY 2019 Proposed Budget includes the addition of 2.00 FTE Accountant 3 positions and \$210,000 in associated expenditures to support the Lease and Franchise Audit Section. This added expenditure is offset by \$207,000 in related additional revenue.

## Issues for Council Consideration

### Council Priority Memoranda Items Unaddressed

**Earned Sick Leave and Minimum Wage Ordinance.** The FY 2019 Proposed Budget includes 4.00 FTE positions and \$733,000 in total expenditures for Earned Sick Leave and Minimum Wage Ordinance enforcement. The FY 2019 City Council Budget Priorities Resolution included adding staff and/or increasing the non-personnel budget for increasing program outreach. The Proposed Budget does not include additional resources for this purpose.

Currently, three of the four positions are filled. The Department has indicated that their current staffing level is adequate at this time and they are able to respond to complaints in a timely manner. In November 2017, the City Treasurer presented to the Council a status report that outlines the program development, education, and

outreach efforts. In FY 2019, the Department plans to provide the Council with an update on the program goals.

## Parking Meter Operations Fund

The Parking Meter Operations Fund is a special revenue fund that was created in FY 2015 to increase the transparency of parking meter operations and revenue. The proposed budget for the Fund includes \$10.6 million and 15.00 FTE positions, a \$285,000 or 2.8% increase from FY 2018.

### Budget Additions

Expenditure additions in the FY 2019 Proposed Budget for the Parking Meter Operations Fund include the addition of \$483,000 for non-personnel expenditures. These non-personnel expenditures include: mobile payment readers on parking meters, banking services related to parking meter transactions, administrative support of the Community Parking Districts, and uniform allowances. As we noted in our report last year, a pilot of the community parking districts and smart meters program began in June 2017. A mobile application was developed from the data collected from the vehicle detection sensors and smart meters to direct drivers to available parking as well as direct City

| SUMMARY OF CITY TREASURER GENERAL FUND BUDGET CHANGES |               |                      |                     |                      |                      |
|---|---------------|----------------------|---------------------|----------------------|----------------------|
| Description   | FTE           | PE                   | NPE                 | Total Expense        | Revenue              |
| FY 2018 Adopted Budget                                | 119.70        | \$ 12,061,145        | \$ 4,532,878        | \$ 16,594,023        | \$ 23,125,337        |
| <b>Programmatic Changes</b>                           |               |                      |                     |                      |                      |
| <i>Cannabis Business Tax Collection</i>               | 3.00          | 282,837              | 150,000             | 432,837              | 3,605,422            |
| <i>Lease and Franchise Audit Support</i>              | 2.00          | 206,896              | <b>3,200</b>        | 210,096              | 206,764              |
| <i>Revused Revenue</i>                                | -             | -                    | -                   | -                    | 18,718               |
| <b>Other Changes</b>                                  |               |                      |                     |                      |                      |
| <i>Non-Discretionary Adjustment/ Support for IT</i>   | -             | -                    | (477,607)           | (477,607)            | -                    |
| <b>Salary and Benefit Adjustments</b>                 | (0.70)        | <b>298,357</b>       | -                   | 298,357              | -                    |
| <b>Other Adjustments</b>                              | -             | -                    | <b>(275,000)</b>    | (275,000)            | -                    |
| <b>FY 2019 Proposed Budget</b>                        | <b>124.00</b> | <b>\$ 12,849,235</b> | <b>\$ 3,933,471</b> | <b>\$ 16,782,706</b> | <b>\$ 26,956,241</b> |
| <b>Difference from 2018 to 2019</b>                   | <b>4.30</b>   | <b>\$ 788,090</b>    | <b>\$ (599,407)</b> | <b>\$ 188,683</b>    | <b>\$ 3,830,904</b>  |

Office of the Independent Budget Analyst

April 2018



# Department Review: City Treasurer

parking enforcement to occupied spaces that have not been paid for.

## Issues for Council Consideration

### Revenue

Hospitality Zone enforcement in the Uptown Parking District began on April 3, 2017. 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. Full enforcement of the Hospitality Zone began on May 1, 2017. Based on actual revenue realized in FY 2018, the City Treasurer expects to receive an additional citation revenue of \$0.5 million in FY 2018 related to enforcement of the new zone in Downtown and Uptown.

| <b>SUMMARY OF PARKING METER OPERATIONS FUND BUDGET CHANGES</b> |              |                     |                     |                      |                      |
|--|--------------|---------------------|---------------------|----------------------|----------------------|
| Description  | FTE          | PE                  | NPE                 | Total Expense        | Revenue              |
| FY 2018 Adopted Budget   | 15.00        | \$ 1,452,589        | \$ 8,861,186        | \$ 10,313,775        | \$ 10,767,852        |
| <b>Programmatic Changes</b>                                    |              |                     |                     |                      |                      |
| <i>Mobile Payment Readers</i>                                  | -            | -                   | 214,935             | 214,935              | -                    |
| <i>Community Parking Districts</i>                             | -            | -                   | <b>130,000</b>      | 130,000              | -                    |
| <i>Banking Services</i>  | -            | -                   | <b>125,000</b>      | 125,000              | -                    |
| <i>Uniform Allowance</i>                                       | -            | -                   | <b>13,000</b>       | 13,000               | -                    |
| <i>Revised Revenue</i>   | -            | -                   | -                   | -                    | 250,000              |
| <b>Other Changes</b>   |              |                     |                     |                      |                      |
| <i>IT Adjustments</i>  | -            | -                   | (248)               | (248)                | -                    |
| <i>Non-Discretionary Adjustment</i>                            | -            | -                   | (24,799)            | (24,799)             | -                    |
| <i>Other Salary and Benefit Adjustments</i>                    | -            | <b>127,154</b>      | -                   | <b>127,154</b>       | -                    |
| <i>One-Time Reductions and Annualizations</i>                  | -            | -                   | (300,000)           | <b>(300,000)</b>     | -                    |
| <b>FY 2019 Proposed Budget</b>                                 | <b>15.00</b> | <b>\$ 1,579,743</b> | <b>\$ 9,019,074</b> | <b>\$ 10,598,817</b> | <b>\$ 11,017,852</b> |
| <i>Difference from 2018 to 2019</i>                            | -            | <b>\$ 127,154</b>   | <b>\$ 157,888</b>   | <b>\$ 285,042</b>    | <b>\$ 250,000</b>    |

Office of the Independent Budget Analyst

April 2018

# Citywide Program Expenditures

## Mayor's FY 2019 Proposed Adjustments

The Citywide Program Expenditures Department (Citywide) budget is comprised of various programs and activities that provide benefits and services citywide. Programs or activities that are generally not attributable to any one City department are allocated in this budget. The Citywide budget includes only those expenditures funded by the General Fund.

Citywide's FY 2019 Proposed Budget totals \$127.4 million, a decrease of \$28.9 million, or 18.5%, from the FY 2018 Adopted Budget. Some of the significant budget areas of this Department are discussed in the next few pages.

## Payments for Contracts and Services

### Corporate Master Lease Rent

The City leases various facilities, such as office space and warehouses, from private

| SUMMARY OF "CITYWIDE PROGRAM EXPENDITURES" BUDGET CHANGES        |                 |                  |                  |
|--|-----------------|------------------|------------------|
| Budget Changes (dollars in millions)                             | FY 2018 Adopted | FY 2019 Proposed | Change           |
| <b>Payments for Contracts and Services</b>                       |                 |                  |                  |
| <i>Corporate Master Lease Rent</i>                               | \$ 21.4         | \$ 19.8          | \$ (1.6)         |
| <i>Citywide Elections</i>  | 6.5             | 1.8              | (4.7)            |
| <i>Animal Services Contract</i>                                  | 10.5            | -                | (10.5)           |
| <i>Special Consulting Services</i>                               | 3.0             | 6.8              | 3.8              |
| <b>Transfers to Public Liability Funds</b>                       |                 |                  |                  |
| <i>Transfer to Public Liability Operating Fund for Claims</i>    | 17.1            | 17.1             | -                |
| <i>Transfer to Public Liability Operating Fund for Insurance</i> | 12.4            | 10.9             | (1.5)            |
| <i>Transfer to Public Liability Reserve</i>                      | 3.1             | -                | (3.1)            |
| <b>Other Significant Expenditures</b>                            |                 |                  |                  |
| <i>Transfer to Infrastructure Fund (Proposition H)</i>           | 17.8            | 16.2             | (1.7)            |
| <i>Deferred Capital Debt Service</i>                             | 17.5            | 21.5             | 4.0              |
| <i>General Fund Reserve</i>                                      | 17.4            | 0.6              | (16.8)           |
| <i>Pension Payment Stabilization Reserve</i>                     | -               | 3.6              | 3.6              |
| <i>Transfer to Parks Improvement Funds</i>                       | 11.2            | 10.1             | (1.0)            |
| <i>Additional Expenditures *</i>                                 | 18.3            | 19.0             | 0.7              |
| <b>TOTAL</b>   | <b>\$ 156.2</b> | <b>\$ 127.4</b>  | <b>\$ (28.9)</b> |

\* The largest FY 2019 Proposed Budget amounts in the "Additional Expenditures" line include:

- \$4.6 million for property tax administration expense to San Diego County
- \$3.9 million for Commission for Arts & Culture Funding
- \$2.4 million for insurance
- \$1.6 million for Public Use Leases
- \$1.5 million for the Supplemental COLA pension benefit payments
- \$1.5 million for Preservation of Benefits (POB) pension payments

# Department Review: Citywide Program Expenditures

---

parties to house some City employees and support the daily operations of the City. The Citywide Program Expenditures budget amount for corporate master lease rent is decreasing by \$1.6 million, from \$21.4 million in FY 2018 to \$19.8 million in the FY 2019 Proposed Budget. This is largely due to the elimination of \$2.3 million in rent expense for Executive Complex.

## Citywide Elections

The FY 2019 Proposed Budget for Citywide Elections is decreasing from the FY 2018 Adopted Budget by \$4.7 million, from \$6.5 million to \$1.8 million.

The main component of this decrease is \$5.0 million that was budgeted in FY 2018 for an anticipated November 2017 Special Election. As envisioned by the Mayor, this Special Election was to include a proposed ballot measure to increase the Transient Occupancy Tax to fund a convention center expansion, as well as to support homelessness reduction initiatives and street repairs. This Special Election was not approved by the City Council and did not occur.

The FY 2019 citywide elections budget of \$1.8 million covers the November 2018 General Election. This includes funding for an estimated three ballot measures, which may not be adequate, as described in the following paragraphs. The General Election races will include run-offs for Council Districts 2, 4, 6, and 8 if there is more than one candidate in each District race.

One measure currently anticipated to appear on the November 2018 General Election ballot is a citizen's initiative titled, "San Diego River Park, Soccer City and

Qualcomm Stadium Redevelopment Specific Plan ("Specific Plan")," which was filed with the City Clerk on April 24, 2017.

The length of this measure would make it expensive to print and mail to the voters. Recently, the County Registrar of Voters estimated that this measure could cost around \$3.4 million if the City decides against providing the allowable portion of the ballot materials online. The City Council has the option to require full printing of the ballot measure; and in July 2018 the City Clerk will be asking Council whether it will require full printing. If the Council does *not* opt for full printing, only the first 20 pages of this ballot measure would require printing, significantly reducing the cost.

A second ballot measure anticipated for November 2018 is the "SDSU West Campus Research Center, Stadium and River Park Initiative." There may be other potential ballot measures that the Council could approve over the next couple months as it reviews proposals submitted by members of the public, Councilmembers, the Mayor, or a public agency in accordance with Council Policy 000-21.

In general, the elections cost will vary depending on a number of elections factors including: the number of participating jurisdictions; the total number of ballot measures and candidates for all jurisdictions; the number of pages for the ballot measures; the voter participation rate in an electronic voter pamphlet subscription service; the number of registered voters; and whether there are additional translation requirements from the State. The cost will be borne by the City's General Fund.

# Department Review: Citywide Program Expenditures

Actual elections costs can vary significantly. For FY 2019, elections issues and costing will be closely monitored by the City Clerk as information becomes available.

## Animal Services Contract

The Animal Services budget, which was \$10.5 million in FY 2018, is being transferred to the Purchasing & Contracting (P&C) Department for FY 2019. Please refer to the P&C Department review section of this report for estimated FY 2019 costs and a discussion of Animal Services contract issues—including the upcoming change in service provider, from the County of San Diego to a new vendor.

## Special Consulting Services

The Special Consulting Services budget is increasing by \$3.8 million—from \$3.0 million to \$6.8 million, as shown in the following table. The changes include a \$2.8 million increase related to “bridge shelters” (discussed in the “Programs for Addressing Homelessness” section of this report, under “Key Citywide Issues”); a \$1.2 million increase related to recent

Council approval of the Mayor’s recommended special salary increases for specific job classifications; a \$450,000 increase for costs to relocate Executive Complex staff; and a \$600,000 reduction related to the Police recruitment and retention study and the Police Chief recruitment process.

## **Transfers to Public Liability Funds**

The FY 2019 Proposed Budget includes \$17.1 million and \$10.9 million to support the Public Liability Operating Fund’s claims and insurance payments, respectively. The \$10.9 million insurance payment portion is \$1.5 million lower than FY 2018, which is related to reduced premiums.

Additionally, the FY 2018 Adopted Budget included a \$3.1 million transfer to the Public Liability Reserve, which has been removed in the FY 2019 Proposed Budget. See the “Public Liability Fund” section of this report (under “Reserves”) for more information.

| DESCRIPTION  | FY 2018<br>ADOPTED | FY 2019<br>PROPOSED | CHANGE      |
|--|--------------------|---------------------|-------------|
| Bridge Shelter Services  | \$ -               | \$ 2,762,000        | \$2,762,000 |
| Special Salary Increases - General Fund Estimate               | -                  | 1,179,607           | 1,179,607   |
| Legal/Professional Services                                    | 900,000            | 900,000             | -           |
| Sales Tax Consulting   | 650,000            | 650,000             | -           |
| Police Recruitment and Retention Study/Chief Recruitment Costs | 600,000            | -                   | (600,000)   |
| Executive Complex Relocation                                   | -                  | 450,000             | 450,000     |
| Labor Related Contracts  | 376,000            | 376,000             | -           |
| Actuarial Services   | 250,000            | 250,000             | -           |
| Contingency  | 219,000            | 219,000             | -           |
| Disclosure Counsel   | 50,000             | 50,000              | -           |
| TOTAL  | \$3,045,000        | \$ 6,836,607        | \$3,791,607 |

## **Other Significant Expenditures**

### Infrastructure Fund Transfer—Proposition H

The FY 2019 Proposed Budget includes a \$16.2 million transfer to the Infrastructure Fund, a decrease of \$1.7 million from the \$17.8 million FY 2018 Adopted Budget.

The Infrastructure Fund was established in accordance with Charter Section 77.1, which was approved by the voters in June 2016 (as the Proposition

# Department Review: Citywide Program Expenditures

---

H ballot measure). Allowable uses of these funds include: acquisition of real property, construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure. See the Capital Improvements Program section of this report (under “Key Citywide Issues”) for more information.

## Deferred Capital Debt Service

The FY 2019 Proposed Budget for deferred capital debt service totals \$21.5 million, up from \$17.5 million in the FY 2018 Adopted Budget. For FY 2018, the Citywide budgeted amount was \$4.0 million lower because the Capital Outlay Fund covered \$4.0 million of General Fund debt service. In FY 2019, the General Fund is anticipated to cover all of its deferred capital debt service payments. These payments include \$21.0 million for deferred capital bonds, as well as \$520,000 in estimated commercial paper debt service and ongoing costs of issuance.

For reference, the \$21.0 million in FY 2019 debt service payments for deferred capital bonds are 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”)

The Debt Management Department is working toward refunding the 2010A bonds (which includes both DC1 bonds and two other bond series) in order to generate

annual cash flow savings. On April 23, 2018 the City Council took the final actions necessary for Debt Management to proceed with the refunding.

Debt Management intends to move forward with an “advance refunding” if the net present value savings is 4% or higher, in accordance with the City’s Debt Policy. If interest rates at the time of pricing are the same levels existing as of Debt Management’s refunding staff report (January 22, 2018), the FY 2019 General Fund savings for DC1 could be approximately \$940,000, with a net present value savings of 7.1% for the General Fund. Actual savings are subject to market conditions at the time of pricing.

## General Fund Reserve

A General Fund Reserve contribution of \$554,000 is budgeted for FY 2019, down from \$17.4 million in FY 2018. The decreased contribution amount is primarily the result of the City’s decision to prefund \$10.3 million of the FY 2019 contribution in the FY 2018 Budget. For more information, see the “General Fund Reserve” section of this report (under “Reserves”).

## Pension Payment Stabilization Reserve

The Pension Payment Stabilization Reserve (PPSR) was incorporated into the City’s Reserve Policy (Council Policy 100-20) in April 2016. The \$16.0 million General Fund (GF) portion of the PPSR was funded in FY 2016, and was fully employed in the FY 2018 Adopted Budget as a resource to mitigate the ADC increase.

As part of the Mayor’s plan to replenish the PPSR over the next five years, the FY 2019 Proposed Budget includes \$3.6 million for the PPSR.



# Department Review: Citywide Program Expenditures

---

## Transfer to the Parks 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 Parks Improvement Fund and the Mission Bay Park Improvement Fund each year.

The amount above the \$20.0 million threshold to be transferred to the Parks Improvement Funds is budgeted in Citywide at \$10.1 million, down from \$11.2 million in FY 2018. Revenue from Mission Bay Park rents and concessions is budgeted in the Real Estate Assets Department.

## Additional Expenditures

The following are additional expenditure items which are included in the Citywide Budget. Because they do not have significant changes, these expenditures are listed in the footnote to the table on the first page of this section.

- **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 2019 Proposed Budget for the public use leases is \$1.6 million, unchanged from FY 2018.

- **Supplemental COLA Pension Benefit Payments:**

In 1999 the Supplemental Cost of Living Adjustment (COLA) benefit was created for certain retirees who retired before July 1, 1982. Those retirees' benefits had dropped below 75% of their original purchasing

power. When the benefit was created, \$35.0 million was set aside in a special pension reserve that would fund the benefit.

The reserve was depleted in FY 2014, and since then the City has been making additional payments to SDCERS to fund the benefit. The FY 2019 Proposed Budget in Citywide Program Expenditures for this benefit is \$1.5 million, up \$36,000 from FY 2018. An additional \$400,000 is budgeted in the City's non-general funds.

- **Preservation of Benefits (POB) Pension Payments:**

The City also makes additional payments to SDCERS to fund any pension payments in excess of IRS limits. The FY 2019 Proposed Budget for POB is \$1.5 million, unchanged from FY 2018.

## Department Review: Communications

# Communications

### Impacts of Mayor’s FY 2019 Budget Proposal

The FY 2019 proposed budget for the Communications Department is approximately \$4.7 million and includes 33.00 FTE positions. This is an increase of 2.00 FTEs and \$724,000, or 18.4%, over FY 2018. The Department has approximately \$417,000 in budgeted revenue in FY 2019, which has decreased \$550,000 or 56.9% from the FY 2018 Adopted Budget.

#### Budget Expenditure Reductions

Reduction of Public Information Clerk– As a part of the Department's effort to address the City shortfall projected in FY 2019, the FY 2019 Proposed Budget includes the reduction of 1.00 Public Information Clerk and \$70,000 in expenses. The position is currently vacant. The proposed reduction will not impact a specific project but may result in potential delays in services and communication to City Staff and the public. Workload will be spread among the remaining 17 members of the Department’s Public Information Section.

#### Significant Revenue Changes

The FY 2019 Proposed Budget includes \$550,000 in reduced revenue that is received under the Department’s service level agreements with enterprise depart-

ments. The budget for this revenue has not changed since the Department’s inception in FY 2015. However, according to the Department, communication requests from (or concerning) General Fund departments has significantly exceeded those related to enterprise departments. As such, this adjustment is intended to more closely match the budget to actual revenue. The downward revenue projection reflected in the Proposed Budget is based on the historical amount of use of services by enterprise departments and the amount work anticipated in FY 2019.

#### Reorganizations/Operational Changes

Transfer of Public Records Act Program–The FY 2019 Proposed Budget includes the transfer of the Public Records Act Program, which consists of 1.00 Program Manager, 2.00 Program Coordinators, and \$497,000, to the Department from Human Resources. The Program coordinates the City’s timely response to PRA requests, which are received most frequently from media organizations. For this reason, the transfer of this Program to the Communications Department is logical given the common nexus.

| SUMMARY OF COMMUNICATIONS DEPARTMENT BUDGET CHANGES |              |                     |                   |                     |                     |
|---|--------------|---------------------|-------------------|---------------------|---------------------|
| Description   | FTE          | PE                  | NPE               | Total Expense       | Revenue             |
| FY 2018 Adopted Budget                              | 31.00        | \$ 3,631,364        | \$ 310,607        | \$ 3,941,971        | \$ 967,604          |
| <b>Programmatic Changes</b>                         |              |                     |                   |                     |                     |
| <i>Transfer of Public Records Act Program</i>       | 3.00         | 497,214             | -                 | 497,214             | -                   |
| <i>Reduction of Public Information Officer</i>      | (1.00)       | (70,276)            | -                 | (70,276)            | -                   |
| <b>Other Changes</b>                                |              |                     |                   |                     |                     |
| <i>Salary and Benefit Adjustments</i>               | -            | 300,612             | -                 | 300,612             | -                   |
| <b>Other Adjustments</b>                            | -            | -                   | (3,394)           | (3,394)             | (550,220)           |
| <b>FY 2019 Proposed Budget</b>                      | <b>33.00</b> | <b>\$ 4,358,914</b> | <b>\$ 307,213</b> | <b>\$ 4,666,127</b> | <b>\$ 417,384</b>   |
| <b>Difference from 2018 to 2019</b>                 | <b>2.00</b>  | <b>\$ 727,550</b>   | <b>\$ (3,394)</b> | <b>\$ 724,156</b>   | <b>\$ (550,220)</b> |

Office of the Independent Budget Analyst

April 2018

# Department Review: Debt Management

## Debt Management

### Impacts of Mayor's FY 2019 Proposed Budget

The FY 2019 Proposed budget for the Debt Management Department is approximately \$3.1 million, a reduction \$57,000 or 1.8% from the FY 2018 Adopted Budget. This decrease is primarily due to a reduction of 1.00 Program Coordinator and a one-time \$145,000 reduction in non-personnel expense. These reductions were partially offset by increases in salary and fringe, and by eliminating vacancy savings for the Department.

#### Budget Expenditure Reductions

The Department submitted a reduction of 1.00 Program Coordinator to meet the 2% budget reduction request made to all General Fund departments. The reduction was accepted and incorporated into the FY 2019 Proposed Budget reducing FTE positions in the Department from 21.00 to 20.00. The Department Director indicates the responsibilities performed by eliminated position will be redistributed to the other Program Coordinators within the Department without a significant reduction in service levels.

#### Increase in Revenue from PUD

The Department anticipates providing additional financing services to the Public Utilities Department (PUD) in FY 2019. These services relate to securing and monitoring financing in support of the City's Pure Water Program. The financing could involve State (SRF) or Federal (WIFIA) loans, commercial paper borrowing, or long-term debt financing. Budgeted revenue for the Department has been increased by \$176,000 to reflect the anticipated increase in reimbursable services.

#### Services and Expenses Provided in Support of the Enhanced Infrastructure Financing District (EIFD) in Otay Mesa

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

In FY 2018, the Department received a one-time allocation of \$145,000 to provide services and cover the expense of a special election for the EIFD in Otay Mesa. An election is required to determine if voters within the EIFD support the issuance of bonds to finance infrastructure. Subse-

| SUMMARY OF DEBT MANAGEMENT BUDGET CHANGES                   |               |                     |                     |                     |                     |
|---|---------------|---------------------|---------------------|---------------------|---------------------|
| Description   | FTE           | PE                  | NPE                 | Total Expense       | Revenue             |
| FY 2018 Adopted Budget                                      | 21.00         | \$ 2,785,133        | \$ 376,506          | \$ 3,161,639        | \$ 736,019          |
| <b>Programmatic Changes</b>                                 |               |                     |                     |                     |                     |
| Reduction of 1.00 Program Coordinator                       | (1.00)        | (103,319)           | -                   | (103,319)           | -                   |
| <b>Other Changes</b>  |               |                     |                     |                     |                     |
| Other Salary & Wage Adjustments                             | -             | 62,359              | -                   | 62,359              | -                   |
| Other Fringe Increases (including Retirement ADC)           | -             | 49,848              | -                   | 49,848              | -                   |
| Revenue Increase for Financing Services to PUD              | -             | -                   | -                   | -                   | 175,626             |
| Increase to support Otay Mesa EIFD Election - Nov 2018      | -             | -                   | 20,000              | 20,000              | -                   |
| Expected Reimbursement for Services Provided to EIFD        | -             | -                   | -                   | -                   | 124,000             |
| <b>One-time Reduction in Professional Services for EIFD</b> | -             | -                   | (145,000)           | (145,000)           | -                   |
| Elimination of Vacancy Savings for Department               | -             | 54,059              | -                   | 54,059              | -                   |
| Other Adjustments   | -             | -                   | 5,357               | 5,357               | -                   |
| <b>FY 2019 Proposed Budget</b>                              | <b>20.00</b>  | <b>\$ 2,848,080</b> | <b>\$ 256,863</b>   | <b>\$ 3,104,943</b> | <b>\$ 1,035,645</b> |
| <b>Difference from 2018 to 2019</b>                         | <b>(1.00)</b> | <b>\$ 62,947</b>    | <b>\$ (119,643)</b> | <b>\$ (56,696)</b>  | <b>\$ 299,626</b>   |

Office of the Independent Budget Analyst

April 2018

# Department Review: Debt Management

---

quent to the budget allocation in FY 2018, it was determined that the vote could wait until the regularly scheduled election in November 2018 (FY 2019) thereby saving the additional expense of a special mailed ballot election in FY 2018.

The FY 2019 Proposed Budget reflects the change in election plans by backing out \$125,000 of unutilized expense allocated in the FY 2018 budget and adding \$20,000 to cover the costs of the November 2018 election in FY 2019. Additionally, \$124,000 of revenue has been budgeted to reflect the expectation that the Department will be reimbursed, from EIFD revenues, for costs previously incurred to support the formation of the EIFD, and for any staff expenses yet to be incurred in FY 2018 and FY 2019 to coordinate the Otay Mesa EIFD Public Financing Authority bond authorizations and election approvals.

## Department Review: Finance

# Department of Finance

### Impacts of Mayor's FY 2019 Budget Proposal

The Department of Finance (DoF) is a new department in the FY 2019 Proposed Budget. By merging the Office of the City Comptroller with the Financial Management Department, the Chief Financial Officer intends to maximize efficiencies and minimize redundancies in fiscal management operations.

The FY 2019 Proposed Budget for the DoF is approximately \$16.3 million, a reduction \$359,000 or 2.2% from the FY 2018 Adopted Budget. This decrease is primarily attributable to a reduction of 5.00 vacant positions that is partially offset by increases in other personnel expenses. Non-personnel expense is reduced \$31,000 or 2.5%. The DoF has budgeted revenue of \$1.9 million, a reduction \$175,000 or 8.2% from the FY 2018 Adopted Budget. This revenue results from financial services provided to other departments.

### Budget Expenditure Reductions

The DoF submitted a reduction of 5.00 FTE positions to meet the 2% budget reduction request made to all General Fund departments. The reduction was accepted and incorporated into the FY 2019 Proposed Budget reducing total FTE positions in the new DoF from 118.26 to 113.27. Citing operational efficiencies associated with the merged department, DoF management indicates that any responsibilities associated with the eliminated/vacant positions will be absorbed by existing staff without a reduction in services.

A personnel expense reduction of \$553,000 is associated with the following positions being eliminated from the DoF in the FY 2019 Proposed Budget:

- 1.00 Account Audit Clerk
- 2.00 Accountant 2s
- 2.00 Associate Budget Development Analysts

| <b>SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES</b> |               |                      |                     |                      |                     |
|--|---------------|----------------------|---------------------|----------------------|---------------------|
| Description  | FTE           | PE                   | NPE                 | Total Expenditures   | Revenue             |
| FY 2018 Adopted Budget                                 | 118.26        | \$ 15,405,772        | \$ 1,240,685        | \$ 16,646,457        | \$ 2,124,873        |
| <b>Programmatic Changes</b>                            |               |                      |                     |                      |                     |
| Revenue Decrease                                       | -             | -                    | -                   | -                    | (174,873)           |
| Associate Budget Development Analyst                   | (2.00)        | (256,366)            | -                   | (256,366)            | -                   |
| Accountant 2   | (2.00)        | (232,756)            | -                   | (232,756)            | -                   |
| Account Audit Clerk                                    | (1.00)        | (64,258)             | -                   | (64,258)             | -                   |
| <b>Other Changes</b>                                   |               |                      |                     |                      |                     |
| Estimated 3.3% General Salary Increases                | -             | 274,157              | -                   | 274,157              | -                   |
| Salary Adjustment for 13.00 Repurposed Positions       | -             | 156,786              | -                   | 156,786              | -                   |
| Other Salary & Wages Adjustments                       | -             | 38,560               | -                   | 38,560               | -                   |
| Hourly Wages   | 0.01          | 12,355               | -                   | 12,355               | -                   |
| Other Fringe Decreases (Includes Retirement ADC)       | -             | (256,657)            | -                   | (256,657)            | -                   |
| Other Adjustments                                      | -             | -                    | (30,838)            | (30,838)             | -                   |
| <b>FY 2019 Proposed Budget</b>                         | <b>113.27</b> | <b>\$ 15,077,593</b> | <b>\$ 1,209,847</b> | <b>\$ 16,287,440</b> | <b>\$ 1,950,000</b> |
| <b>Difference from 2018 to 2019</b>                    | <b>(4.99)</b> | <b>\$ (328,179)</b>  | <b>\$ (30,838)</b>  | <b>\$ (359,017)</b>  | <b>\$ (174,873)</b> |

Office of the Independent Budget Analyst

April 2018



# Department Review: Finance

## Structure of New Department

As noted in the narrative in the FY 2019 Proposed Budget, the goal of the new departmental structure is to maximize efficiencies and minimize redundancies. In an effort to best accomplish this, the CFO is creating three new divisions within the DoF (summarized below):

### Financial Planning and Disbursements Division

This Division will develop and monitor the annual budget; develop the Five-Year Financial Outlook; forecast City revenues and identify new revenue sources; conduct fiscal analyses to support labor negotiations; perform all payment services including processing the City's payroll and vendor payments. The Division will be managed by an Assistant Department Director.

### Internal Financial Reporting Division

This Division will perform the general accounting and internal financial reporting functions for the City; monitor the City's expenditures and revenues, oversee budget transfers and adjustments; produce reports to Council to forecast year-end results; process budget adjustments during the year; develop and monitor the CIP Budget; maintain multiple modules of the SAP system to ensure data accuracy and develop/provide citywide financial training. The Division will be managed by a Chief Accountant.

### External Financial Reporting

This Division will prepare the City's Comprehensive Annual Financial Report (CAFR) which includes an accounting of all City funds and its component units, including related disclosures; implement and monitor internal controls over financial reporting; and prepare required reporting to the Audit Committee and City Council. The Division will be managed by an Assistant Department Director.

### **Key Positions Changes Within DoF**

The FY 2019 Proposed Budget repurposes/reclassifies 13.00 senior positions within the DoF to better align with the structure of the new department. DoF management believes repurposing existing positions to new position titles and responsibilities will better support the operations of the three new divisions. The table below shows the planned conversion of 13.00 existing positions to new positions in the DoF. The change results in a net addition of \$157,000 in salary expense.

| <b>REPURPOSED POSITIONS TO SUPPORT STRUCTURE OF NEW DEPARTMENT OF FINANCE</b> |              |                           |   |              |                           |
|---|--------------|---------------------------|---|--------------|---------------------------|
| <b>Existing Structure</b>   |              |                           | <b>New Structure</b>  |              |                           |
| Repurposed/Elimated Positions   | FTEs         | Associated Salary Expense | New Positions   | FTEs         | Associated Salary Expense |
| Comptroller   | 1.00         | \$ 172,511                | Chief Accountant  | 1.00         | \$ 149,785                |
| Deputy Directors  | 3.00         | 431,592                   | Assistant Department Directors                              | 2.00         | 299,570                   |
| Program Coordinators  | 6.00         | 650,790                   | Financial Operations Managers                               | 6.00         | 774,750                   |
| Accountant 4s   | 3.00         | 266,946                   | Principal Accountants                                       | 4.00         | 454,520                   |
| <b>Total:</b>   | <b>13.00</b> | <b>\$ 1,521,839</b>       | <b>Total:</b>   | <b>13.00</b> | <b>\$ 1,678,625</b>       |
|   |              |                           | <b>Net Addition of Associated Salary Expense: \$156,786</b> |              |                           |

# Department of Information Technology

## Impacts of the Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Department of Information Technology is approximately \$54.3 million. This represents a 6.7%, or approximately \$3.4 million, increase from FY 2018. There are 120.00 FTE positions in the department's Proposed Budget with no net change to the total number of positions in the department since FY 2018.

The Department of Information Technology is comprised of five different funds: the General Fund, GIS Fund, Information Technology Fund, OneSD Support Fund and Wireless Communications Technology Fund. Each fund serves a distinct purpose and the proposed budgets for each will be discussed separately.

### General Fund

The Department of Information Technology's General Fund budget is entirely dedicated to purchasing desktop computer replacements for General Fund departments in the City. There are no positions budgeted in this fund. The FY 2019 Proposed Budget is approximately \$1.1 million. This more than doubles the budget from ap-

proximately \$483,000 in FY 2018. According to the department, this large increase in funding will allow for replacement of 20% of the City's General Fund desktop computers in FY 2019. The goal is to replace computers every 5 years. FY 2018 and FY 2017 Budgets only provided funding to replace 9.3% and 10% of General Fund computers, respectively.

### GIS Fund

The GIS Fund is used to support management of geographical information systems (GIS) used by various City departments. The costs of these applications, plus Department of Information Technology's staff support, are allocated to the City departments that use GIS. The FY 2019 Proposed Budget for the GIS Fund is approximately \$2.6 million with a roughly equivalent amount of revenue. This is approximately \$226,000 higher, or 9.3%, than the FY 2018 Adopted Budget. According to the Department, the primary drivers for the increased budget is expanding use of GIS throughout the City, such as with the Get It Done app, requiring more licenses and an increase in the price of licenses. There are no staffing changes proposed in the GIS Fund.

| SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY BUDGET CHANGES |               |               |          |                      |                      |                     |
|--|---------------|---------------|----------|----------------------|----------------------|---------------------|
| Fund   | FY 2018 FTE   | FY 2019 FTE   | Change   | FY 2018 Budget       | FY 2019 Proposed     | Change              |
| General Fund   | -             | -             | -        | \$ 482,500           | \$ 1,139,200         | \$ 656,700          |
| GIS Fund   | 2.00          | 2.00          | -        | 2,417,743            | 2,643,470            | \$ 225,727          |
| Information Technology Fund                                    | 44.00         | 45.00         | 1.00     | 12,080,430           | 12,955,305           | \$ 874,875          |
| OneSD Support Fund   | 28.00         | 29.00         | 1.00     | 26,781,896           | 28,226,926           | \$ 1,445,030        |
| Wireless Communications Technology Fund                        | 46.00         | 44.00         | (2.00)   | 9,112,444            | 9,335,398            | \$ 222,954          |
| <b>Total Combined</b>  | <b>120.00</b> | <b>120.00</b> | <b>-</b> | <b>\$ 50,875,013</b> | <b>\$ 54,300,299</b> | <b>\$ 3,425,286</b> |

# Department Review: Dept of Information Technology

## Information Technology Fund

The Information Technology Fund supports the operational budget for Department of Information Technology staff who provide a variety of information technology related activities for the City. In order to reimburse the Information Technology Fund for costs incurred, departments are assigned a budgetary allocation each year based on their prior-year amount of information technology spending.

The FY 2019 Proposed Budget for the Information Technology Fund is nearly \$13.0 million. This is an increase of 7.2%, or approximately \$875,000, from FY 2018. The revenue budget is increased by approximately \$2.0 million to approximately \$13.2 million in FY 2019. This brings the revenue budget in line with the anticipated expenditures of the fund. There are 45.00 FTE positions proposed for the Information Technology Fund in FY 2019, a net increase of 1.00 FTE position from FY 2018.

### Transfer of Copier Services Contract

Responsibility for management of the City's contract for copiers is being trans-

ferred from the Public Works—General Services Department to the Department of Information Technology in FY 2019. It is removed from the Publishing Services Fund (which has transferred to the Purchasing & Contracting Department) and has been added into the Information Technology Fund. This is an increase of approximately \$1.2 million in the Information Technology Fund. This is offset by an approximately \$1.4 million increase in revenue from City departments using the copiers. The transfer includes 1.00 Administrative Aide 2 that oversees the contract.

The City's current copier contract ends in November 2018. The Department of Information Technology indicated that they will be looking to identify lower pricing options, potentially newer model copiers, and increasing department flexibility in getting the equipment that best suits their needs. The Department of Information Technology anticipates bringing this forward to City Council this summer. The department would also like to right-size the quantity of desktop printers currently being used in lieu of shared copiers by adding security measures at the copiers in order to protect printing of confidential materials.

| SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES |              |                     |                     |                      |                      |
|---|--------------|---------------------|---------------------|----------------------|----------------------|
| Description   | FTE          | PE                  | NPE                 | Total Expense        | Revenue              |
| FY 2018 Adopted Budget                                | 44.00        | \$ 6,854,184        | \$ 5,226,246        | \$ 12,080,430        | \$ 11,202,127        |
| <b>Programmatic Changes</b>                           |              |                     |                     |                      |                      |
| Transfer of Copier Services Contract                  | 1.00         | 115,485             | 1,112,897           | 1,228,382            | 1,407,544            |
| Payment Card Industry Compliance                      | 1.00         | 154,726             | 3,700               | 158,426              | -                    |
| Rent for 101 Ash Street                               | -            | -                   | 18,538              | 18,538               | -                    |
| Savings from Sale of Rose Canyon                      | -            | -                   | (451,602)           | (451,602)            | -                    |
| Transfer Program Manager to P&C                       | (1.00)       | (202,706)           | -                   | (202,706)            | -                    |
| Reduction of Rent for Executive Complex               | -            | -                   | (180,923)           | (180,923)            | -                    |
| <b>Other Changes</b>                                  |              |                     |                     |                      |                      |
| Salary and Benefit Adjustments                        | -            | 114,682             | -                   | 114,682              | -                    |
| Information Technology Adjustments                    | -            | -                   | 88,745              | 88,745               | -                    |
| Non-Discretionary Adjustments                         | -            | -                   | (41,276)            | (41,276)             | -                    |
| Other Adjustments                                     | -            | (1,091)             | 143,700             | 142,609              | 578,840              |
| <b>FY 2019 Proposed Budget</b>                        | <b>45.00</b> | <b>\$ 7,035,280</b> | <b>\$ 5,920,025</b> | <b>\$ 12,955,305</b> | <b>\$ 13,188,511</b> |
| <b>Difference from 2018 to 2019</b>                   | <b>1.00</b>  | <b>\$ 181,096</b>   | <b>\$ 693,779</b>   | <b>\$ 874,875</b>    | <b>\$ 1,986,384</b>  |

# Department Review: Dept of Information Technology

## Significant Budget Additions

Other notable increases in the Information Technology Fund's FY 2019 Proposed Budget are:

- 1.00 Program Coordinator, for approximately \$158,000, is added to ensure compliance with payment card industry (PCI) data security standards and will report directly to the Chief Security Officer.
- Approximately \$19,000 is added in rent for 101 Ash Street, bringing the total rent budget for this building up to approximately \$552,000. In addition, the FY 2019 budget includes approximately \$181,000 for moving expenses (budgeted in FY 2018 as one-time and re-budgeted in FY 2019, resulting in a net \$0 change in the FY 2019 Proposed Budget). However, it appears unlikely that departments will move into the building in FY 2019. For further information on this issue, see the 101 Ash Street Building section earlier in this report.

## Significant Budget Reductions

The FY 2019 Proposed Budget for the Information Technology Fund includes the following reductions and savings:

- Approximately \$452,000 of non-personnel expenses have been reduced from the budget due to savings in maintenance, electricity, gas, water

and sewer from the sale of the Rose Canyon facility.

- 1.00 Program Manager, at a cost of approximately \$203,000, is transferred to the Purchasing & Contracting Department to provide technical support for Ariba.
- Approximately \$181,000 in rent is reduced as a result of no longer occupying space at Executive Complex.

## OneSD Support Fund

The OneSD Support Fund is used for ongoing technical support, maintenance and management of the City's Enterprise Resource Planning system, SAP. The costs associated with SAP are allocated to City departments, with each department's allocation varying by the types of SAP programs used, the number of full-time equivalent positions in each department, and each department's budget.

The FY 2019 Proposed Budget for the OneSD Support Fund is approximately \$28.2 million. This is an increase of 5.4%, or approximately \$1.4 million, over the FY 2018 Adopted Budget. Revenue have also been increased, by approximately \$1.8 million, in order to keep the fund in balance. The OneSD Support Fund has 29.00 FTE positions in the Proposed Budget, an increase of 1.00 FTE position from FY 2018.

| SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES          |              |                     |                      |                      |                      |
|---|--------------|---------------------|----------------------|----------------------|----------------------|
| Description   | FTE          | PE                  | NPE                  | Total Expense        | Revenue              |
| FY 2018 Adopted Budget                                | 28.00        | \$ 4,765,305        | \$ 22,016,591        | \$ 26,781,896        | \$ 25,990,774        |
| <b>Programmatic Changes</b>                           |              |                     |                      |                      |                      |
| <i>Transfer Program Coordinator from Public Works</i> | 1.00         | 151,505             | -                    | 151,505              | -                    |
| <b>Other Changes</b>                                  |              |                     |                      |                      |                      |
| <i>Information Technology Adjustments</i>             | -            | -                   | 770,456              | 770,456              | -                    |
| <i>Salary and Benefit Adjustments</i>                 | -            | 262,702             | -                    | 262,702              | -                    |
| <i>Non-Discretionary Adjustments</i>                  | -            | -                   | 92,799               | 92,799               | -                    |
| <i>Other Adjustments</i>                              | -            | -                   | 167,568              | 167,568              | 1,833,633            |
| <b>FY 2019 Proposed Budget</b>                        | <b>29.00</b> | <b>\$ 5,179,512</b> | <b>\$ 23,047,414</b> | <b>\$ 28,226,926</b> | <b>\$ 27,824,407</b> |
| <i>Difference from 2018 to 2019</i>                   | <b>1.00</b>  | <b>\$ 414,207</b>   | <b>\$ 1,030,823</b>  | <b>\$ 1,445,030</b>  | <b>\$ 1,833,633</b>  |

Office of the Independent Budget Analyst

April 2018

# Department Review: Dept of Information Technology

## Significant Budget Additions

The OneSD Support Fund is receiving 1.00 Program Coordinator, at a cost of approximately \$152,000, from the Public Works Department. This position will be repurposed to provide security support for SAP.

department states will delay some public safety projects but will not impact anything critical. The positions reduced are:

- 1.00 Senior Communications Engineer at approximately \$143,000
- 1.00 Account Clerk at approximately \$56,000

## Wireless Communications Technology Fund

The Wireless Communications Fund supports service delivery of public safety wireless communications technologies. The FY 2019 Proposed Budget for this fund is approximately \$9.3 million, with offsetting revenue of approximately \$10.1 million and 44.00 FTE positions. The FY 2019 budget reflects an increase of 2.4%, or roughly \$223,000, from FY 2018 but a reduction of 2.00 FTE positions.

## Significant Budget Additions

An increase of \$550,000 is included in the Wireless Communications Technology Fund's FY 2019 Proposed Budget to fully budget the Public Safety Radio System's maintenance contract, which totals \$800,000 annually.

## Significant Budget Reductions

The Wireless Communications Technology Fund's FY 2019 Proposed Budget includes 2.00 FTE position reductions, which the

| SUMMARY OF WIRELESS COMMUNICATION TECHNOLOGY FUND BUDGET CHANGES |               |                     |                     |                     |                      |
|--|---------------|---------------------|---------------------|---------------------|----------------------|
| Description  | FTE           | PE                  | NPE                 | Total Expense       | Revenue              |
| FY 2018 Adopted Budget   | 46.00         | \$ 5,706,244        | \$ 3,406,200        | \$ 9,112,444        | \$ 8,900,590         |
| <b>Programmatic Changes</b>                                      |               |                     |                     |                     |                      |
| <i>Public Safety Radio System Maintenance</i>                    | -             | -                   | 550,000             | 550,000             | -                    |
| <i>Reduction of Senior Communications Engineer</i>               | (1.00)        | (143,132)           | -                   | (143,132)           | -                    |
| <i>Reduction of Account Clerk</i>                                | (1.00)        | (56,241)            | -                   | (56,241)            | -                    |
| <b>Other Changes</b>   |               |                     |                     |                     |                      |
| <i>Information Technology Adjustments</i>                        | -             | -                   | (244,848)           | (244,848)           | -                    |
| <i>Non-Discretionary Adjustments</i>                             | -             | -                   | 39,009              | 39,009              | -                    |
| <i>Salary and Benefit Adjustments</i>                            | -             | 26,487              | -                   | 26,487              | -                    |
| <i>Other Adjustments</i>   | -             | -                   | 51,679              | 51,679              | 1,214,559            |
| <b>FY 2019 Proposed Budget</b>                                   | <b>44.00</b>  | <b>\$ 5,533,358</b> | <b>\$ 3,802,040</b> | <b>\$ 9,335,398</b> | <b>\$ 10,115,149</b> |
| <b>Difference from 2018 to 2019</b>                              | <b>(2.00)</b> | <b>\$ (172,886)</b> | <b>\$ 395,840</b>   | <b>\$ 222,954</b>   | <b>\$ 1,214,559</b>  |



# Department Review: Development Services

## Development Services

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Development Services Department (DSD) includes \$81.3 million in expenditures and 544.10 FTEs. This is an increase of approximately \$1.9 million in expenditures and a net reduction of 1.00 FTE over the FY 2018 Adopted Budget.

To accommodate the Department's multiple areas of responsibility and funding sources, the department is arranged into seven primary divisions across three individual funds. Due to the complex budget structure and funding sources, the analysis of the FY 2019 Proposed Budget in this section is organized by major funds.

#### General Fund

The FY 2019 Proposed Budget totals approximately \$7.5 million, representing a decrease of approximately \$388,000 from the FY 2018 Adopted Budget. The FY 2019 Proposed Budget includes 68.00 FTEs, which is a reduction of 1.00 FTE from the FY 2018 Adopted Budget. Revenues are projected to total approximately \$596,000,

which represent no change from the FY 2018 Adopted Budget.

### Significant Budget Expenditure Reductions

Transfer of Horticulturalist- The FY 2019 Proposed Budget includes the transfer of 1.00 Horticulturalist and \$81,000 in expenses to the Transportation and Storm Water Department to support the Urban Forestry Program. This is a vacant position.

### Issues for Council Consideration

#### Council Priority Not Addressed

A majority of the Councilmembers' FY 2019 budget priority memoranda recommended additional resources be allocated to code enforcement work. The FY 2019 Proposed Budget does not address this priority.

#### Development Services (Enterprise Fund)

The FY 2018 Proposed Budget is approximately \$72.7 million, an increase of approximately \$2.2 million and a net decrease of 2.55 FTEs from to the FY 2018

| SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES |               |                     |                     |                     |                   |
|--|---------------|---------------------|---------------------|---------------------|-------------------|
| Description  | FTE           | PE                  | NPE                 | Total Expense       | Revenue           |
| FY 2018 Adopted Budget   | 69.00         | \$ 6,831,562        | \$ 1,052,318        | \$ 7,883,880        | \$ 596,269        |
| <b>Programmatic Changes</b>  |               |                     |                     |                     |                   |
| <i>Transfer of Horticulturalist</i>                                      | (1.00)        | (81,414)            | -                   | (81,414)            | -                 |
| <i>One-Time Reductions and Annualization</i>                             | -             | -                   | (250,000)           | (250,000)           | -                 |
| <b>Other Changes</b>   |               |                     |                     |                     |                   |
| <i>Salaries &amp; Benefits Adjustments</i>                               | -             | (47,090)            | -                   | (47,090)            | -                 |
| <i>Non-Discretionary Adjustments</i>                                     |               |                     | (9,871)             | (9,871)             |                   |
| <b>FY 2019 Proposed Budget</b>   | <b>68.00</b>  | <b>\$ 6,703,058</b> | <b>\$ 792,447</b>   | <b>\$ 7,495,505</b> | <b>\$ 596,269</b> |
| <i>Difference from 2018 to 2019</i>                                      | <i>(1.00)</i> | <i>\$ (128,504)</i> | <i>\$ (259,871)</i> | <i>\$ (388,375)</i> | <i>\$</i>         |

Office of the Independent Budget Analyst

April 2018

# Department Review: Development Services

Adopted Budget. Department revenues are projected to be approximately \$64.3 million, an increase of approximately \$2.3 million over the FY 2018 Adopted Budget.

## Significant Budget Expenditure Reductions

Reduction of Vacant Positions– The FY 2019 Proposed Budget includes the reduction of 2.00 FTEs (1.00 Clerical Assistant 2 and 1.00 Associate Planner) and approximately \$139,000 in expenses as a part of the Department’s efforts to reduce departmental expenditures per the Mayor’s request. Both positions are currently vacant.

Rental Compensation – The FY 2019 Proposed Budget includes a reduction of \$77,000 in expenditures related to the Enterprise Fund’s revised share of rent at the 101 Ash Street Building. The revision is based on the proposed space planning for the new building conducted by the Real Estate Assets Department. The Enterprise Fund’s total rent for its space in the 101 Ash Street Building for FY 2019 is \$4.0 million. This is in addition to rental expenses of approximately \$600,000 that are also being incurred for the current location (City Operations Building) until relocation can occur. Additional information related

to 101 Ash Street Building Relocation can be found in the “Key Citywide Issues” Section in our Report.

## Significant Budget Additions

Relocation Expenses to 101 Ash Street – While the FY 2019 Proposed Budget includes approximately \$1.4 million for moving costs and additional furniture associated with the Department’s anticipated relocation to 101 Ash Street, this move likely will not occur in FY 2019. This amount was also funded in FY 2018 for the same purpose, however, it was not spent due to relocation delay.

Regional Water Quality Control Board Penalty – The FY 2019 Proposed Budget includes \$361,000 in one-time expenses related to the July 2016 settlement with the Regional Water Quality Control Board for City infractions related to project inspections and storm water run-off. The FY 2019 amount is the second of three annual funding requirements for supplemental environmental projects.

Accela Project Support – The FY 2019 Proposed Budget includes \$500,000 in expenses for technical consulting services to implement certain necessary system mod-

| SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - ENTERPRISE FUND BUDGET CHANGES |               |                      |                      |                      |                      |
|---|---------------|----------------------|----------------------|----------------------|----------------------|
| Description   | FTE           | PE                   | NPE                  | Total Expense        | Revenue              |
| FY 2018 Adopted Budget  | 472.65        | \$ 49,207,068        | \$ 21,252,769        | \$ 70,459,837        | \$ 61,982,205        |
| <b>Programmatic Changes</b>   |               |                      |                      |                      |                      |
| Rental Compensation   | -             | -                    | (77,421)             | (77,421)             | -                    |
| Relocation to 101 Ash Street  | -             | -                    | 1,389,892            | 1,389,892            | -                    |
| Regional Water Quality Control Board Penalty                                | -             | -                    | 360,840              | 360,840              | -                    |
| Accela Project Support  | -             | -                    | 500,000              | 500,000              | -                    |
| Pension Payment Stabilization Reserve                                       | -             | -                    | 237,420              | 237,420              | -                    |
| Reduction of Vacant Positions   | (2.00)        | (139,021)            | -                    | (139,021)            | -                    |
| One-Time Reductions and Annualizations                                      | -             | (20,541)             | (2,987,091)          | (3,007,632)          | (1,415,057)          |
| Revised Revenue   | -             | -                    | -                    | -                    | 3,712,175            |
| <b>Other Changes</b>  |               |                      |                      |                      |                      |
| Salary & Benefit Adjustments  | (0.55)        | 2,720,746            | -                    | 2,720,746            | -                    |
| Non-Discretionary Adjustments   | -             | -                    | 233,556              | 233,556              | -                    |
| <b>FY 2019 Proposed Budget</b>  | <b>470.10</b> | <b>\$ 51,768,252</b> | <b>\$ 20,909,965</b> | <b>\$ 72,678,217</b> | <b>\$ 64,279,323</b> |
| Difference from 2018 to 2019  | (2.55)        | \$ 2,561,184         | \$ (342,804)         | \$ 2,218,380         | \$ 2,297,118         |

# Department Review: Development Services

---

ifications. The Department anticipates that the final “go live” will occur in November 2019.

Pension Payment Stabilization Reserve— The FY 2019 Proposed Budget includes \$237,000 representing the Fund’s contribution towards the replenishment of the Pension Payment Stabilization Fund.

## **Significant Revenue Changes**

Revised Revenue— In July 2016, the City Council approved adjustments to the Department’s fees structure, which included annual increases tied to the Consumer Price Index (CPI). The FY 2019 Proposed Budget includes the addition of approximately \$3.7 million as a result of a 2.8% CPI increase and a projected increase in the number of building permits based on FY 2018 Mid-Year revenue receipts.

## **Other**

One-Time Reductions and Annualizations— The FY 2019 Proposed budget includes One-Time Reductions and Annualizations totaling \$3.0 million in expenditures and \$1.4 million in revenues. The reduction in expenditures is primarily related to the \$1.6 million in one-time funding in the FY 2018 Adopted Budget for the Regional Water Quality Control Board penalty and \$1.4 for relocation costs to the 101 Ash Street building (as noted previously, this amount was not spent). The reduction in revenues is related to one-time transfers for the Accela financing payment in FY 2018.

## **Issues for Council Consideration**

### **Development Services User Fees and Projected Deficit**

The Department is projecting a \$4.6 million deficit in the FY 2019 Proposed Budget. This is due to several one-time and ongoing expenditures that were not fac-

tored into fee increases that were approved in 2016 which have caused an imbalance in revenues and expenditures. The most significant of these are related to the Department’s planned relocation to the 101 Ash Street Building, including: additional rent of approximately \$4.0 million, which is included in the Department’s FY 2018 Adopted Budget and FY 2019 Proposed Budget; one-time relocation costs of \$1.4 million; and annual debt service costs associated with the Department’s planned financing of tenant improvements (actual cost and financing plan have not yet been determined). In addition, salary increases for approved MOUs with labor organizations, pension increases, and the Department’s expenses related to the Regional Water Control Board penalty, have further impacted the Fund.

To address the projected deficit, the Department presented proposed fee increases in FY 2019 of 6%, in FY 2020 of 4.5%, and FY 2021 of 3.5% to the Budget and Government Efficiency Committee on April 18, 2019. These increases would be in addition to the current authority to adjust fees by annual price adjustments (CPI) that was included together with the 2016 fee increase. The Committee forwarded the item to the full City Council without recommendation. Given that the most significant driver of the proposed fee increases relates to the 101 Ash Street relocation, City Council will consider the fee increases at the same meeting during which they will also receive a presentation from staff on the finalized plan for 101 Ash Street renovations, currently anticipated in June 2018. A comprehensive overview of the 101 Ash project is expected to be provided at the May 23rd meeting of the City Council Infrastructure Committee prior to City Council consideration. Additional infor-

# Department Review: Development Services

| SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT<br>LOCAL ENFORCEMENT AGENCY FUND BUDGET CHANGES |             |                   |                   |                     |                   |
|--|-------------|-------------------|-------------------|---------------------|-------------------|
| Description  | FTE         | PE                | NPE               | Total Expense       | Revenue           |
| FY 2018 Adopted Budget   | 6.00        | \$ 575,889        | \$ 493,297        | \$ 1,069,186        | \$ 786,417        |
| <b>Programmatic Changes</b>  |             |                   |                   |                     |                   |
| <i>Rental Compensation</i>   | -           | -                 | 7,380             | 7,380               | -                 |
| <i>Relocation to 101 Ash Street</i>  | -           | -                 | 71,975            | 71,975              | -                 |
| <i>One-Time Reductions and Annualization</i>   | -           | -                 | (71,975)          | (71,975)            | -                 |
| <b>Other Changes</b>   |             |                   |                   |                     |                   |
| <i>Salary &amp; Benefit Adjustments</i>  | -           | 121,892           | -                 | 121,892             | -                 |
| <i>Non-Discretionary Adjustments</i>   | -           | -                 | (47,962)          | (47,962)            | -                 |
| <b>FY 2019 Proposed Budget</b>   | <b>6.00</b> | <b>\$ 697,781</b> | <b>\$ 452,715</b> | <b>\$ 1,150,496</b> | <b>\$ 786,417</b> |
| <i>Difference from 2018 to 2019</i>  | -           | \$ 121,892        | \$ (40,582)       | \$ 81,310           | \$ -              |

mation related to 101 Ash Street Building Relocation can be found in the “Key Citywide Issues” Section in our Report.

## Local Enforcement Agency Fund

The FY 2019 Proposed Budget is approximately \$1.2 million, an increase of approximately \$81,000 over the FY 2018 Adopted Budget. There is no change in the number staff from FY 2017. Department revenues are projected to be materially unchanged from the FY 2018 Adopted Budget. *Note the FY 2019 Proposed Budget reflects an increase in revenue by the amount of \$364,000. This was in error and will be corrected in the May Revision.*

### Significant Budget Additions

Relocation Expenses to 101 Ash Street - While the FY 2019 Proposed Budget includes approximately \$72,000 for moving costs and additional furniture associated with the Department’s anticipated relocation to 101 Ash Street, this move likely will not occur in FY 2019. This amount was also funded in FY 2018 for the same purpose, however, it was not spent due to relocation delay.

Rental Compensation - The FY 2018 Proposed Budget includes an additional \$7,380 in expenditures related to the Department’s revised share of rent at the 101 Ash Street Building. The revision is based on the proposed space planning for the new building conducted by the Real Estate Assets Department.

# Department Review: Economic Development

## Economic Development

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Economic Development Department is approximately \$15.1 million. The Economic Development Department has two funds. Operations and program support, including positions, are budgeted in the General Fund at approximately \$13.2 million proposed for FY 2019. Of that \$13.2 million, approximately \$8.2 million supports administration and operating costs in Economic Development and nearly \$5.0 million is program support to approximately 139 outside entities. Support for CivicSD is budgeted in the Successor Agency Admin & Project—CivicSD Fund at nearly \$2.0 million for FY 2019. These funds are discussed separately in the following sections.

#### General Fund

The General Fund component of the Eco-

conomic Development Department contains the staff and financial support for various economic and community development programs. The FY 2019 Proposed Budget is approximately \$13.2 million, which is a reduction of approximately \$232,000, or 1.7% from FY 2018. The proposed budget has 59.35 FTE positions to support operations, a reduction of 4.50 FTE positions from FY 2018. The General Fund portion of Economic Development is supported by nearly \$6.0 million of revenue, reflecting a reduction of approximately \$5,000 from FY 2018.

#### Homelessness Programs

The Economic Development Department's proposed budget includes funding support of \$648,000 for the following homelessness programs:

- \$308,000 for the Safe Parking Program: This funding will go to Jewish Family Services of San Diego for providing a designated parking lot as a

| SUMMARY OF ECONOMIC DEVELOPMENT (GENERAL FUND) BUDGET CHANGES |               |                     |                     |                      |                     |
|---|---------------|---------------------|---------------------|----------------------|---------------------|
| Description   | FTE           | PE                  | NPE                 | Total Expense        | Revenue             |
| FY 2018 Adopted Budget  | 63.85         | \$ 7,092,334        | \$ 6,291,368        | \$ 13,383,702        | \$ 5,595,573        |
| <b>Programmatic Changes</b>                                   |               |                     |                     |                      |                     |
| Safe Parking Program for Homeless                             | -             | -                   | 308,000             | 308,000              | -                   |
| Housing Navigation Center                                     | -             | -                   | 300,000             | 300,000              | -                   |
| San Diego Misdemeanants At Risk Track (SMART)                 | -             | -                   | 40,000              | 40,000               | -                   |
| Reduction One-time Support for Homeless Initiatives           | -             | -                   | (1,066,086)         | (1,066,086)          | -                   |
| Transfer Climate Action Plan to Office of Sustainability      | (2.00)        | (264,601)           | 264,469             | (132)                | -                   |
| Reduction in Support for CONNECT2Careers                      | -             | -                   | (100,000)           | (100,000)            | -                   |
| Savings in Business Cooperation Program                       | -             | -                   | (90,000)            | (90,000)             | -                   |
| Savings in Small Business Enhancement Program                 | -             | -                   | (50,000)            | (50,000)             | -                   |
| Reduction in Support to Housing Commission                    | -             | -                   | (27,894)            | (27,894)             | -                   |
| <b>Other Changes</b>  |               |                     |                     |                      |                     |
| Salary and Benefit Adjustments                                | (2.50)        | 329,518             | -                   | 329,518              | -                   |
| Non-Discretionary Adjustments                                 | -             | -                   | 71,904              | 71,904               | -                   |
| Information Technology Adjustments                            | -             | -                   | 52,924              | 52,924               | -                   |
| Other Adjustments   | -             | -                   | -                   | -                    | (4,820)             |
| <b>FY 2019 Proposed Budget</b>                                | <b>59.35</b>  | <b>\$ 7,157,251</b> | <b>\$ 5,994,685</b> | <b>\$ 13,151,936</b> | <b>\$ 5,590,753</b> |
| <b>Difference from 2018 to 2019</b>                           | <b>(4.50)</b> | <b>\$ 64,917</b>    | <b>\$ (296,683)</b> | <b>\$ (231,766)</b>  | <b>\$ (4,820)</b>   |

Office of the Independent Budget Analyst

April 2018



# Department Review: Economic Development

---

safe place for homeless individuals to park overnight with access to restrooms and other services. This is a continuing program from FY 2018; however, the amount included in the FY 2019 budget will only cover 9 months of operations. The department has indicated that they intend to request an additional approximately \$103,000 in the May Revision in order to cover a full year of operations.

- \$300,000 for the Housing Navigation Center: This funding will go to the San Diego Housing Commission for renovations to establish the Housing Navigation Center, which is intended to serve as an entry point for people to gain access to services and ultimately to attain permanent housing. This funding will be combined with funding from the Low and Moderate Income Housing Asset Fund and Community Development Block Grants (CDBG).
- \$40,000 for the San Diego Misdemeanants At Risk Track (SMART) Program: This funding will go to the San Diego Housing Commission to be used for start-up costs associated with establishing transitional housing for SMART program participants. This funding will be combined with other sources, including a State grant.

The FY 2018 Adopted Budget included approximately \$1.1 million of one-time contributions to the Housing Commission for homeless initiatives. That funding has been removed in the FY 2019 Proposed Budget. However, the budget continues approximately \$2.3 million in ongoing funding for the following:

- Interim Housing & Services (\$1.6 million)

- Connections Housing (\$300,000)
- Serial Inebriate Program (\$290,000)
- Transitional Storage Center (\$125,000)

For a more complete picture of how homelessness initiatives are funded in the proposed budget, refer to the Homelessness Programs section earlier in this report .

## **Transfer of Climate Action Plan (CAP) to Office of Sustainability**

The FY 2019 Proposed Budget transfers CAP staff out of the Economic Development Department and into the newly formed Office of Sustainability. This reflects a transfer of 1.00 Program Manager and 1.00 Senior Planner. The personnel reduction is offset by an increase in non-personnel expense to transfer General Fund support to the new Office of Sustainability, which is budgeted in the Energy Conservation Program Fund, in order to pay for the CAP positions. This restructure has no net impact to the General Fund.

## **Significant Budget Reductions**

Economic Development's proposed budget includes reductions in support for various programs as listed below. According to Economic Development, these funding reductions should have no impacts on services.

- \$100,000 reduction in support for the CONNECT2Careers (C2C) program: The Economic Development Department indicated that this is being replaced with CDBG funding. The remaining allocation in Economic Development's General Fund budget for C2C is \$324,000. The FY 2019 CDBG Reinvestment Initiative allocations, approved by City Council on April 23, 2018, include \$225,000 for C2C and \$400,000 for a new C2C mentorship program.

# Department Review: Economic Development

---

- \$90,000 reduction due to savings in the Business Cooperation Program
- \$50,000 reduction due to savings in the Small Business Enhancement Program (SBEP). The Economic Development Department indicated that General Fund appropriations for SBEP are already, in FY 2018, below what is recommended in Council Policy 900-15, which specifies that SBEP receive \$20 for each small business in the City. **This may be a policy consideration for the City Council.**
- Approximately \$28,000 reduction due to savings in support to the Housing Commission

## Issues for Council Consideration

### Unfunded Requests

The Economic Development Department requested the following items that were not included in the FY 2019 Proposed Budget:

- 1.00 Community Development Specialist 4 to increase enrollment in the Business Cooperation Program
- \$100,000 of Transient Occupancy Tax funding through Special Promotional Programs for the development of an Economic Development Strategy
- Approximately \$100,000 of CDBG funding for 1.00 Community Development Specialist 4 in order to ensure financial and program compliance for the Reinvestment Initiative (ReI)

## Successor Agency Fund

The Successor Agency Admin & Project—CivicSD Fund was established in the FY

2018 Budget to allow for better transparency in monitoring the administrative and project management expenses associated with Civic San Diego's work for the City on redevelopment wind down functions. The proposed allocation for FY 2019 is approximately \$2.0 million of expenditures with an equal amount of revenues from the Recognized Obligation Payment Schedule (ROPS) and the Property Management Fund. The City's budget is approximately \$50,000 less than the amount in Civic San Diego's Budget for FY 2019 and the Financial Management Department indicated that this will be corrected in the May Revision.

Comparing Civic San Diego's FY 2019 budget of approximately \$2.0 million to the FY 2018 budget of approximately \$2.7 million, shows an approximately \$631,000 reduction. Civic San Diego's Proposed FY2018-2019 Administrative Budget document states that reimbursements have "decreased as workloads associated with the wind down of redevelopment activities have also decreased." A more detailed review of the Civic San Diego FY 2019 budget will be issued by the IBA during the week of April 30, 2018.

# Environmental Services

## Impacts of Mayor’s FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Environmental Services Department (ESD) is approximately \$105.4 million, reduction of approximately \$1.7 million and 2.11 FTE positions from the FY 2018 Adopted Budget. Revenues are projected to total approximately \$56.6 million, an decrease of \$2.0 from the FY 2018 Adopted Budget.

To accommodate the Department’s multiple areas of responsibility and funding sources, the Department is divided into four primary divisions across four individual funds. The analysis of the FY 2019 Proposed Budget in this section is organized by the Department’s four funds.

### General Fund

The FY 2019 Proposed Budget for the General Fund is approximately \$44.6 million, an increase of approximately \$3.9 million from the FY 2018 Adopted Budget. The FY 2019 Proposed Budget includes 171.72 FTE positions which represents an increase of

16.16 FTE positions from the FY 2018 Adopted Budget. Department revenues are projected to total approximately \$1.3 million, a decrease of \$158,000 from the FY 2018 Adopted Budget.

### Significant Budget Expenditure Reductions

Delay in Reduction to Tipping Fee Discount – The FY 2016 Adopted Budget included the first year of a three-year phased elimination of a \$5/ton tipping fee discount to City forces. Eliminating this discount increases the cost to the General Fund for landfill usage. The scheduled reduction of the discount included:

- a \$2/ton reduction in FY 2016 (approximately \$600,000 increase to General Fund);
- a \$2/ton reduction in FY 2017 (\$600,000); and
- a \$1/ton reduction in FY 2018 (\$300,000).

The FY 2016 and FY 2017 Adopted Budget included the planned \$2/ton discount. However, rather than implementing the final reduction, the FY 2018 Budget continued the remaining \$1/ton discount and reinstated an additional \$1/ton discount.

| ENVIRONMENTAL SERVICES DEPARTMENT<br>FY 2019 PROPOSED BUDGET EXPENDITURES |                      |   |                      |                      |                       |
|---|----------------------|---|----------------------|----------------------|-----------------------|
| Divisions   | General Fund         | Automated Refuse Container Fund Replacement | Refuse Disposal Fund | Recycling Fund       | TOTAL                 |
| Collection Services   | \$ 34,498,157        | \$ 1,300,000                                | \$ 1,229,528         | \$ 18,846,298        | \$ 55,873,983         |
| Disposal & Environmental Protection                                       | 1,963,046            | -   | 21,428,906           | 1,731,223            | 25,123,175            |
| Environmental Services  | 1,644,686            | -   | 4,065,389            | 2,498,124            | 8,208,199             |
| Waste Reduction   | 6,529,278            | -   | 6,955,056            | 2,741,299            | 16,225,633            |
| <b>TOTAL</b>  | <b>\$ 44,635,167</b> | <b>\$ 1,300,000</b>                         | <b>\$ 33,678,879</b> | <b>\$ 25,816,944</b> | <b>\$ 105,430,990</b> |

# Department Review: Environmental Services

The FY 2019 Proposed Budget defers the remaining \$2/ton discount reduction in order to mitigate the General Fund impact, which results in a reduced expenditure of \$600,000.

The Department plans to eliminate the discount in FY 2020 and FY 2021, by the amount \$1/ton in each of these years. This FY 2019 deferment and the plan for elimination in FY 2020-2021 was included in the Mayor's FY 2019-2023 Five-Year Outlook.

Reduction of Rear Loader Packers - As a part of the Department's efforts to address the City's shortfall projected in FY 2019, the Proposed Budget includes a reduction of \$54,000 in expenditures due to elimination of three (3) rear loader packers. The Department's Collection Services Division currently has 28 rear load packers of which seven are utilized as back-up/reserve vehicles. As a result of this reduction the number of spare vehicles will be reduced to four; the Department has indicated that it can sufficiently manage collection operations with no impact to service levels as a result of this reduction.

One-Time Reductions and Annualizations- The FY 2019 Proposed budget includes One-Time Reductions and Annualizations totaling \$875,000. This reduction is primarily related to the \$800,000 in one-time funding in the FY 2018 Adopted Budget for the Litter and Graffiti Abatement Pilot Program

## Significant Budget Additions

CleanSD— The FY 2019 Proposed Budget includes 16.00 FTEs and \$4.2 million to expand the CleanSD Program. CleanSD originally evolved from the Litter and Graffiti Abatement Pilot Program that was initially funded by the General Fund in the FY 2018 Adopted Budget in the amount of \$800,000. Later in FY 2018, various clean-up and sanitization efforts that the City undertook in response to the hepatitis A outbreak, as well as other waste abatement efforts the Department had previously been conducting, were rebranded under the "Clean SD" umbrella. According to the Department, certain service levels that are currently in place will continue, while others will be increased in FY 2019 given the additional funding.

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES |               |                      |                      |                      |                     |
|--|---------------|----------------------|----------------------|----------------------|---------------------|
| Description  | FTE           | PE                   | NPE                  | Total Expense        | Revenue             |
| FY 2018 Adopted Budget   | 155.56        | \$ 15,815,102        | \$ 24,904,087        | \$ 40,719,189        | \$ 1,479,446        |
| <b>Programmatic Changes</b>  |               |                      |                      |                      |                     |
| CleanSD  | 16.00         | 1,114,130            | 3,103,300            | 4,217,430            | -                   |
| Tipping Fee  | -             | -                    | (600,000)            | (600,000)            | -                   |
| Mission Beach Trash Collection   | -             | 40,000               | 30,000               | 70,000               | -                   |
| Public Information Clerk   | 1.00          | 55,080               | -                    | 55,080               | -                   |
| Refuse Fees  | -             | -                    | 150,000              | 150,000              | -                   |
| Reduction of Rear Loader Packers (3)                                       | -             | -                    | (54,027)             | (54,027)             | -                   |
| One-Time Reductions and Annualizations                                     | -             | (45,305)             | (830,000)            | (875,305)            | -                   |
| Revised Revenue  | -             | -                    | -                    | -                    | (158,000)           |
| <b>Other Changes</b>   |               |                      |                      |                      |                     |
| Salary and Benefit Adjustments   | -             | 5,795                | -                    | 5,795                | -                   |
| Non-Discretionary Adjustments  | -             | -                    | 1,068,774            | 1,068,774            | -                   |
| Other Adjustments  | (0.84)        | (79,034)             | (42,735)             | (121,769)            | -                   |
| <b>FY 2019 Proposed Budget</b>   | <b>171.72</b> | <b>\$ 16,905,768</b> | <b>\$ 27,729,399</b> | <b>\$ 44,635,167</b> | <b>\$ 1,321,446</b> |
| <b>Difference from 2018 to 2019</b>  | <b>16.16</b>  | <b>\$ 1,090,666</b>  | <b>\$ 2,825,312</b>  | <b>\$ 3,915,978</b>  | <b>\$ (158,000)</b> |

# Department Review: Environmental Services

---

- *Sidewalk Sanitization*– The FY 2019 Proposed Budget includes \$1.3 million for contracted sidewalk sanitization services primarily to occur in the downtown area. The Department has indicated that it has already conducted the competitive selection of a contractor through an RFP process which resulted in an award to City’s current contractor, Clean Harbors. Service currently occurs weekly in East Village and biweekly in Downtown, and will continue at this level in FY 2019.
  - *Riverbed Clean-up*– Currently occurs twice per week in the San Diego River and smaller channels such as Chollas Creek and this will continue at this level in FY 2019. Labor crews are contracted through Alpha Project.
  - *Scheduled Waste Abatement Downtown*– Currently occurs twice per week and will continue at this level in FY 2019.
  - *Flexible Waste Abatement Crews*– Currently three two-person crews that are contracted with Urban Corps respond to requests received through the Get It Done application, perform litter removal, and conduct waste abatements associated with illegal homeless camps. In FY 2019, two additional crews consisting of City staff will supplement the three existing Urban Corps crews. New City staff include 4.00 Utility Worker 2s, 2.00 Heavy Truck Drivers, and 1.00 Public Works Supervisor. These represent 7.00 of the 16.00 FTE positions included in the FY 2019 Proposed Budget.
  - *Curbside Community Clean-Ups/Collection* – Currently, one curbside collection event is held once per week whereby a neighborhood/area is selected for residents to leave bulky items that do not fit in the City’s refuse containers curbside for collection by the Department. In FY 2019, these events would increase to 2-3 times per week at different locations around the City.
  - *Illegal Dumping Enforcement*– The FY 2019 Proposed Budget includes 4.00 Code Compliance Officers, 1.00 Code Compliance Supervisor, and 1.00 Senior Code Compliance Supervisor to enforce illegal dumping.
  - *Street Sweeping*– The Transportation and Storm Water Department currently conducts street sweeping four times per week in the East Village neighborhood of Downtown. In FY 2019, this will continue for the same number of days per week, however, the service will be increased to perform street sweeping on both sides of the road. The FY 2019 Proposed Budget includes \$150,000 for this increased service level in the Transportation and Storm Water Department. More detail for this can be found in the “Transportation and Storm Water” section of this report.
  - *CleanSD Administration*– The FY 2019 Proposed Budget includes 1.00 Program Manager to manage the code enforcement section and oversee waste abatement activities. 1.00 Account Clerk and 1.00 Associate Management Analyst are also included to manage contracts, pay invoices, and track performance statistics, such as tonnage collected.
- Refuse Fees* – The FY 2019 Adopted Budget includes \$150,000 in additional expenditures for fees related to refuse disposed by General Fund Departments. This addition will streamline the work order process allowing for as-needed refuse collection to occur quicker. General Fund Departments



# Department Review: Environmental Services

would later reimburse the Department after work is performed.

Mission Beach Trash Collection – The FY 2019 Proposed Budget includes \$70,000 in one-time funding perform two collections per week during the summer months. This is the same level of service that was funding in the FY 2018 Adopted Budget.

Public Information Clerk– The FY 2019 Proposed Budget includes 1.00 FTE and \$55,000 in expense for the addition of a Public Information Clerk. This addition is necessary to respond to the increasing number of service requests that are being received thorough the Get It Done application.

## Issues for Council Consideration

### Funding Requests not Made

Additional Staff to Support Zero Waste Plan– For the FY 2019 Proposed Budget, the Department requested the addition of 1.00 Program Manger, 2.00 Code Compliance Officers and expenditures of approximately \$384,214, with \$111,000 being one-time expenditures, to support the Zero Waste Plan and Climate Action Plan. The addition of these positions, which would provide enforcement of the City Recycling Ordinance as recommended under the plan. This request was not funded. As a result, there may be a delay in the City achieving its 75% diversion goal by 2020.

## Council Priority Memoranda Items Addressed

A majority of Councilmembers’ FY 2019 budget priority memoranda recommended funding for sanitation services, including ongoing street sanitation, additional Code Compliance Officers, programs to address illegal dumping, community cleanups, and a second trash collection in Mission Beach during the summer months. The FY 2019 Proposed Budget addresses this priority.

## Automated Refuse Container Fund

The FY 2019 Proposed Budget for the Automated Refuse Container Fund is approximately \$1.3 million, an increase of approximately \$200,000 over the FY 2018 Adopted Budget. Department revenues are projected to total approximately \$1.0 million, representing an increase of \$100,000 from the FY 2018 Adopted Budget.

### Significant Budget Additions

Purchase of Automated Refuse Containers – The FY 2019 Proposed Budget includes \$200,000 for the purchase of refuse containers due to an increase in the number of automated refuse containers purchased by residents.

### Significant Revenue Changes

The FY 2018 Proposed Budget includes an increase of \$100,000 in revenue due to an increase in the sale of automated refuse containers.

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT<br>AUTOMATED REFUSE CONTAINER FUND BUDGET CHANGES |     |      |              |               |              |
|--|-----|------|--------------|---------------|--------------|
| Description  | FTE | PE   | NPE          | Total Expense | Revenue      |
| FY 2018 Adopted Budget   | -   | \$ - | \$ 1,100,000 | \$ 1,100,000  | \$ 900,000   |
| <b>Programmatic Changes</b>  |     |      |              |               |              |
| <i>Automated Refuse Containers</i>   | -   | -    | 200,000      | 200,000       | 100,000      |
| <b>FY 2019 Proposed Budget</b>   | -   | \$ - | \$ 1,300,000 | \$ 1,300,000  | \$ 1,000,000 |
| <i>Difference from 2018 to 2019</i>  | -   | \$ - | \$ 200,000   | \$ 200,000    | \$ 100,000   |

Office of the Independent Budget Analyst

April 2018

# Department Review: Environmental Services

## Recycling Fund

The FY 2019 Proposed Budget for the Recycling Fund is approximately \$25.7 million, an increase of approximately \$175,000 over the FY 2017 Adopted Budget. Department revenues are projected to total approximately \$22.3 million, an increase of approximately \$106,000 over the FY 2018 Adopted Budget.

### Significant Budget Additions

Operating Reserve Contribution - The FY 2018 Proposed Budget includes the addition of \$200,000 in expenditures towards Department's Operating Reserve of which the Fund's portion has a current balance of \$3.4 million. This additional contribution will allow the Department to meet the FY 2019 targets established in the City's Reserve Policy, which equates to approximately \$3.6 million.

Pension Payment Stabilization Reserve— The FY 2019 Proposed Budget includes \$56,000 representing the Fund's contribution towards the replenishment of the Pension Payment Stabilization Fund.

### Other

One-Time Reductions and Annualizations— The FY 2019 Proposed budget includes One-Time Reductions and Annualizations to-

taling \$1.4 million. This is primarily related to the \$1.3 million in one-time funding in the FY 2018 Adopted Budget for the Vehicle Replacement Fund.

### Significant Revenue Change

Revised Revenue - The FY 2019 Proposed Budget includes an increase of approximately \$106,000 in revenue. The primary driver of the increase (\$100,000) is due to a greater amount of AB939 fees received as a result increased tonnage received by the Refuse Disposal Fund.

## Refuse Disposal Fund

The FY 2019 Proposed Budget for the Refuse Disposal Fund is approximately \$33.8 million from the FY 2018 Adopted Budget. Department revenues are projected to total approximately \$31.9 million, an increase of approximately \$1.2 million over the FY 2018 Adopted Budget.

### Significant Budget Additions

Heavy Equipment Maintenance and Repair - The FY 2019 Proposed Budget includes approximately \$141,000 in expenditures to perform maintenance and repair on heavy equipment that is leased for work at the Miramar Landfill.

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES |               |                      |                      |                      |                      |
|--|---------------|----------------------|----------------------|----------------------|----------------------|
| Description  | FTE           | PE                   | NPE                  | Total Expense        | Revenue              |
| FY 2018 Adopted Budget   | 111.76        | \$ 10,898,910        | \$ 14,611,739        | \$ 25,510,649        | \$ 22,237,651        |
| <b>Programmatic Changes</b>  |               |                      |                      |                      |                      |
| <i>Pension Payment Stabilization Reserve</i>                                 | -             | -                    | 56,163               | 56,163               | -                    |
| <i>Operating Reserves</i>  | -             | -                    | 200,000              | 200,000              | -                    |
| <i>One-Time Reductions and Annualizations</i>                                | -             | (3,173)              | (1,420,000)          | (1,423,173)          | -                    |
| <i>Revised Revenue</i>   | -             | -                    | -                    | -                    | 106,075              |
| <b>Other Changes</b>   |               |                      |                      |                      |                      |
| <i>Salary and Benefit Adjustments</i>  | (1.76)        | (7,091)              | -                    | (7,091)              | -                    |
| <i>Non-Discretionary Adjustments</i>   | -             | -                    | 1,308,537            | 1,308,537            | -                    |
| <i>Other Adjustments</i>   | 1.48          | 171,859              | -                    | 171,859              | -                    |
| <b>FY 2019 Proposed Budget</b>   | <b>111.48</b> | <b>\$ 11,060,505</b> | <b>\$ 14,756,439</b> | <b>\$ 25,816,944</b> | <b>\$ 22,343,726</b> |
| <i>Difference from 2018 to 2019</i>  | <i>(0.28)</i> | <i>\$ 161,595</i>    | <i>\$ 144,700</i>    | <i>\$ 306,295</i>    | <i>\$ 106,075</i>    |

# Department Review: Environmental Services

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET CHANGES |               |                      |                       |                       |                      |
|--|---------------|----------------------|-----------------------|-----------------------|----------------------|
| Description  | FTE           | PE                   | NPE                   | Total Expense         | Revenue              |
| FY 2018 Adopted Budget   | 140.94        | \$ 14,542,501        | \$ 21,375,362         | \$ 35,917,863         | \$ 30,712,190        |
| <b>Programmatic Changes</b>  |               |                      |                       |                       |                      |
| <i>Pension Payment Stabilization Reserve</i>                                       | -             | -                    | 71,962                | 71,962                |                      |
| <i>Permits and Fees</i>  | -             | -                    | 132,452               | 132,452               |                      |
| <i>Heavy Equipment Maintenance and Repair</i>                                      | -             | -                    | 141,275               | 141,275               | -                    |
| <i>One-Time Reductions and Annualizations</i>                                      | -             | (9,602)              | (2,055,000)           | (2,064,602)           | -                    |
| <i>Revised Revenue</i>   | -             | -                    | -                     | -                     | 1,154,784            |
| <b>Other Changes</b>   |               |                      |                       |                       |                      |
| <i>Salary and Benefit Adjustments</i>  | -             | (76,049)             | -                     | (76,049)              | -                    |
| <i>Non-Discretionary Adjustments</i>   | -             | -                    | (116,416)             | (116,416)             | -                    |
| <i>Other Adjustments</i>   | (0.64)        | (98,046)             | (229,560)             | (327,606)             | -                    |
| <b>FY 2019 Proposed Budget</b>   | <b>140.30</b> | <b>\$ 14,358,804</b> | <b>\$ 19,320,075</b>  | <b>\$ 33,678,879</b>  | <b>\$ 31,866,974</b> |
| <i>Difference from 2018 to 2019</i>  | <i>(0.64)</i> | <i>\$ (183,697)</i>  | <i>\$ (2,055,287)</i> | <i>\$ (2,238,984)</i> | <i>\$ 1,154,784</i>  |

Permits and Fees – The FY 2019 Proposed Budget includes \$132,000 in expenditures for regulatory fees. The overall amount of fees due have increased overtime due to increased tonnage. Department has absorbed these increases in past years; this adjustment is intended to bring the budget inline with actual expenditures.

Pension Payment Stabilization Reserve— The FY 2019 Proposed Budget includes \$72,000 representing the Fund’s contribution towards the replenishment of the Pension Payment Stabilization Fund.

### Other

One-Time Reductions and Annualizations— The FY 2019 Proposed budget includes One-Time Reductions and Annualizations totaling \$2.1 million. This reduction is primarily related to the \$1.5 million in one-time funding in the FY 2018 Adopted Budget for the replacement of the HVAC at the Ridgehaven facility.

### Significant Revenue Change

Revised Revenue – The FY 2019 Proposed Budget includes an increase of approximately \$1.2 million in revenue. The primary driver of the increase (\$1.0 million) is based on revised projections for the receipt of tipping fees.

### Service Level Impacts and Performance Measures

The performance measures provided in the table below reflect: the Department’s progress toward implementing the Zero Waste goals, the number of complaints related to the Collection Services, and the percentage of customers that are satisfied with the current services provided by the Department.

| Performance Measure  | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
|--|----------------|----------------|-------------------|----------------|
| Percentage of programs implemented to achieve the Zero Waste goal of 75% diversion by 2020 | 8%             | 19%            | 19%               | 44%            |
| Collection Services complaint rate (per 10,000 stops)                                      | 0%             | <0.5%          | 0%                | <0.5%          |
| Percentage of clients who indicate that they are satisfied with services provided          | 99%            | 90%            | 100%              | 100%           |

# Department Review: Fire-Rescue

## Fire-Rescue

| Performance Measure   | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
|---|----------------|----------------|----------------|-------------------|----------------|
| Percentage of 911 calls answered in 15 seconds or less after transfer to Fire dispatch  | 95%            | 93%            | 95%            | 94%               | 95%            |
| Percentage of Fire-Rescue first responder arrival on emergencies 7:30 minutes from the receipt of the 911 call in Fire dispatch | 90%            | 78%            | 90%            | 76%               | 90%            |
| Percentage of structure fires confined to area or room of origin  | 80%            | 71%            | 80%            | 73%               | 80%            |

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Fire-Rescue Department is approximately \$263.6 million for the General Fund, an increase of \$6.0 million or 2.3% from the FY 2018 Budget. The FY 2019 Proposed Budget includes 1,236.64 FTE positions, an increase of 5.99 FTE positions over FY 2018. Budgeted revenue totaling \$41.7 million represents an increase of \$6.7 million.

Proposed changes to the Fire-Rescue budget include position additions to sup-

port the Department's Emergency Command and Data Center (ECDC), added expenditures to support an expanded fire academy, adjustments to overtime, added expenditures to replace Lifeguard vessels, and increased TOT revenue to support Lifeguard operations. These budget changes are intended to maintain or improve current public safety service levels. The FY 2019 Proposed Budget does not include any service cuts to the Fire-Rescue Department. Unlike in recent fiscal years, the Department does not anticipate opening new fire stations or adding new Fast Response Squad (FRS) units in FY 2019,

| SUMMARY OF FIRE-RESCUE DEPARTMENT BUDGET CHANGES                                      |                 |                       |                      |                       |                      |
|---|-----------------|-----------------------|----------------------|-----------------------|----------------------|
| Description   | FTE             | PE                    | NPE                  | Total Expense         | Revenue              |
| FY 2018 Adopted Budget  | 1,230.65        | \$ 221,928,968        | \$ 35,682,289        | \$ 257,611,257        | \$ 35,004,383        |
| <b>Programmatic Changes</b>   |                 |                       |                      |                       |                      |
| Addition of Fire Dispatchers  | 8.00            | 663,721               | -                    | 663,721               | -                    |
| Replacement of Two Lifeguard Vessels  | -               | -                     | 256,000              | 256,000               | -                    |
| Expansion of Fire Academy from 24 to 36 Participants                                  | -               | 137,825               | 104,625              | 242,450               | -                    |
| Addition of ECDC Battalion Chief  | 1.00            | 148,628               | -                    | 148,628               | -                    |
| Addition of Program Manager for Airport Authority                                     | 1.00            | 119,925               | -                    | 119,925               | 119,754              |
| Reduction of Grant-Funded Lifeguard Sergeant  | (1.00)          | (95,678)              | -                    | (95,678)              | -                    |
| Reduction of Helicopter Maintenance   | -               | -                     | (228,000)            | (228,000)             | -                    |
| Facility Maintenance Consolidation  | (3.00)          | (290,462)             | -                    | (290,462)             | -                    |
| Diesel Fuel Reclassification  | -               | -                     | (1,400,000)          | (1,400,000)           | -                    |
| Reduction of Overtime Expenditures  | -               | (1,639,706)           | -                    | (1,639,706)           | -                    |
| <b>Other Changes</b>  |                 |                       |                      |                       |                      |
| Salary and Benefit Adjustments (incl. Annualization of Bayside Fire Station Staffing) | 5.00            | 9,970,280             | -                    | 9,970,280             | -                    |
| Non-Discretionary Adjustments   | -               | -                     | 2,559,267            | 2,559,267             | -                    |
| Addition of TOT Revenue for Lifeguards  | -               | -                     | -                    | -                     | 4,986,188            |
| Addition of TOT Revenue for other Fire-Rescue services                                | -               | -                     | -                    | -                     | 600,000              |
| Addition of EMS Fund Revenue Transfer   | -               | -                     | -                    | -                     | 722,761              |
| Hourly Wages  | (5.01)          | (85,035)              | -                    | (85,035)              | -                    |
| Other Adjustments   | -               | (2,659,123)           | (1,611,617)          | (4,270,740)           | 224,895              |
| <b>FY 2019 Proposed Budget</b>  | <b>1,236.64</b> | <b>\$ 228,199,343</b> | <b>\$ 35,362,564</b> | <b>\$ 263,561,907</b> | <b>\$ 41,657,981</b> |
| <b>Difference from 2018 to 2019</b>   | <b>5.99</b>     | <b>\$ 6,270,375</b>   | <b>\$ (319,725)</b>  | <b>\$ 5,950,650</b>   | <b>\$ 6,653,598</b>  |

# Department Review: Fire-Rescue

---

although the new Bayside Fire Station in Little Italy will open in June 2018, requiring full funding in FY 2019.

## **Addition of ECDC Battalion Chief and Dispatcher Positions**

The FY 2019 Proposed Budget adds 8.00 Fire Dispatcher positions and \$664,000 in associated personnel expenditures to support the Emergency Command and Data Center (ECDC), which is Fire-Rescue's 911 call and dispatch center. The addition will bring total Fire Dispatcher staffing to 51.00 positions and will allow the ECDC to be staffed with a 12-person constant staffing model. This model was recommended by a consultant study conducted in March 2017 by Citygate Associates, which found that current ECDC staffing levels were insufficient during peak call times.

The FY 2019-2023 Five-Year Financial Outlook identified this budget addition as an ongoing Critical Strategic Expenditure beginning in FY 2019. In anticipation of this planned increase to ECDC staffing, Fire-Rescue obtained authorization to accelerate the hiring of the positions on an unbudgeted supplemental basis in FY 2018. The FY 2019 Proposed Budget adds these same positions as regular budgeted positions. The Department anticipates filling the positions as soon as May 2018.

In addition to the 8.00 Fire Dispatchers, the FY 2019 Proposed Budget also adds 1.00 Battalion Chief position and \$149,000 in associated personnel expenditures to augment ECDC staffing. The addition will increase total Battalion Chief staffing at the ECDC from three to four, and will allow for 24-hour coverage of the Center on a more efficient shift schedule than currently exists. The added position is also expected to reduce mandatory and scheduled overtime expenditures. The Battalion

Chief position was not identified in the FY 2019-2023 Five-Year Financial Outlook.

## **Annualization of Bayside Fire Station Staffing**

Bayside Fire Station, located in Little Italy, is anticipated to open in June 2018. Typically, fire stations are staffed with 12.00 FTE positions consisting of four-person crews working three daily eight-hour shifts. The FY 2018 Adopted Budget included the addition of 7.00 FTE positions for Bayside Fire Station as a pro-rated amount to account for a partial year of staffing for the station (at that time, the facility was anticipated to open earlier in FY 2018). In order to support a full year of operations in FY 2019, the Proposed Budget adds 5.00 FTE positions and associated personnel expenditures to bring firefighter staffing at Bayside Fire Station to the typical level of 12.00 FTE positions.

## **Replacement of Two Lifeguard Vessels**

The FY 2019 Proposed Budget includes an additional \$256,000 in non-personnel expenditures to purchase two Surf Rescue Vessels for use by the Lifeguard Division's Boating Safety Unit. The new boats will replace existing vessels that are due to reach the end of their serviceable lives in FY 2019, per the Division's vessel replacement schedule. The boats are used daily for a variety of functions including emergency response, surf rescue, law enforcement, patrol, public addresses, vessel pump-outs, towing, and as a dive and patient platform.

In FY 2016 and FY 2017, past Adopted Budgets included annual expenditures of \$437,000 to support the Lifeguard Vessel Replacement Fund. The FY 2018 Adopted Budget eliminated the fund and transferred fund balance to the General Fund.



# Department Review: Fire-Rescue

---

As a result, the proposed purchase of two replacement vessels in FY 2019 will require an expenditure from the General Fund.

## **Expansion of Fire Academy from 24 to 36 Participants**

The FY 2019 Proposed Budget includes funding for one 36-recruit fire academy in FY 2019, which is an expanded academy size in relation to the 24-recruit academy that was originally budgeted in FY 2018. The additional cost of expanding the fire academy size is approximately \$242,000.

As stated earlier, in FY 2018 the Adopted Budget included funding for one 24-recruit academy. During the FY 2018 Mid-Year Budget Monitoring process, funding for a second fire academy of 36 recruits was added to the Fire-Rescue budget to maintain full fire suppression staffing due to higher than anticipated attrition. For FY 2019, the Department has conducted an analysis of projected retirements and separations and has concluded that one 36-recruit fire academy will be sufficient to maintain full staffing. However, our Office recommends ongoing analysis of fire suppression staffing levels throughout the fiscal year so that adjustments may be made at Mid-Year if appropriate.

## **Addition of Program Manager for Airport Authority**

The FY 2019 Proposed Budget adds 1.00 Program Manager position and \$119,925 in associated personnel expenditures to support the administration of the Fire-Rescue Department's Aircraft Rescue and Fire Fighting Services (ARFF) contract with the San Diego County Regional Airport Authority. This expenditure is offset by \$119,754 in additional revenue provided as reimbursement from the Airport Authority.

## **Reduction of Grant-Funded Lifeguard Sergeant**

A reduction of 1.00 Lifeguard Sergeant (Maritime Planner) position and \$96,000 in associated personnel expenditures is included in the FY 2019 Adopted Budget as the position was grant-funded, and the grant was completed. This position was previously funded by the Urban Area Security Initiative (UASI) from FY 2015 through FY 2017. The position has been vacant since FY 2017 and is no longer required as a result of the completion of the grant.

## **Reduction of Helicopter Maintenance**

The FY 2019 Proposed Budget reduces helicopter maintenance expenditures by \$228,000 due to the anticipated delivery of a new third fire helicopter to the Department in autumn 2018. The new helicopter is a Sikorsky "Firehawk" that was procured in FY 2018. Fire-Rescue has indicated that because flight hours will be spread across three helicopters as opposed to two, maintenance and repair costs for the two older existing helicopters will be reduced. After the proposed reduction, a total of \$750,000 in ongoing expenditures will remain in the Fire-Rescue Department's budget for helicopter maintenance.

## **Facility Maintenance Consolidation**

The FY 2019 Proposed Budget includes a transfer of 3.00 FTE positions and \$290,000 in associated expenditures from Fire-Rescue to the Public Works Department for consolidation of facility maintenance functions. Further discussion of the overall citywide facility maintenance consolidation plan can be found in this report's discussion of the Public Works-General Services budget.

## **Diesel Fuel Reclassification**

Prior to FY 2018, the Fire-Rescue Department purchased its own diesel fuel and

# Department Review: Fire-Rescue

---

therefore related expenditures were budgeted within the Department. Beginning in FY 2019, the Proposed Budget reclassifies \$1.4 million in Fire-Rescue diesel fuel expenditures as a non-discretionary expenditure as the Fleet Operations Department currently oversees fuel delivery and expenses Citywide and bills customer departments such as Fire-Rescue accordingly. The reclassification of diesel fuel expenses has no net impact to the Fire-Rescue Department budget.

## **Reduction of Budgeted Overtime Expenditures**

As a result of a comprehensive zero-based budgeting process described in Attachment B to Volume 1 of the FY 2019 Proposed Budget, net budgeted overtime expenditures for Fire-Rescue are reduced by approximately \$1.6 million in FY 2019, for a total overtime budget of \$31.2 million.

In the current fiscal year, the FY 2018 Mid-Year Budget Monitoring Report projected that Fire-Rescue would spend approximately \$36.1 million on overtime at year-end. Therefore the gap between projected FY 2018 actual overtime expenditures and FY 2019 budgeted overtime is approximately \$4.9 million.

During the zero-based review, Fire-Rescue committed to closing that gap in FY 2019 by reducing overtime by roughly \$3.5 million (made up of a \$2.2 million reduction due to operational efficiencies and a \$1.3 million reduction due to one-time weather events in FY 2018). Even if the \$3.5 million in projected overtime efficiencies were achieved in FY 2019, if the Department were to continue its other overtime spending as it did in FY 2018, its overtime budget would be short by approximately \$1.4 million.

Due to the fact that the zero-based over-

time review was thorough and overtime causes can fluctuate from year to year (for example, due to changes in fire academy size or strike team deployments), our Office cautiously agrees with Fire-Rescue's proposed overtime budget for FY 2019. We do, however, recommend continued close monitoring of this expenditure during the quarterly budget monitoring process.

## **TOT Revenue Transfer Increase**

In FY 2018, the Fire-Rescue Department began receiving reimbursements from the TOT Fund for tourism-related safety services performed by the Lifeguard Division. In FY 2019, the Proposed Budget includes an increase of approximately \$5.0 million to this revenue transfer for a total of \$14.1 million for Lifeguards.

An additional TOT revenue reimbursement of \$600,000 is also included for other eligible non-Lifeguard related safety services provided by the Fire-Rescue Department.

## **Issues for Council Consideration**

### **Council Budget Priority Items**

A majority of Councilmember budget priority memoranda identified two priorities for the Fire-Rescue Department. The following list describes the priority items and their funding status in the FY 2019 Proposed Budget:

- Additional Resources for the Resource Access Program (RAP) — The FY 2019 Proposed Budget does not include additional resources for RAP. RAP identifies chronic, high-volume users of the City's emergency medical services system and works to connect those individuals with appropriate resources for

## Department Review: Fire-Rescue

---

their needs. Currently, RAP is staffed with 1.00 Program Manager position but no paramedics are assigned to the program at this time due to staffing shortages with the City's ambulance provider, AMR. Fire-Rescue has indicated it is in ongoing discussions with AMR regarding future staffing opportunities for RAP. Additionally, the Department has stated that its long-term solution is to include a RAP component in a future RFP for the EMS system.

- Increased Lifeguard Services Staff — the FY 2019 Proposed Budget does not include additional staff for the Lifeguard Services Division. A majority of Councilmembers' priority memoranda identified the addition of 1.00 Senior Management Analyst position and several identified support for additional Lifeguard III positions as priority items.

### **North University City Fire Station Delay from FY 2020 to FY 2021**

The FY 2019–2023 Five-Year Financial Outlook included \$925,000 in non-personnel expenditures for the purchase of a fire engine for the planned new North University City Fire Station in FY 2019, which at the time was expected to open in FY 2020. (The Fire-Rescue Department typically budgets expenses for fire engine purchases one year prior to the anticipated opening date of a new fire station.) Due to the fact that North University City Fire Station is now projected to open a year later in FY 2021, the associated fire apparatus purchase has been delayed until FY 2020 and does not appear as an expenditure in the FY 2019 Proposed Budget.

# Department Review: Fleet Operations

## Fleet Operations

### Impacts of Mayor's FY 2019 Budget Proposal

The Fleet Operations Department has two internal service funds—the Fleet Operating Fund which supports vehicle maintenance, repairs, fuel, a vehicle rental pool and administrative costs and the Fleet Replacement Fund which is used to purchase replacement vehicles for the City's fleet. Vehicle acquisitions represent approximately 46% of the total expenditures in Fleet Operations.

The combined FY 2019 Proposed Budget for Fleet Operations is approximately \$98.1 million, an increase of \$853,000 or 1% from the FY 2018 Adopted Budget\*. The FY 2019 Proposed Budget includes 205.75 FTE positions, a reduction of 0.25 FTE positions from FY 2018. Budgeted revenue totals \$85.4 million, an increase of \$3.6 million.

### Othello Fire Fleet Repair Facility

The evaluation conducted by CST Fleet services, dated April 26, 2016, recommends identifying a separate shop space for the City's 100+ heavy duty fire apparatus, rather than sharing space with refuse packers at the Miramar facility, in order to increase maintenance efficiency for both fleets. The report states that "the current set up for performing maintenance on both the Fire and Refuse fleets at the Miramar Shops is not adequate to allow the technicians to be successful in keeping both fleets serviced and meet the departments' needs. This shared space leads to a number of inefficiencies . . . the Fire technicians do not have enough bays to adequately do their jobs."

The City identified the Othello site as the future location of a new fire fleet repair facility. The Real Estate Assets Department brought forward the lease, totaling ap-

| SUMMARY OF FLEET OPERATIONS BUDGET CHANGES                        |               |                      |                      |                      |                      |
|---|---------------|----------------------|----------------------|----------------------|----------------------|
| Description   | FTE           | PE                   | NPE                  | Total Expense        | Revenue              |
| FY 2018 Adopted Budget*   | 206.00        | \$ 21,398,096        | \$ 75,815,765        | \$ 97,213,861        | \$ 81,790,239        |
| <b>Programmatic Changes</b>                                       |               |                      |                      |                      |                      |
| <i>Reduction of FY18 One-time for Fire Repair Facility</i>        | -             | -                    | (6,500,000)          | (6,500,000)          | -                    |
| <i>One-time Transfer to General Fund</i>                          | -             | -                    | 3,400,000            | 3,400,000            | -                    |
| <b>Vehicle Usage Fee Revenue</b>                                  | -             | -                    | -                    | -                    | (4,388,775)          |
| <b>Reduction of Underutilized Vehicles</b>                        | (2.75)        | (250,163)            | (204,112)            | (454,275)            | -                    |
| <i>Reduced Vacancy Savings</i>                                    | -             | 190,785              | -                    | 190,785              | -                    |
| <b>Renewal Diesel for Fire-Rescue</b>                             | -             | -                    | 1,561,321            | 1,561,321            | 1,561,321            |
| <b>Paint Booth Repairs</b>  | -             | -                    | 250,000              | 250,000              | -                    |
| <b>Transfer of Fleet Technician from Stadium Operations</b>       | 1.00          | 132,313              | -                    | 132,313              | 124,243              |
| <b>Associate Management Analyst</b>                               | 1.00          | 81,016               | -                    | 81,016               | -                    |
| <b>Other Changes</b>  |               |                      |                      |                      |                      |
| <b>Vehicle Assignment Fee Revenue</b>                             | -             | -                    | -                    | -                    | 6,539,349            |
| <i>Non-Discretionary - Capital Lease Principal &amp; Interest</i> | -             | -                    | 1,986,004            | 1,986,004            | -                    |
| <i>Salary and Benefit Adjustments</i>                             | 0.50          | 1,120,453            | -                    | 1,120,453            | -                    |
| <i>Non-Discretionary Adjustments</i>                              | -             | -                    | (740,042)            | (740,042)            | -                    |
| <i>Information Technology Adjustments</i>                         | -             | -                    | (155,728)            | (155,728)            | -                    |
| <i>Other Adjustments</i>  | -             | (12,853)             | (5,508)              | (18,361)             | (212,021)            |
| <b>FY 2019 Proposed Budget</b>                                    | <b>205.75</b> | <b>\$ 22,659,647</b> | <b>\$ 75,407,700</b> | <b>\$ 98,067,347</b> | <b>\$ 85,414,356</b> |
| <b>Difference from 2018 to 2019</b>                               | <b>(0.25)</b> | <b>\$ 1,261,551</b>  | <b>\$ (408,065)</b>  | <b>\$ 853,486</b>    | <b>\$ 3,624,117</b>  |

\*Net of transfers between Fleet Operating and Replacement Funds

Office of the Independent Budget Analyst

April 2018

# Department Review: Fleet Operations

---

proximately \$10.4 million over 10 years, to Smart Growth and Land Use Committee in March 2017 and it was subsequently approved by City Council in April 2017. The staff report estimated \$6.5 million for tenant improvements and stated that Fleet Operations would be hiring a consultant to identify the optimum design for the new heavy duty fire apparatus shop space.

The FY 2018 Adopted Budget included \$6.5 million of one-time funding for the improvements to the Othello site. However, Fleet Operations has indicated that the estimate provided by the industrial designer for tenant modifications totaled nearly \$17.0 million primarily due to ingress and egress access needed to accommodate the large fire apparatus. The department is currently re-evaluating the plans to see where they can reduce costs or possibly phase in modifications. As such, the build-out of the Othello facility is currently on hold. The space is currently being used by other City departments for staff displaced from Executive Complex and for storage. **The Smart Growth and Land Use Committee may want to request an update on this project, plans for use of the property and plans to address the inefficiencies identified in the CST Fleet report.**

The FY 2019 Proposed Budget reflects the removal of the \$6.5 million in one-time funding (\$3.4 million from the Replacement Fund and \$3.1 million from the Operating Fund) for the build-out of the Othello site but continues appropriations for the \$1.1 million annual lease payment. If and when a new plan for tenant improvements is identified, Fleet Operations would need to not only request appropriations but also identify full funding in order to complete the improvements because the \$6.5 million of unspent funds from FY 2018 are used in the FY 2019 Proposed Budget to balance the General Fund budget

as discussed in more detail below.

## **One-time Support to the General Fund & Fleet's Fund Balance**

Two adjustments are included in the FY 2019 Proposed Budget which benefit the General Fund. The first is a one-time transfer of \$3.4 million from the Fleet Replacement Fund to the General Fund. This \$3.4 million was included in the FY 2018 Proposed Budget as one-time funding for the improvements of the Othello fire fleet repair facility. As discussed above, this project is currently on hold, and the funds have been re-budgeted in FY 2019 as a transfer to the General Fund.

The second adjustment is an overall reduction of vehicle usage fees charged to City departments which reimburse the Fleet Operations Department for maintenance and management of the City's fleet. The FY 2019 Proposed Budget reflects a reduction of \$4.4 million in revenue to the Fleet Operating Fund. However, comparing the total FY 2019 proposed revenues to expenditures within this fund shows an imbalance of approximately \$6.3 million, which means that the true savings to other City departments from reduced vehicle usage fees is actually \$6.3 million and the Fleet Operating Fund is drawing down fund balance in FY 2019.

General Fund departments contribute approximately 73% of total usage fees in FY 2019, which equates to roughly \$4.6 million in one-time savings to the General Fund in FY 2019. Combined with the above transfer from the Fleet Replacement Fund, the General Fund is receiving approximately \$8.0 million of one-time budgetary support from Fleet Operations in the FY 2019 Proposed Budget. It should also be noted that usage fee charges to the General Fund and other City funds will likely increase significantly in FY 2020 when this



# Department Review: Fleet Operations

one-time savings is removed.

In addition, it is unclear if the Fleet Operating Fund has sufficient fund balance to support this one-time reduction in revenue. Based on the information currently available from the FY 2018 Mid-Year Budget Monitoring Report, the Fleet Operating Fund is projected to end FY 2018 with only approximately \$1.6 million in fund balance. Adding to that, savings from the delayed improvements to the Othello site, results in approximately \$4.7 million of projected fund balance at the end of FY 2018. This results in a shortfall of \$1.6 million of funds to support the FY 2019 Proposed Budget in the Fleet Operating Fund, as displayed in the table below.

| <b>FLEET OPERATING FUND BALANCE</b>               |                       |
|---|-----------------------|
| FY 2017 Ending Balance <sup>1</sup>               | \$ 8,782,758          |
| FY 2018 Projected Revenue <sup>2</sup>            | 54,958,911            |
| <b>FY 2018 Projected Expenditures<sup>2</sup></b> | <b>(62,157,023)</b>   |
| Projected FY 2018 Ending Balance                  | \$ 1,584,646          |
| <b>Savings from delayed build-out Othello</b>     | <b>3,100,000</b>      |
| Revised FY 2018 Est Ending Balance                | \$ 4,684,646          |
| Fund Balance Needed in FY 2019                    | (6,315,286)           |
| <b>Shortfall</b>                                  | <b>\$ (1,630,640)</b> |

<sup>1</sup> From the R&E Statement in the FY 2019 Proposed Budget

<sup>2</sup> From the FY 2018 Mid-Year Budget Monitoring Report

Fleet has indicated that they are realizing operational savings, such as a reduction in overtime and savings in the GPS contract, that were not reflected in the FY 2018 Mid-Year Budget Monitoring Report and that projections will be revised in the FY 2018 Year-End Budget Monitoring Report. This may mitigate the projected negative fund balance.

## Fleet Right-Sizing

The Fleet Operations Department conducted an analysis to identify vehicles which are under used and can be removed from the City's fleet. The FY 2019 Proposed Budget includes the reduction of 2.75 Fleet Technicians and non-personnel expendi-

tures associated with the removal of 177 vehicles from the City's 4,000+ vehicle fleet. Meanwhile, 124 new vehicles (not replacements) are currently on order, resulting in a net reduction of 53 vehicles from the City's fleet.

## Vacancy Savings

The FY 2019 Proposed Budget reflects a reduction of \$190,785 in vacancy savings. As mentioned above, 124 vehicles are being added to the fleet which would normally require adding additional positions to support the maintenance of those vehicles. However, rather than add Fleet Technicians in the budget to support these new vehicles, the department's vacancy savings is being reduced.

The Fleet Operations Department indicated that they are seeing higher vacancies in FY 2018 than anticipated, due to delays in filling positions such as promotions creating a subsequent vacancy and difficulties finding candidates that can pass the Police background check requirements. Therefore, rather than add new positions, they will work to fill the vacancies that currently exist.

## Significant Budget Additions

Other notable increases to the Fleet Operations budget include:

- \$1.6 million in expenditures for Fire-Rescue's renewable diesel fuel, which is offset by an increase in revenue from Fire-Rescue.
- \$250,000 for critical repairs to the paint booth which is no longer able to receive maintenance services until repairs are completed. Funding for other repairs was requested but not included in the proposed budget: \$125,000 for repairs to the wash rack and service stations at Chollas, \$87,000 for repairs to the fab shop and \$10,000 for the

# Department Review: Fleet Operations

---

electrical panel at Rose Canyon.

- 1.00 Fleet Technician is being transferred from the Stadium Operations Department along with responsibility for maintenance and repair of the approximately 90 vehicles and equipment at the Stadium, which is offset by an increase in revenue from the Stadium Operations Fund.
- 1.00 Associate Management Analyst is being added for a variety of efforts, including: to conduct additional analysis in support of data-driven decision-making, evaluate best practices, develop standard operating procedures, launch an online rental pool and evaluate rental vehicle utilization.

## Issues for Council Consideration

### Status of Fleet Operations Department Transformations

CST Fleet services conducted an evaluation of fleet operations and made recommendations to the City in April 2016. Fleet Operations subsequently issued a report to City Council in September 2016 outlining action items to align with the consultant's recommendations. Many of the items are still in process and a full update from the department is recommended. Some items of note are:

- Vehicle replacement plans—The department has a goal of maintaining 85% of vehicles within their designated life cycle. The projection for FY 2018 is 66%. The department also indicates that they have changed the plan from limiting lease purchases for General Fund vehicles to only ones that meet certain criteria and are returning to lease purchasing 100% of General Fund vehicles. Non-general fund vehicles will continue to be cash funded.

- The fleet asset management software has been upgraded and Fleet Operations estimates they will be using all of the modules they currently own in 18-24 months.
- The vehicle steering committee is anticipated to start in FY 2019.
- Fleet Operations continues to work on new procedures to improve inventory management. As discussed at the Audit Committee on April 11, 2018, they are working to move to hand-held devices rather than paper.

The Climate Action Plan includes a goal of having zero emission vehicles for 50% of the City's fleet by 2020 in order to achieve greenhouse gas (GHG) reductions. As of December 2017, there were only 202 zero or low emission vehicles either in service or on order, which reflects only approximately 4.6% of the City's fleet. Fleet Operations indicated that they are working on revising this goal because not all City vehicle types are available in zero emissions. However, the department has indicated that they have achieved the GHG reduction target for 2020 through conversion to renewable diesel at the fuel stations operated by Fleet Operations Department.

The Fleet Operations Department also continues to monitor costs of aluminum and steel which could have significant impacts on vehicle and parts costs.

# Department Review: Government Affairs

## Government Affairs

### Impacts of Mayor's FY 2019 Budget Proposal

Government Affairs is a new department in the FY 2019 Proposed Budget. The Department will manage the City's state and federal legislative priorities as they are developed by the Mayor and City Council. Additionally, the Department will cover local government organizations (SANDAG, Port, Airport, etc.), maintain relationships with the government of Mexico, and develop/support grant opportunities.

The FY 2019 Proposed Budget for Government Affairs is approximately \$788,000. The Department is comprised of 3.00 transferred Mayor Representative 2 (MR2) positions from the Office of the Mayor, 1.00 Program Manager from the Public Utilities Department (PUD), and the addition of 1.00 Grants Program Coordinator for a total of 5.00 FTE positions.

One of the 3.00 MR2 positions being transferred from the Office of the Mayor will be repurposed to become a director for the Department. Three of the 4.00 positions transferring into the Department are filled and a hiring process is underway for the other.

The Department has \$147,000 of budgeted revenue attributable to the reimbursable

Program Manager position from PUD.

As noted in the summary budget table below, the Department does not have any non-personnel expense in the FY 2019 Proposed Budget. Financial Management staff has informed the IBA that this was an oversight that will be corrected in the May Revise.

### Overseeing Legislative Priorities

As described in the FY 2019 Proposed Budget, the department will direct the City's lobbying teams and collaborate with other local government entities such as SANDAG, the Port, and the County Water Authority. Department staff will advocate at all levels of government on key City issues such as infrastructure, cross-border collaboration, affordable housing, homelessness, workforce development, water supply, energy, regulatory relief, public safety, economic development, protection of City resources, and grant funding.

The creation of the Government Affairs Department removes legislative affairs staff and associated budget from the Office of the Mayor and PUD. It should be noted that Government Affairs staff will continue to report directly to the Office of the Mayor as opposed to reporting to a Deputy Chief Operating Officer as is the case for almost all other City departments.

| SUMMARY OF GOVERNMENT AFFAIRS DEPARTMENT BUDGET     |             |                   |             |                   |                   |
|---|-------------|-------------------|-------------|-------------------|-------------------|
| Description   | FTE         | PE                | NPE         | Total Expense     | Revenue           |
| FY 2018 Adopted Budget                              | -           | \$ -              | \$ -        | \$ -              | \$ -              |
| <b>Programmatic Changes</b>                         |             |                   |             |                   |                   |
| Transfer of 2.00 MR2s from Office of Mayor          | 2.00        | 343,199           | -           | 343,199           | -                 |
| Transfer/Repurpose of 1.00 MR2 to Dept. Director    | 1.00        | 164,685           | -           | 164,685           | -                 |
| Transfer of 1.00 Program Manager from PUD           | 1.00        | 147,314           | -           | 147,314           | 147,260           |
| Addition of 1.00 Program Coordinator for Grant Mgmt | 1.00        | 132,332           | -           | 132,332           | -                 |
| <b>Other Changes</b>                                |             |                   |             |                   |                   |
| NPE - to be Added in May Revise                     | -           | -                 | -           | -                 | -                 |
| <b>FY 2019 Proposed Budget</b>                      | <b>5.00</b> | <b>\$ 787,530</b> | <b>\$ -</b> | <b>\$ 787,530</b> | <b>\$ 147,260</b> |
| <b>Difference from 2018 to 2019</b>                 | <b>5.00</b> | <b>\$ 787,530</b> | <b>\$ -</b> | <b>\$ 787,530</b> | <b>\$ 147,260</b> |

Office of the Independent Budget Analyst  
April 2018

## Department Review: Human Resources

# Human Resources

### Impacts of Mayor's FY 2019 Budget Proposal

The Human Resources Department's FY 2019 Proposed Budget totals approximately \$4.8 million, a decrease of \$774,000 from the FY 2018 Adopted Budget. This is largely due to the transfer of the Public Records Act Program (3.00 FTEs) to the Communications Department, as well as a reduction of 1.00 Program Coordinator in the Internship and Work Readiness Program.

These 4.0 FTE reductions, along with a 0.20 FTE decrease to hourly personnel, result in a 4.20 FTE decrease to the department—from 32.92 FTEs to 28.72 FTEs. Revenue remains unchanged from FY 2018.

The reduction of the 1.00 Internship and Work Readiness Program Coordinator will impact the number of available volunteers and interns that assist with special pro-

jects and are staffed within City Departments.

Other changes to the Human Resources Department budget are shown in the table below.

| <b>SUMMARY OF HUMAN RESOURCES BUDGET CHANGES</b>   |               |                     |                    |                     |                   |
|--|---------------|---------------------|--------------------|---------------------|-------------------|
| Description  | FTE           | PE                  | NPE                | Total Expenditures  | Revenue           |
| FY 2018 Adopted Budget   | 32.92         | \$ 5,221,985        | \$ 376,584         | \$ 5,598,569        | \$ 249,901        |
| <b>Programmatic Changes</b>  |               |                     |                    |                     |                   |
| <i>Transfer of Public Records Act Program to the Communications Department</i>                   | (3.00)        | (497,214)           | -                  | (497,214)           | -                 |
| <i>Reduction of Program Coordinator in the Internship and Work Readiness Program</i>             | (1.00)        | (175,451)           | -                  | (175,451)           | -                 |
| <i>Sexual Harassment Prevention Training (Expenditure for FY 2018 - Occurs Every Other Year)</i> | -             | -                   | (40,000)           | (40,000)            | -                 |
| <b>Other Changes</b>   |               |                     |                    |                     |                   |
| <i>Estimated Increase in Vacancy Savings (decreases salaries)</i>                                | -             | (55,843)            | -                  | (55,843)            | -                 |
| <i>Hourly Wages Decrease</i>   | (0.20)        | (612)               | -                  | (612)               | -                 |
| <i>Other Salary &amp; Wages Increases</i>  | -             | 52,442              | -                  | 52,442              | -                 |
| <i>Other Fringe Decreases (Includes Retirement ADC)</i>  | -             | (80,931)            | -                  | (80,931)            | -                 |
| <i>Other Adjustments</i>   | -             | -                   | 23,237             | 23,237              | -                 |
| <b>FY 2019 Proposed Budget</b>   | <b>28.72</b>  | <b>\$ 4,464,376</b> | <b>\$ 359,821</b>  | <b>\$ 4,824,197</b> | <b>\$ 249,901</b> |
| <b>Difference from 2018 to 2019</b>  | <b>(4.20)</b> | <b>\$ (757,609)</b> | <b>\$ (16,763)</b> | <b>\$ (774,372)</b> | <b>\$ -</b>       |

# Department Review: Library

## Library

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Library Department totals approximately \$55.5 million, an increase of \$1.3 million over the FY 2018 Adopted Budget. The FY 2018 Proposed Budget includes 444.59 FTE positions which represents a net reduction of 9.13 FTE positions from the FY 2018 Adopted Budget. Budgeted revenue totaling \$2.7 million represents a decrease of approximately \$1.9 million from FY 2018.

#### Significant Budget Additions

New Libraries— The FY 2019 Proposed Budget includes 3.37 FTEs and \$324,000 in expenses to operate and provide maintenance to 2 new libraries that are planned to open in FY 2019: Mission Hills Library (January 2019) and San Ysidro Library (June 2019). Both libraries will be replacing smaller facilities currently serving the respective community.

Janitorial Services— The FY 2019 Proposed Budget includes \$130,000 in expenditures to fund additional janitorial services at the Central Library. Currently City staff, which includes 7.50 Custodian 2s, maintain the facility with separate day and night shifts. The Department plans to utilize this funding to contract out night time janitorial service to a third party vendor and shift the existing custodial staff all to day shifts. This is in response to complaints regarding restroom cleanliness given a spike in usage by the homeless population, which has kept restroom usage in high demand.

Payment Services— The FY 2019 Proposed Budget includes \$20,000 in expenditures to fund the implementation of credit card payment capabilities for each of the library system's 75 RFID terminals, of which there is at least one terminal at each library location. The amount included in the FY 2019 Proposed Budget represents the first payment under a five-year, \$100,000 service contract.

| SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES |               |                      |                      |                      |                       |
|--|---------------|----------------------|----------------------|----------------------|-----------------------|
| Description                                    | FTE           | PE                   | NPE                  | Total Expense        | Revenue               |
| FY 2018 Adopted Budget                         | 453.72        | \$ 38,910,208        | \$ 15,286,150        | \$ 54,196,358        | \$ 4,532,285          |
| <b>Programmatic Changes</b>                    |               |                      |                      |                      |                       |
| New Mission Hills Library                      | 1.62          | 130,258              | 68,088               | 198,346              | -                     |
| New San Ysidro Library                         | 1.75          | 105,342              | 20,611               | 125,953              | -                     |
| Janitorial Services                            | -             | -                    | 129,744              | 129,744              | -                     |
| Payment Services                               | -             | -                    | 20,000               | 20,000               | -                     |
| Facility Maintenance Consolidation             | (12.50)       | (852,823)            | (189,450)            | (1,042,273)          | -                     |
| Reduction of Non-Personnel Expenditures        | -             | -                    | (382,205)            | (382,205)            | -                     |
| Library Foundation Revenue                     | -             | -                    | -                    | -                    | (1,500,000)           |
| Automatic Renewal Program                      | -             | -                    | -                    | -                    | (475,951)             |
| Revised Revenue                                | -             | -                    | -                    | -                    | 99,607                |
| <b>Other Changes</b>                           |               |                      |                      |                      |                       |
| Salary & Benefit Adjustments                   | -             | 430,939              | -                    | 430,939              | -                     |
| Non-Discretionary /IT Support Adjustments      | -             | -                    | 1,907,150            | 1,907,150            | -                     |
| Other Adjustments                              | -             | (2,725)              | (100,000)            | (102,725)            | -                     |
| <b>FY 2019 Proposed Budget</b>                 | <b>444.59</b> | <b>\$ 38,721,199</b> | <b>\$ 16,760,088</b> | <b>\$ 55,481,287</b> | <b>\$ 2,655,941</b>   |
| <b>Difference from 2018 to 2019</b>            | <b>(9.13)</b> | <b>\$ (189,009)</b>  | <b>\$ 1,473,938</b>  | <b>\$ 1,284,929</b>  | <b>\$ (1,876,344)</b> |



# Department Review: Library

---

## **Significant Revenue Changes**

**Library Foundation Revenue**– The FY 2019 Proposed Budget includes the reduction of \$1.5 million in revenue related to the expiration of the Library Foundation’s \$10 million commitment to support operating expenses at the Central Library during the first five years after opening. The commitment anticipated the Foundation providing \$2.0 million per year between FY2014 through FY 2018. The Library Foundation has delayed \$1.0 million, of the \$2.0 million donation anticipated in FY 2018, into FY 2019 and FY 2020 in the amount of \$500,000 per year. The \$1.5 million revenue reduction reflects the net decrease from the FY 2018 Adopted Budget.

**Automatic Renewal Program**– The FY 2019 Proposed Budget includes approximately \$476,000 in reduced revenue from library fines as a result of the implementation of the Department’s Automatic Renewal Program, which began in November 2017. Under the program, renewals occur automatically up to five times for eligible materials.

## **Reorganizations/Operational Changes**

**Facility Maintenance Consolidation**– The FY 2019 Proposed Budget includes the transfer of 12.50 FTEs and \$\$1.0 million to the Public Works Department for centralization of facilities maintenance functions.

## **Issues for Council Consideration**

### **Proposed Expenditure Requests Not Funded**

**Security Services** – For the FY 2019 Proposed Budget, the Department requested an approximately \$288,000 to expand the number of hours that security guard services are provided at library branch locations and increase the caliber of guards trained

for workplace violence. Currently, 24 of the 36 library locations have some level of security services that ranges from 8 to 52 hours per week. No library has security during all open hours, except for the Central Library. The Department has recently redistributed hours to those libraries experiencing the highest and most serious incidents; however, the lack of adequate security has in some instances resulted in library staff being involved in unsafe situations. This funding request was not included in the FY 2019 Proposed Budget.

**Funding of RFID Security Gates** – For the second consecutive year, the Department requested the addition of \$202,000 in expenditures to increase the number of Radio Frequency Identification (RFID) security gates installed at the branch libraries. Thirteen gates were installed in FY 2017 and the Department has developed a plan to install gates at 32 additional sites over the next two years, however the actual acquisition and installation of these gates will be determined by available funding. This funding request was not included in the FY 2019 Proposed Budget.

### **Council Priority Memoranda Items Addressed**

A majority of the Councilmembers’ FY 2019 budget priority memoranda recommended funding for additional janitorial services at the Central Library to address a rise in homeless patrons around the facility. The FY 2019 Proposed Budget addresses this priority.

### **Council Priority Memoranda Items Unaddressed**

A majority of the Councilmembers’ FY 2019 budget priority memoranda recommended funding for addressing homelessness, including providing additional security services at the Central Library to ad-

# Department Review: Library

dress a rise in homeless patrons around the facility. The Department requested \$288,000 to fund these services, however, the FY 2019 Proposed Budget does not address this priority.

## Other

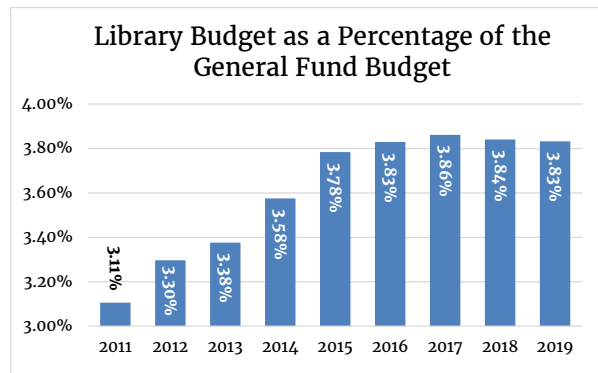
Revised User Fees/Elimination of Late Fines—The Department is moving from a punitive Overdue Fines model to a Material Recovery Model for recouping library materials. This evolves the elimination of overdue fines which will result in reduced revenue to the Department, if approved by City Council prior to FY 2019 (expected to occur in May 2018). This revenue reduction will be offset by new and increased fees related to the rental of special event space at the Central Library and hourly personnel expenditures savings due to reduced cash handling needs, resulting in an overall revenue reduction of \$271,000 and an expenditure reduction of \$216,000 in for FY 2019 (\$55,000 net impact). This is expected to be captured in the Mayor’s May Revision to the FY 2019 Proposed Budget.

Library Programming - The FY 2019 Proposed Budget does not include any additional funding for library programming. In past years, the Department has received \$500,000 in FY 2017 and \$100,000, which has allowed for the development programs such as “Spring into STEAM” and “Library NExT.” The Library Foundation has indicated that through this \$600,000 investment, they were able to leverage an additional \$1.2 million in private donations to further support STEAM education and resources. Currently, the only library program funded by the General Fund is ‘Do your Homework @ the Library.’”

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

General Fund expenditure budget. This requirement has been waived every year since FY 2004.

Based on the FY 2019 Proposed Budget, the Library Department Budget of \$55.5 million represents approximately 3.83% of the General Fund Budget. The following table illustrates the Library Department Budget as a percentage of the General Fund since FY 2011. An appropriation of 6% of the FY 2019 Proposed General Fund Budget would require a Library budget of approximately \$86.9 million, an increase of \$31.4 million over the FY 2019 Proposed Budget.



## Service Level Impacts and Performance Measures

The performance measures provided in the following table reflect patron attendance at juvenile library programs; usage of the library materials; and the total number of operating hours targeted by the Department.

## Department Review: Library

| <b>Performance Measure</b>             | <b>Actual<br/>FY 2017</b> | <b>Target<br/>FY 2018</b> | <b>Estimated<br/>FY 2018</b> | <b>Target<br/>FY 2019</b> |
|--|---------------------------|---------------------------|------------------------------|---------------------------|
| Annual circulation per capita          | 4.83                      | 5.00                      | 3.72                         | 5.00                      |
| Annual attendance at juvenile programs | 262,692                   | 315,000                   | 294,004                      | 300,000                   |
| Total Library hours per week:          |                           |                           |                              |                           |
| -Central Library                       | 61                        | 61                        | 61                           | 61                        |
| -Branch libraries                      | 1,844                     | 1,844                     | 1,844                        | 1,844                     |

# Low and Moderate Income Housing Asset Fund

For the first time, the FY 2019 Proposed Budget includes the Low and Moderate Income Housing Asset Fund (LMIHAF), which will also be included in the Appropriations Ordinance. The budget publication states that inclusion of the fund is to provide increased oversight.

As a result of the dissolution of redevelopment agencies in 2012, housing assets were transferred from the former redevelopment agency to the City, acting as the housing successor agency, in January 2013. All housing funds and revenue generated from the housing assets are required to be kept in the LMIHAF for affordable housing purposes. Civic San Diego (CivicSD) administers and monitors the fund.

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget includes \$32.0 million in expenditures and \$3.6 million in revenue for the LMIHAF. In addition, there is an estimated fund balance of \$22.8 million in FY 2019.

The following is a breakdown of proposed expenditures:

- \$29.5 million for low-income development housing loans for several Council-approved affordable housing projects as well as funding associated with a Notice of Funding Available (NOFA) for affordable housing projects.
- \$1.5 million for administrative support related to negotiating agreements, property management, and staff time to administer the fund.
- \$1.0 million for legal, consultant, and

staff time costs related to developing and drafting disposition and developer agreements (DDAs). In addition these costs are associated with construction management consultant services.

The three projects receiving funding include: \$2.0 million for Hotel New Palace; \$2.3 million for Keeler Court Project, and \$6.3 million for Encanto Village. Regarding the NOFA, once a DDA is negotiated, it will be presented to Council for approval in FY 2019.

Also included in administrative support is \$250,000 to partially support the operation of a Housing Navigation Center expected to open in fall 2018. The center will connect homeless individuals to permanent supportive housing opportunities and other services.

## Issues for Consideration

Though the LMIHAF is estimated to have a fund balance of \$22.8 million, CivicSD's Affordable Housing Master Plan, approved by Council in 2016, identifies projects recommended for funding in future years. CivicSD has negotiated a DDA for one project and is currently working towards another agreement. These agreements and allocations will come to Council for approval as they become ready. Finally, staff is evaluating other projects which would utilize the remaining balance.

The LMIHAF is largely supported by: 1) unencumbered affordable housing bond proceeds issued by the former redevelopment agency prior to its dissolution; 2) loan repayments and lease payments; and 3) land disposition proceeds. The only ongoing funding sources are loan repay-

## Low and Moderate Income Housing Asset Fund

---

ments, which are intended to be minimal, and lease payments, which are expected to significantly decrease. Therefore, future resources for new affordable housing production using this fund are limited.

Finally we note that \$6.5 million from the LMIHAF is required to reimburse the San Diego Housing Commission for FY 2018 costs related to the City's bridge shelters for homeless individuals. This reimbursement is not reflected in the proposed budget. For additional information on bridge shelters, please refer to our Key Citywide Issues: Homelessness section.



# Office of Boards & Commissions

## Impacts of Mayor's FY 2019 Budget Proposal

The Office of Boards & Commissions is a new department in the FY 2019 Proposed Budget. It is intended to support the day-to-day operations of the City's 49 boards and commissions and also serve as an access point to the volunteer members appointed by the Mayor and City Council. These boards and commissions serve the City in a fiduciary, regulatory, policy-setting and/or advisory capacity.

The General Fund portion of the FY 2019 Proposed Budget for the Office of Boards & Commissions is approximately \$1.4 million. The new Office consolidates 17.00 existing positions providing support to five boards and commissions (described below). It is proposed that 1.00 Associate Management Analyst (AMA) position be added to provide administrative and analytical support to the Office for a total of 18.00 FTE positions.

Of the 18.00 total positions, 10.00 are budgeted in the General Fund. 5.00 of the 10.00 General Fund positions transfer in from the budget for Neighborhood Services, 4.00 from the budget for the Office

of the Assistant Chief Operation Officer (ACOO), and 1.00 is the AMA position being added. A summary of the General Fund portion of the budget for the Office is provided in the table below.

The remaining 8.00 positions in the Office comprise the Commission for Arts & Culture Department. These positions are funded in the Transient Occupancy Tax Fund. In the FY 2018 Adopted Budget, the Commission for Arts & Culture Department was shown as an independent department. The FY 2019 Proposed Budget moves the budget for A&C staff, the TOT Fund, and the Public Art Fund into the Office of Boards and Commissions. A summary of the budget is for the 8.00 non-General Fund positions is provided on the following page.

A brief overview of the five boards and commissions that currently have budgeted staff support follows:

### Accessibility Advisory Board

This Board is supported by 4.00 staff in the Office of ADA Compliance & Accessibility (Office of C&A) who seek to ensure that every City-operated or funded facility, program, service, and activity is accessible to, and usable by, people with disabilities

| SUMMARY OF OFFICE OF BOARDS & COMMISSIONS BUDGET |              |                     |                   |                     |             |
|--|--------------|---------------------|-------------------|---------------------|-------------|
| Description                                      | FTE          | PE                  | NPE               | Total Expense       | Revenue     |
| FY 2018 Adopted Budget                           | -            | \$ -                | \$ -              | \$ -                | \$ -        |
| <b>Programmatic Changes</b>                      |              |                     |                   |                     |             |
| Transfer of ADA Staff from ACOO                  | 4.00         | 543,612             | -                 | 543,612             | -           |
| Transfer of HRC Staff from Neighborhood Services | 1.68         | 212,323             | -                 | 212,323             | -           |
| Transfer of CRB Staff from Neighborhood Services | 1.66         | 216,757             | -                 | 216,757             | -           |
| Transfer of GC Staff from Neighborhood Services  | 1.66         | 195,051             | -                 | 195,051             | -           |
| Addition of 1.00 AMA to support Office of B&C    | 1.00         | 81,016              | -                 | 81,016              | -           |
| <b>Other Changes</b>                             |              |                     |                   |                     |             |
| Other Salary & Fringe                            | -            | 328                 | -                 | 328                 | -           |
| Other NPE  | -            | -                   | 122,295           | 122,295             | -           |
| <b>FY 2019 Proposed Budget</b>                   | <b>10.00</b> | <b>\$ 1,249,087</b> | <b>\$ 122,295</b> | <b>\$ 1,371,382</b> | <b>\$ -</b> |
| <b>Difference from 2018 to 2019</b>              | <b>10.00</b> | <b>\$ 1,249,087</b> | <b>\$ 122,295</b> | <b>\$ 1,371,382</b> | <b>\$ -</b> |

# Department Review: Boards & Commissions

in accordance with all federal, State, and local codes and laws, including the Americans with Disabilities Act (ADA). Under Title II of ADA, the Office of C&A administers the City’s Transition Plan to improve accessibility in the City and manages accessibility complaints filed by people with disabilities.

## Citizens’ Review Board on Police Practices (CRB)

The CRB is supported by 1.00 Executive Director and shared support staff. CRB provides for civilian oversight through review and evaluation of complaints brought by members of the public against officers of the San Diego Police Department, including officer-involved shootings and in-custody deaths, and evaluation of discipline arising from such events. The CRB recommends improvements in policies, procedures, or training of officers to promote fair and humane policing.

## Commission on Gang Prevention & Intervention

The Commission is supported by 1.00 Executive Director and shared support staff. This Commission develops strategic, coordinated, and collaborative efforts between the City, law enforcement agencies, social service providers, and the general public with the objective of significantly curtailing gang involvement and its negative impact in the City of San Diego.

## Human Relations Commission (HRC)

The HRC is supported by 1.00 Executive Director and shared support staff. This

Commission conducts and promotes activities that foster mutual understanding and increase diversity, equity, and inclusion for all. The HRC works to address prejudice, intolerance, and discrimination against any individual or group. Community collaboration, community education, and advice to the Mayor and City Council are at the core of HRC’s work to create a safe and respectable environment in San Diego.

## 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 arts and culture funding programs and the Public Arts program.

The FY 2019 Proposed Budget for the Department is approximately \$1.5 million, a \$115,000 or 8.2% increase from FY 2018. This change is due to miscellaneous increases in salary & wages, fringe benefit expenses, and other non-personnel expenses. The Public Art Fund receives a \$155,000 allocation from the Transient Occupancy Tax Fund in FY 2019.

## Issue to Consider

The creation of an Office of Boards & Commissions suggests there will be a centralized resource for board and commission members. The narrative in the FY 2019 Proposed Budget states the Office will “support the day-to-day operations of the City’s 49 boards and commissions”.

| SUMMARY OF COMMISSION FOR ARTS & CULTURE DEPARTMENT BUDGET CHANGES |             |                     |                   |                     |             |
|--|-------------|---------------------|-------------------|---------------------|-------------|
| Description  | FTE         | PE                  | NPE               | Total Expense       | Revenue     |
| FY 2018 Adopted Budget   | 8.00        | \$ 928,620          | \$ 463,949        | \$ 1,392,569        | \$ -        |
| <b>Other Changes</b>   |             |                     |                   |                     |             |
| Other Salary & Wage Adjustments                                    | -           | 25,031              | -                 | 25,031              | -           |
| Other Fringe Increases (including Retirement ADC)                  | -           | 47,955              | -                 | 47,955              | -           |
| Other Adjustments  | -           | -                   | 41,709            | 41,709              | -           |
| <b>FY 2019 Proposed Budget</b>                                     | <b>8.00</b> | <b>\$ 1,001,606</b> | <b>\$ 505,658</b> | <b>\$ 1,507,264</b> | <b>\$ -</b> |
| <i>Difference from 2018 to 2019</i>                                | -           | \$ 72,986           | \$ 41,709         | \$ 114,695          | \$ -        |

## Department Review: Boards & Commissions

---

**With 17.00 of 18.00 staff in the Office fully assigned to support 5 of the 49 boards and commissions, it is unclear what resources will be available to support the needs and operations of the other 44 boards and commissions.**

# Office of Sustainability

## Impacts of Mayor's FY 2019 Budget Proposal

The Office of Sustainability is a new department in the FY 2019 Proposed Budget. It was created to lead the implementation of the City's Climate Action Plan (CAP) which aims to achieve the greenhouse gas reduction targets set forth by the state of California. The new centralized Office combines existing City staff from the Environmental Services and Economic Development departments who work on projects/programs in support of CAP objectives, and also adds additional staff to further support the CAP.

As described in the FY 2019 Proposed Budget, the Office will facilitate innovative efforts across multiple City departments to enhance economic, social, and environmental sustainability. These efforts will promote renewable electricity; water and energy efficiency; zero waste; bicycling, walking transit, smart growth and land use; and resiliency measures.

The FY 2019 Proposed Budget for the Office of Sustainability is approximately

\$4.9 million. The Office consolidates 17.35 positions (including 1.35 Management Interns) from the Energy & Sustainability Division (ESD) of the Environmental Services Department, 2.00 positions dedicated to development of the CAP from the Economic Development Department (EDD), and adds 5.00 new positions.

### Staff Transfers from ESD and EDD

The transfer of ESD into the new Office of Sustainability appears to be a good fit as their mission is to "pursue energy independence and make San Diego a model city for energy conservation and use of renewable energy resources." ESD's stated strategic objectives to accomplish their mission include: management of energy use; conservation of energy; enhanced energy efficiency in existing City facilities; pursuing energy independence in City facilities through self-generation of electrical energy using renewable resources; and ensuring efficiency in new facilities and major remodels.

ESD is managed by a deputy director and comprised of engineers (6.00), management analysts (4.00), program/project

| SUMMARY OF OFFICE OF SUSTAINABILITY BUDGET             |              |                     |                     |                     |                     |
|--|--------------|---------------------|---------------------|---------------------|---------------------|
| Description  | FTE          | PE                  | NPE                 | Total Expense       | Revenue             |
| FY 2018 Adopted Budget                                 | -            | \$ -                | \$ -                | \$ -                | \$ -                |
| <b>Programmatic Changes</b>                            |              |                     |                     |                     |                     |
| Transfer of Energy Conservation Program from ESD       | 16.00        | 2,410,202           | 624,147             | 3,034,349           | 2,563,917           |
| Transfer of CAP Staff from Economic Development Dept.  | 2.00         | 264,601             | 0                   | 264,601             | -                   |
| Addition of 1.00 CDS 4 & 1.00 PC to Support CAP        | 2.00         | 212,456             | 500,000             | 712,456             | -                   |
| Addition of 1.00 Department Director                   | 1.00         | 188,017             | -                   | 188,017             | -                   |
| Addition of 1.00 Program Manager to Implement MESP     | 1.00         | 147,312             | 500                 | 147,812             | 143,159             |
| Addition of 1.00 SMA to Implement CEBO & REDO          | 1.00         | 88,226              | -                   | 88,226              | 30,600              |
| Hourly Mgmt Interns for Energy Audits & Other Projects | 1.35         | 36,260              | -                   | 36,260              | 17,608              |
| <b>Other Changes</b>                                   |              |                     |                     |                     |                     |
| Other NPE  | -            | -                   | 148,033             | 148,033             | -                   |
| Other Revenue  | -            | -                   | -                   | -                   | 1,670,422           |
| Moving Expenses & Rent for Use of 101 Ash Street Bldg  | -            | -                   | 287,363             | 287,363             | -                   |
| <b>FY 2019 Proposed Budget</b>                         | <b>24.35</b> | <b>\$ 3,347,074</b> | <b>\$ 1,560,043</b> | <b>\$ 4,907,117</b> | <b>\$ 4,425,706</b> |
| <b>Difference from 2018 to 2019</b>                    | <b>24.35</b> | <b>\$ 3,347,074</b> | <b>\$ 1,560,043</b> | <b>\$ 4,907,117</b> | <b>\$ 4,425,706</b> |

# Department Review: Office of Sustainability

---

managers (3.00), support staff (2.00), and hourly management interns (1.35).

EDD positions transferring into the Office of Sustainability include 1.00 CAP Program Manager and 1.00 Senior Planner. These positions have been responsible for developing, tracking and reporting on the CAP. Collocating these EDD staff with ESD staff appears to be logical given their shared mission.

## **New Staff Added to the Office**

In addition to the transfer of 19.35 positions from ESD and EDD, the FY 2019 Proposed Budget adds 5.00 new positions to the Office of Sustainability.

1.00 Department Director is proposed to oversee the new Office. 1.00 Program Coordinator and 1.00 Community Development Specialist 4 are proposed to conduct research, manage contracts, conduct outreach, and engage with stakeholders and decision makers to implement the CAP's renewable energy initiative. 1.00 reimbursable Program Manager is added to create and implement the Municipal Energy Strategy Plan (a plan to reduce energy consumption at municipal facilities). 1.00 partially reimbursable Senior Management Analyst is proposed to implement a Commercial Energy Benchmarking Ordinance and a Residential Energy Disclosure Ordinance in support of the City's CAP.

## **Issue to Consider**

ESD is funded by the Energy Conservation Program Fund (ECPF) — a special revenue fund. ESD currently recovers its operating expenses from charges to departments benefitting from their services using a cost allocation formula based on energy use. Non-General Fund departments (primarily PUD) pay approximately two-thirds of the charges and several General Fund departments pay the remaining third.

The new Office of Sustainability is similarly intended to operate as a special revenue fund. The FY 2019 Proposed Budget shows budgeted expense for the Office (\$4.9 million) exceeding budgeted revenue (\$4.4 million) with the \$481,000 difference being covered with ECPF fund balance. While ECPF fund balance can be used in FY 2019, it currently does not project to be sufficient for FY 2020.

In addition to 17.35 ESD staff, the Office of Sustainability will be adding 5.00 new positions and also acquiring 2.00 positions from the Economic Development Department (budgeted in the General Fund). It will be important for management to evaluate whether the work performed by new staff and EDD transferred positions can be appropriately charged to benefitting departments or whether these positions should be supported by the General Fund.

Given that budgeted operating costs exceed budgeted revenue in FY 2019, there may be an additional expense burden on benefitting General Fund and non-General Fund departments beginning in FY 2020. The Office will need to work with the Department of Finance to determine if a budget gap is projected for FY 2020 and, if so, whether charges to benefitting departments should be appropriately increased or operating expenses reduced.



# Office of the Assistant COO

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Office of the Assistant Chief Operating Officer (ACOO) is approximately \$1.0 million, a decrease of \$1.0 million or 49.1% from the FY 2018 Adopted Budget. The reduction is primarily due to the transfer of 6.00 positions to other departments and the elimination 1.00 position submitted in response to the request for 2% budget reductions. Budgeted FTE positions in the Office are reduced from 12.00 in FY 2018 to 5.00 in the FY 2019 Proposed Budget. There is a \$64,000 reduction in NPE and budgeted revenue for the Office remains unchanged.

### Transfers to Other Departments

The Office transfers 6.00 positions, with associated personnel expense of \$850,000, to other departments in the FY 2019 Proposed Budget. The transfers include: 4.00 staff in the Office of ADA Compliance & Accessibility to the new Office of Boards & Commissions; 1.00 Assistant to the Director to the Purchasing & Contracting Department to support the Animal Services Program; and 1.00 Program Manager to

the Office of the COO - this position will be repurposed to serve as the Assistant Chief of Civic Initiatives.

### Budget Expenditure Reductions

The Department submitted a reduction of 1.00 Associate Management Analyst position (\$96,000) in the ADA Compliance work unit. The reduction was accepted and incorporated into the FY 2019 Proposed Budget. Combined with the 6.00 transfers to other departments described above, staffing in the Office is reduced by 7.00 FTE positions from 12.00 to 5.00.

### Corporate Partnerships & Development Program (CPD)

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 2019 Proposed Budget includes \$391,000 of budgeted revenue which remains unchanged from the amount budg-

| SUMMARY OF OFFICE OF THE ASSISTANT COO BUDGET CHANGES  |               |                     |                    |                       |                   |
|--|---------------|---------------------|--------------------|-----------------------|-------------------|
| Description  | FTE           | PE                  | NPE                | Total Expense         | Revenue           |
| FY 2018 Adopted Budget   | 12.00         | \$ 1,864,007        | \$ 182,416         | \$ 2,046,423          | \$ 391,021        |
| <b>Budget Changes</b>  |               |                     |                    |                       |                   |
| <i>Proposed Budget Reduction</i>   | -             | -                   | (64,214)           | (64,214)              | -                 |
| <i>Reduction of Associate Management Analyst</i>   | (1.00)        | (96,343)            | -                  | (96,343)              | -                 |
| <i>Transfer of 1.00 Assistant to the Director to the Purchasing and Contracting Department</i> | (1.00)        | (147,425)           | -                  | (147,425)             | -                 |
| <i>Transfer of 1.00 Program Manager to the Office of the Chief Operating Officer</i>           | (1.00)        | (159,036)           | -                  | (159,036)             | -                 |
| <i>Transfer of 4.00 FTE positions to Office of Boards and Commissions</i>                      | (4.00)        | (543,612)           | -                  | (543,612)             | -                 |
| <i>Fringe Increases (Includes Retirement ADC)</i>  | -             | 6,021               | -                  | 6,021                 | -                 |
| <b>FY 2019 Proposed Budget</b>   | <b>5.00</b>   | <b>\$ 923,612</b>   | <b>\$ 118,202</b>  | <b>\$ 1,041,814</b>   | <b>\$ 391,021</b> |
| <i>Difference from 2018 to 2019</i>  | <i>(7.00)</i> | <i>\$ (940,395)</i> | <i>\$ (64,214)</i> | <i>\$ (1,004,609)</i> | <i>\$ -</i>       |

# Department Review: Office of the ACOO

eted in FY 2018. This amount was based on \$382,000 from partnerships and \$9,000 from a County of San Diego/CDC grant. The grant reimburses the City for some of the services provided to other City departments by CPD's Grants Program Manager.

Due to an increase in revenue from the partnership with Sharp Hospital, the CPD Director projects the City will have receive approximately \$436,000 in FY 2019, \$45,000 more than the amount budgeted. The CPD Director also projects the City will receive \$436,000 in unrestricted revenue from partnerships by the end of FY 2018.

CPD also develops relationships with corporate partners who contribute in-kind assets and City services (lifeguard trucks and maintenance, equipment support for golf tournaments at City courses, etc.) and/or revenue restricted for specific City programs/services (funding for San Diego Project Heart Beat, Parks and Recreation, Youth Development and Volunteer Programs, etc.). Additionally, CPD has developed partnerships with benefits for City employees (i.e., National University offers reduced tuition for City employees).

The CPD Director is projecting the total value of cash and in-kind in FY 2019 will be approximately \$2.1 million.

## Special Events and Filming

The FY 2019 Proposed Budget for Special Events and Filming totals approximately \$1.2 million, an increase of approximately \$9,000 or 0.7% from the FY 2018 Adopted Budget. As noted in the table below, budgeted positions (6.00) and revenue (\$75,000) remain unchanged from FY 2018.

### Reduction in Promotional NPE

The FY 2019 Proposed Budget for Special Events & Filming has a \$21,000 reduction in NPE for marketing contracts. It is critical that the Filming Program purchase targeted advertising to effectively market the City as a competitive and film-friendly destination. This reduction will accordingly reduce the scope of the City's marketing plan.

| SUMMARY OF SPECIAL EVENTS AND FILMING BUDGET CHANGES |             |                   |                   |                     |                  |
|--|-------------|-------------------|-------------------|---------------------|------------------|
| Description  | FIE         | PE                | NPE               | Total Expense       | Revenue          |
| FY 2018 Adopted Budget                               | 6.00        | \$ 736,001        | \$ 480,250        | \$ 1,216,251        | \$ 75,000        |
| <b>Budget Changes</b>                                |             |                   |                   |                     |                  |
| Rental Compensation                                  | -           | -                 | 2,175             | 2,175               | -                |
| Reduction of Non-Personnel Expenditures              | -           | -                 | (3,025)           | (3,025)             | -                |
| Reduction of Filming Fund                            | -           | -                 | (21,300)          | (21,300)            | -                |
| Salary and Benefit Adjustments                       | -           | 5,473             | -                 | 5,473               | -                |
| Other Adjustments                                    | -           | -                 | 25,706            | 25,706              | -                |
| <b>FY 2019 Proposed Budget</b>                       | <b>6.00</b> | <b>\$ 741,474</b> | <b>\$ 483,806</b> | <b>\$ 1,225,280</b> | <b>\$ 75,000</b> |
| <b>Difference from 2018 to 2019</b>                  | <b>-</b>    | <b>\$ 5,473</b>   | <b>\$ 3,556</b>   | <b>\$ 9,029</b>     | <b>\$ -</b>      |

Office of the Independent Budget Analyst  
April 2018

## Department Review: Office of the Mayor

# Office of the Mayor

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Office of the Mayor is approximately \$3.8 million, a reduction \$846,000 or 18.4% from the FY 2018 Adopted Budget. This decrease is primarily attributable to the transfer of 3.00 positions to the newly created Government Affairs Department and the elimination of expense for the City's lobbying contracts.

Total positions in the Office are reduced by 4.18 FTEs from 28.50 in FY 2018 to 24.32 in FY 2019. Budgeted revenue is reduced by \$148,000 from \$328,000 in FY 2018 to \$180,000 in FY 2019.

#### Reduction in Personnel Expense

The FY 2019 Proposed Budget creates a new Government Affairs Department to manage the City's state and federal legislative priorities as determined by the Mayor and City Council. The Office of the Mayor is transferring 3.00 Mayor Representative 2 positions to support the work of the new department. Personnel expense associated with these positions is \$507,000 and an additional \$11,000 of associated non-personnel expense (NPE) is

also being transferred to the new department. In addition to the transferred positions, the Office is reducing hourly wages by \$34,000 which equates to 1.18 FTE positions.

The above transfers and reductions are partially offset by other salary and wage increases resulting in a net reduction of \$431,000 in personnel expense.

#### Reductions in NPE and Budgeted Revenue

In recent years, the Office of the Mayor's budget has funded the General Fund portion of the City's lobbying contracts. Because the City's lobbying efforts also benefit the goals and objectives of other non-General Fund departments, the Office receives annual pro rata reimbursements from the benefitting non-General Fund departments.

Beginning in FY 2019, the City will direct bill benefitting departments for their proportional share of the City's lobbying contracts. Accordingly, the FY 2019 Proposed Budget reduces the Office's NPE line item for lobbying contracts by \$314,000 and also eliminates \$148,000 of budgeted reimbursement revenue from non-General Fund departments.

| SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES          |               |                     |                     |                     |                     |
|--|---------------|---------------------|---------------------|---------------------|---------------------|
| Description  | FTE           | PE                  | NPE                 | Total Expense       | Revenue             |
| FY 2018 Adopted Budget                                 | 28.50         | \$ 3,809,083        | \$ 792,784          | \$ 4,601,867        | \$ 328,245          |
| <b>Programmatic Changes</b>                            |               |                     |                     |                     |                     |
| Transfer of 3.00 Positions to Government Affairs Dept. | (3.00)        | (507,367)           | (10,605)            | (517,972)           | -                   |
| <b>Other Changes</b>                                   |               |                     |                     |                     |                     |
| Other Salary & Wage Adjustments                        | -             | 169,909             | -                   | 169,909             | -                   |
| Other Fringe Increases (including Retirement ADC)      | -             | (60,028)            | -                   | (60,028)            | -                   |
| Decrease in Hourly Positions/Wages                     | (1.18)        | (33,911)            | -                   | (33,911)            | -                   |
| Reduction in Expenditures for Lobbying Contract        | -             | -                   | (313,660)           | (313,660)           | -                   |
| Reduction in Reimbursement for Lobbying Contract       | -             | -                   | -                   | -                   | (148,245)           |
| Other Adjustments                                      | -             | -                   | (89,974)            | (89,974)            | -                   |
| <b>FY 2019 Proposed Budget</b>                         | <b>24.32</b>  | <b>\$ 3,377,686</b> | <b>\$ 378,545</b>   | <b>\$ 3,756,231</b> | <b>\$ 180,000</b>   |
| <b>Difference from 2018 to 2019</b>                    | <b>(4.18)</b> | <b>\$ (431,397)</b> | <b>\$ (414,239)</b> | <b>\$ (845,636)</b> | <b>\$ (148,245)</b> |

# Department Review: Parks & Recreation

## Parks & Recreation

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Parks and Recreation Department totals approximately \$115.5 million in the General Fund, an increase of approximately \$6.0 million over the FY 2018 Adopted Budget. The FY 2019 Proposed Budget includes 908.05 FTEs which represents an addition of 11.22 FTEs from the FY 2018 Adopted Budget.

The Department's General Fund revenue includes a slight increase of approximately \$82,000 from the FY 2018 Adopted Budget but remain materially unchanged at \$44.3 million.

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 \$149.7 million, an in-

crease of approximately \$7.0 million from the FY 2018 Adopted Budget.

### General Fund

#### Significant Budget Expenditure Reductions

##### Reduction of Citywide Park Maintenance Staff

- The FY 2019 Proposed Budget includes the reduction of 4.00 FTEs and approximately \$267,000 in expenditures related to citywide park maintenance staff as a part of the Department's efforts to reduce departmental expenditures per the Mayor's request. The proposed staffing adjustment will not impact a specific park or area, but is expected to result in less frequent services such, as mowing and pesticide application throughout the park system. All of the positions identified for reduction are currently vacant.

The FY 2019 Proposed Budget continues to include a number of positions within the

| SUMMARY OF PARK AND RECREATION DEPARTMENT EXPENDITURE BUDGET CHANGES |                 |                 |              |                      |                       |                     |
|--|-----------------|-----------------|--------------|----------------------|-----------------------|---------------------|
|  | FY 2018 FTE     | FY 2019 FTE     | CHANGE       | FY 2018 BUDGET       | FY 2019 PROPOSED      | CHANGE              |
| <b>General Fund</b>  |                 |                 |              |                      |                       |                     |
| <i>Administrative Services</i>                                       | 20.00           | 23.00           | 3.00         | \$ 3,769,436         | \$ 4,229,297          | \$ 459,861          |
| <i>Community Parks I</i>   | 207.56          | 216.26          | 8.70         | \$ 27,148,250        | \$ 29,950,631         | \$ 2,802,381        |
| <i>Community Parks II</i>  | 268.22          | 272.24          | 4.02         | \$ 26,759,662        | \$ 28,421,951         | \$ 1,662,289        |
| <i>Developed Regional Parks</i>                                      | 330.73          | 328.23          | (2.50)       | \$ 39,454,942        | \$ 40,380,579         | \$ 925,637          |
| <i>Open Space</i>  | 70.32           | 68.32           | (2.00)       | \$ 12,363,802        | \$ 12,517,552         | \$ 153,750          |
| <b>Subtotal General Fund</b>   | <b>896.83</b>   | <b>908.05</b>   | <b>11.22</b> | <b>\$109,496,092</b> | <b>\$ 115,500,010</b> | <b>\$ 6,003,918</b> |
| <b>Non-General Fund</b>  |                 |                 |              |                      |                       |                     |
| <i>Environmental Growth Fund 1/3</i>                                 | -               | -               | -            | \$ 4,406,822         | \$ 4,854,402          | \$ 447,580          |
| <i>Environmental Growth Fund 2/3</i>                                 | -               | -               | -            | \$ 10,303,909        | \$ 10,203,909         | \$ (100,000)        |
| <i>Golf Course Fund</i>  | 102.08          | 102.08          | -            | \$ 18,229,824        | \$ 18,857,670         | \$ 627,846          |
| <i>Los Penasquitos Canyon Preserve Fund</i>                          | 2.00            | 2.00            | -            | \$ 262,146           | \$ 266,776            | \$ 4,630            |
| <b>Subtotal Non-General Fund</b>                                     | <b>104.08</b>   | <b>104.08</b>   | <b>-</b>     | <b>\$ 33,202,701</b> | <b>\$ 34,182,757</b>  | <b>\$ 980,056</b>   |
| <b>TOTAL PARK AND RECREATION</b>                                     | <b>1,000.91</b> | <b>1,012.13</b> | <b>11.22</b> | <b>\$142,698,793</b> | <b>\$ 149,682,767</b> | <b>\$ 6,983,974</b> |

# Department Review: Parks & Recreation

job classifications identified for reduction, which, according to the Department, will allow the tasks to be absorbed by the remaining staff, albeit potentially at the expense of service response times.

Reduction of Habitat Restoration Services - The FY 2019 Proposed Budget includes the reduction of approximately \$155,000 in contractual services related to habitat restoration services at the City's Open Space parks. The reduction will reduce the Department's ability to remove non-native plants, perform habitat restoration, remove trash and debris from the parks, provide security services, and service restrooms. This furthers the reduction to ongoing Habitat Restoration Services funding that was included in the FY 2018

Adopted Budget in the amount of \$186,000.

Water Usage - The FY 2019 Proposed Budget includes an increase of \$4.9 million for Non-discretionary Water expenditures. This is due to water expenses being under budgeted in FY 2018, as described in the FY 2018 Mid-Year Budget Monitoring Report. This is offset by a one-time reduction in the Department's water usage of approximately \$1.2 million, which the Department expects to achieve by focusing water resources on irrigating athletic, permitted, active, joint-use, and reclaimed turf areas. The net increase in water costs is \$3.7 million from the FY 2018 Adopted Budget.

| SUMMARY OF PARK AND RECREATION DEPARTMENT - GENERAL FUND BUDGET CHANGES |               |                      |                      |                       |                      |
|---|---------------|----------------------|----------------------|-----------------------|----------------------|
| Description   | FTE           | PE                   | NPE                  | Total Expense         | Revenue              |
| FY 2018 Adopted Budget  | 896.83        | \$ 69,089,029        | \$ 40,407,063        | \$ 109,496,092        | \$ 44,267,244        |
| <b>Programmatic Changes</b>   |               |                      |                      |                       |                      |
| Downtown Portable Restrooms   | -             | -                    | 898,160              | 898,160               | -                    |
| Recreation Center Fund Support  | 3.00          | 271,105              | 19,500               | 290,605               | -                    |
| User Fee Study  | -             | -                    | 50,000               | 50,000                | -                    |
| Summer Movies in the Park   | -             | -                    | 15,000               | 15,000                | 15,000               |
| Civic Center Public Restroom Security                                   | -             | -                    | 50,000               | 50,000                | -                    |
| Joint-Use Security Services   | -             | -                    | 14,000               | 14,000                | -                    |
| Expansion of Restroom Hours at Balboa Park                              | 1.50          | 46,920               | -                    | 46,920                | -                    |
| Pacific Highlands Ranch Community Park & Rec Center                     | 5.50          | 301,015              | 226,800              | 527,815               | -                    |
| New Joint-Use Parks   | 4.00          | 298,768              | 252,406              | 551,174               | -                    |
| Torrey Meadows Neighborhood Park  | 1.00          | 56,551               | 92,176               | 148,727               | -                    |
| Handwashing Stations  | -             | -                    | 50,808               | 50,808                | -                    |
| Addition of Aquadic Technition 2 (Murphy Canyon Pool)                   | 1.00          | 67,037               | 55,000               | 122,037               | -                    |
| Brush Management  | -             | -                    | 72,847               | 72,847                | -                    |
| Addition of Senior Park Ranger (San Diego River)                        | 1.00          | 88,236               | 45,000               | 133,236               | 66,647               |
| Transit Station Facilities Staff  | 2.00          | 119,413              | -                    | 119,413               | -                    |
| Reduction of Habitat Restoration Services                               |               |                      | (155,000)            | (155,000)             | -                    |
| Reduction of Citywide Park Maintenance Staff                            | (4.00)        | (266,865)            | -                    | (266,865)             | -                    |
| Reduction of Senior Planner   | (1.00)        | (111,006)            | -                    | (111,006)             | -                    |
| Facility Maintenance Consolidation                                      | (3.00)        | (271,702)            | -                    | (271,702)             | -                    |
| Water Usage   | -             | -                    | (1,201,120)          | (1,201,120)           | -                    |
| One-Time Reductions and Annualizations                                  | -             | (8,057)              | (307,000)            | (315,057)             | -                    |
| <b>Other Changes</b>  |               |                      |                      |                       |                      |
| Salary & Benefit Adjustments  | 0.22          | 1,713,108            | -                    | 1,713,108             | -                    |
| Non-Discretionary Adjustments   | -             | -                    | 3,774,523            | 3,774,523             | -                    |
| Other Adjustments   | -             | -                    | (253,705)            | (253,705)             | -                    |
| <b>FY 2019 Proposed Budget</b>  | <b>908.05</b> | <b>\$ 71,393,552</b> | <b>\$ 44,106,458</b> | <b>\$ 115,500,010</b> | <b>\$ 44,348,891</b> |
| <b>Difference from 2018 to 2019</b>                                     | <b>11.22</b>  | <b>\$ 2,304,523</b>  | <b>\$ 3,699,395</b>  | <b>\$ 6,003,918</b>   | <b>\$ 81,647</b>     |



# Department Review: Parks & Recreation

---

Reduction of Senior Planner – The FY 2019 Proposed Budget includes the reduction of 1.00 Senior Planner position and \$111,000 in expenditures. This position is currently filled, and as a result of the reduction, the roll of supervision of the Open Space Division’s Code Compliance section will shift to the Project Officer II.

## **Significant Budget Additions**

New Parks – The FY 2019 Proposed Budget includes 10.50 FTEs and \$1.2 million in expenses to operate and provide maintenance to 10 new parks throughout the City. The new parks add approximately 46 acres of parkland to the City. The new parks include:

- Pacific Highlands Ranch Community Park and Recreation Center
- Torrey Meadows Neighborhood Park
- Holmes Elementary Joint Use (JU) Facility
- Linda Vista Elementary JU Facility
- Pacific Trails JU Facility
- Encanto Elementary JU Facility
- Hawk Pocket Park JU Facility
- Horton Elementary JU Facility
- Paradise Hills Elementary JU Facility

All parks that were anticipated to open in FY 2019 based on the Mayor’s FY 2018 – 2022 Outlook, are included in the FY 2019 Proposed Budget. Although the Outlook projected expenses related to the new parks to total \$2.2 million in FY 2019, the \$1.2 million that is included in the FY 2019 Proposed Budget is based on updated assumptions for park openings.

Joint-use Security Services– The FY 2019 Proposed Budget includes \$14,000 for security services, primarily consisting of gate closures, at two joint use facilities: Gage Elementary and Creative and Performing Media Arts. All other joint use

facilities include these services.

Recreation Center Fund Support– The FY 2019 Proposed Budget includes 3.00 FTEs and \$291,000 to provide support for 60 new recreation center funds, including budget development and monitoring, contract management, and payment processing. In addition to the additional staffing that was included in the Proposed Budget, the Department requested 1.00 Supervising Recreation Specialist and \$104,000 in expenses to support recreation programming for the recreation center funds, however this request was not funded.

Downtown Portable Restrooms— The FY 2019 Proposed Budget includes \$898,000 to continue to fund eight portable restroom and associated security services at three existing locations downtown: Park Blvd (Park & 11th), 1330 G St., and C Street (1st & C St.). The Park Blvd location will continue to have two portables while the other locations will be reduced from four to three each.

All locations will be monitored by a guard 24/7. These security services represent the most significant component of the total expenditures at approximately \$677,000. The guards at the Park Blvd. and G Street locations will be armed for safety purposes.

Currently, all portables are serviced twice per day, however, this will be reduced to once daily based on usage experienced since being originally placed in service in response to the hepatitis A outbreak last year. The Department has indicated that it will monitor usage on a monthly basis and adjust the number of cleanings, and potentially redistribute the number of portables per location, as necessary.

# Department Review: Parks & Recreation

---

Transit Station Facilities Staff– The FY 2019 Proposed Budget includes the addition of 2.00 FTEs and \$119,000 of expenditures to provide landscaping and custodial maintenance services at three transit stations: Virginia Ave., El Cajon Blvd., and University Ave. These services are currently being performed by the Department in order to meet certain contractual requirements, however they are unbudgeted. This addition provides ongoing funding for these services.

Civic Center Public Restroom Security– The FY 2019 Proposed Budget includes \$50,000 in expenditures to provided security services for the Civic Center public restroom 24 hours/day. Currently, the restroom receives attendant/janitorial services.

Handwashing Stations– The FY 2019 Proposed Budget includes \$51,000 in expenditures to fund 11 handwashing stations at nine locations. Eight of the nine locations are downtown; the other is located near the corner of Market St. and Eclind Ave. The handwashing stations were all installed in March 2018.

Brush Management— The FY 2019 Proposed Budget includes \$73,000 for additional expenditures for annual price adjustments related to a contract for brush management services that the City entered into with a third party provider in FY 2016. Over 300 acres receive brush management under the contract.

Addition of Senior Park Ranger (San Diego River)– The FY 2019 Proposed Budget includes the addition of 1.00 Senior Park Ranger and \$88,000 of expenditures to manage Park Ranger operations along the San Diego River and serve as a liaison to various advisory groups and other stakeholders. One third of the costs for this position, approximately \$22,000, will be

partially shared by the Public Utilities Department given its ownership of a portion of the river.

Expansion of Restroom Hours at Balboa Park– The FY 2019 Proposed Budget includes 1.50 hourly FTEs and \$47,000 in expenditures to provide twice per day restroom cleaning and allow all 14 restrooms in the park to remain open 24 hours. This level of service has been in place since the hepatitis A emergency was declared using existing staff on overtime.

Addition of Aquatic Technician 2 (Murphy Canyon Road Training Facility Pool)– The FY 2019 Proposed Budget includes the addition of 1.00 Aquatic Technician 2 and \$122,000 in expenses, of which \$45,000 is one-time, in order to conduct daily maintenance necessary for the pool located at the Murphy Canyon Road Training Facility. This facility was previously leased to the Chargers prior to their relocation. Since their departure, the pool has been maintained by staff on overtime. This addition provides ongoing funding for these services. The facility is currently not in use; the potential future use will depend on the outcome of the Soccer City ballot proposal.

Summer Movies in the Park– The FY 2019 includes \$15,000 in additional expenditures to fund supplies to support the annual Summer Movies in the Park program. The additional expenditures are offset by revenue provided through a Corporate Partnership Agreement with Sharp Healthcare.

User Fee Study– The Proposed Budget includes \$50,000 in one-time expenses to fund a User Fee Study. Updates to the Department’s user fees, which were last approved in FY 2016, were delayed due to the changes related to Recreation Council

# Department Review: Parks & Recreation

fund administration. The Department expects to submit the user fee analysis for City Council consideration in FY 2019.

## Reorganizations/Operational Changes

Facility Maintenance Consolidation - The FY 2019 Proposed Budget includes the transfer of 3.00 FTEs and \$271,000 to the Public Works Department for centralization of facilities maintenance functions.

## Issues for Consideration

Open Space Rangers - For the FY 2019 Proposed Budget, the Department requested 1.00 Park Ranger position and approximately \$112,000 in expenses (\$45,000 one-time costs) for management of additional open space acreage anticipated to be acquired by the City throughout the year. This funding request was not included in the Proposed Budget.

The Department has established a goal ratio of approximately 650 acres of park land to one park ranger. Currently, the City has a ratio of one park ranger for every 1,076 acres of park land.

## Service Level Impacts and Performance Measures

The performance measures provided in the table below reflects customer satisfaction with the Department's recreational programs; a slight decrease in projected usage of the City's pool programs; and shows the total number of operating hours targeted by the Department.

The Department has indicated that the reduction in projected pool usage is due to pool closures at the Tierrasanta and City Heights pools planned maintenance during FY 2018. Subsequently, the City Heights pool was closed for unanticipated maintenance needs and has not yet been reopened.

## Environmental Growth Funds

The Environmental Growth Funds (EGFs) are projected to receive approximately \$15.9 million in franchise fees from San Diego Gas & Electric which represents one-quarter of the total SDG&E franchise fees received by the City, in accordance with Charter Section 103.1a. This revenue projection is a increase of approximately \$1.1 million over the FY 2018 Adopted Budget. 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. *Note the FY 2019 Proposed Budget reflects an \$15.1 million in revenue received by the EGFs from SDG&E franchise fees. This was in error and will be corrected in the May Revision.*

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.

| Performance Measure   | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
|---|----------------|----------------|-------------------|----------------|
| Percentage customer satisfaction with recreational program activities | 91%            | 93%            | 93%               | 93%            |
| Number of aquatic users   | 321,751        | 320,000        | 318,000           | 320,000        |
| Number of hours of operation of recreation centers                    | 154,101        | 155,780        | 155,876           | 165,360        |

# Department Review: Parks & Recreation

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.

In FY 2009, the Environment Growth Fund retired the 1004 San Diego Open Space Facilities District No. 1 General Obligation Bonds. Since the time the bonds have been repaid in 2009, available revenues have been utilized to reimburse the General Fund for eligible park and open space maintenance activities.

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 2019 Proposed Budget for the Golf Course Fund totals \$18.9 million, representing an increase of approximately \$628,000 over the FY 2018 Adopted Budget. Department revenues are anticipated to

remain materially unchanged at \$20.5 million.

### Significant Budget Additions

*Repurpose of Positions* - The FY 2019 Proposed Budget includes a net increase of \$102,000 related to the elimination of 2.00 Golf Course Superintendents and the creation of 2.00 Program Managers. The salary for the Golf Course Superintendents, which were located at the Torrey Pines and Balboa Park Golf Courses, were significantly lower than for similar positions at comparable golf course facilities. Since the appropriate salary for these positions exceeds the salary range for the Golf Course Superintendents, the positions were reclassified by the Civil Service Commission in June 2017.

*Pension Payment Stabilization Reserve* - The FY 2019 Proposed Budget includes \$48,000 representing the Fund's contribution towards the replenishment of the Pension Payment Stabilization Fund.

| SUMMARY OF PARK AND RECREATION DEPARTMENT - GOLF FUND BUDGET CHANGES |               |                     |                      |                      |                      |
|--|---------------|---------------------|----------------------|----------------------|----------------------|
| Description  | FTE           | PE                  | NPE                  | Total Expense        | Revenue              |
| FY 2018 Adopted Budget   | 102.08        | \$ 8,040,749        | \$ 10,189,075        | \$ 18,229,824        | \$ 20,470,347        |
| <b>Programmatic Changes</b>  |               |                     |                      |                      |                      |
| <i>Repurpose of Positions</i>  | -             | 101,636             | -                    | 101,636              |                      |
| <i>Pension Payment Stabilization Transfer</i>                        | -             | -                   | 48,250               | 48,250               |                      |
| <i>One-Time Reductions and Annualizations</i>                        | -             | (2,841)             | -                    | (2,841)              | -                    |
| <b>Other Changes</b>   |               |                     |                      |                      |                      |
| <i>Salaries and Benefits Adjustments</i>                             | -             | (30,036)            | -                    | (30,036)             | -                    |
| <i>Non-Discretionary Adjustments</i>                                 | -             | -                   | 498,785              | 498,785              | -                    |
| <i>Other Adjustments</i>   | -             | -                   | 12,052               | 12,052               | 4,675                |
| <b>FY 2019 Proposed Budget</b>                                       | <b>102.08</b> | <b>\$ 8,109,508</b> | <b>\$ 10,748,162</b> | <b>\$ 18,857,670</b> | <b>\$ 20,475,022</b> |
| <i>Difference from 2018 to 2019</i>                                  | -             | \$ 68,759           | \$ 559,087           | \$ 627,846           | \$ 4,675             |

Office of the Independent Budget Analyst

April 2018

# Performance & Analytics

## Impacts of Mayor’s FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Performance & Analytics Department (P&A) is approximately \$3.9 million, a \$1.0 million or 37.7% increase from the FY 2018 Adopted Budget. This increase is due primarily to an increase in non-personnel expenditures. These additions are partially offset by a \$217,000 decrease in personnel expenditures due to the reduction and transfer of 2.00 FTE positions.

### 311 Get It Done Customer Experience Program

The FY 2019 Proposed Budget adds 1.00 Program Coordinator and non-personnel expenses, for a total of approximately \$563,000, to support the 311 Get It Done Customer Experience Program. The Program Coordinator will analyze system performance, recommend improvements to enhance the customer experience and will also provide central coordination to address high-priority issues from both internal and external customers. The non-personnel expenditures include approximately \$334,000 in license costs for all City departments using the software, plus additional ongoing information technology

support expenses such as payment for the mobile application and system maintenance.

Following are some statistics from P&A regarding the 311 Get It Done pilot, from May 20, 2016 through December 31, 2017:

- 189,933 reports
- 32,965 mobile downloads
- 48.0% of issues reported via mobile, 36.6% of issues reported via web
- 13 City departments received issues
- Top issues reported were 72-hour vehicle violations, potholes and graffiti

### Budget Expenditure Additions

Support for Open Data, which provides public access to data from City applications, is added to the P&A budget for FY 2019. This \$200,000 was previously funded by the Department of Information Technology.

### Budget Expenditure Reductions

To help mitigate the projected deficit, P&A offered several reductions including the reduction of 1.00 Administrative Aide 2 and transfer of 1.00 Program Manager to

| SUMMARY OF PERFORMANCE & ANALYTICS DEPARTMENT BUDGET CHANGES |               |                     |                     |                     |             |
|--|---------------|---------------------|---------------------|---------------------|-------------|
| Description  | FTE           | PE                  | NPE                 | Total Expense       | Revenue     |
| FY 2018 Adopted Budget                                       | 15.00         | \$ 2,152,814        | \$ 658,836          | \$ 2,811,650        | \$ -        |
| <b>Programmatic Changes</b>                                  |               |                     |                     |                     |             |
| 311 Get It Done Customer Experience Program                  | 1.00          | 126,733             | 436,300             | 563,033             | -           |
| Transfer Open Data Cost                                      | -             | -                   | 200,000             | 200,000             | -           |
| Reduction of Administrative Aide 2                           | (1.00)        | (69,390)            | -                   | (69,390)            | -           |
| Transfer Program Manager to the Police Department            | (1.00)        | (147,312)           | -                   | (147,312)           | -           |
| <b>Other Changes</b>   |               |                     |                     |                     |             |
| Salary and Benefit Adjustments                               | -             | 106,256             | -                   | 106,256             | -           |
| Information Technology Adjustments                           | -             | -                   | 158,519             | 158,519             | -           |
| Non-Discretionary Adjustments                                | -             | -                   | 250,228             | 250,228             | -           |
| <b>FY 2019 Proposed Budget</b>                               | <b>14.00</b>  | <b>\$ 2,169,101</b> | <b>\$ 1,703,883</b> | <b>\$ 3,872,984</b> | <b>\$ -</b> |
| <b>Difference from 2018 to 2019</b>                          | <b>(1.00)</b> | <b>\$ 16,287</b>    | <b>\$ 1,045,047</b> | <b>\$ 1,061,334</b> | <b>\$ -</b> |



# Department Review: Performance & Analytics

---

the Police Department, which are reflected in the FY 2019 Proposed Budget. The Department anticipates that these reductions will have no effect on its performance measurement goals. The Program Manager will be repurposed to an Assistant Police Chief in the Police Department to oversee the new Neighborhood Policing Division. See the Police Department section later in this report for more information.

## **Program Updates**

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 reorganization and efficiency initiatives. In FY 2019, the Department expects to continue their work on a number of these initiatives including:

- Conducting a resident satisfaction survey scheduled for FY 2018
- Conducting a Citywide Employee Satisfaction Survey scheduled for FY 2019
- Supporting the City's Get it Done program
- Increasing the number of datasets available through the City's Open Data portal
- Providing ongoing Operational Excellence (OpEx) efficiency training for City staff
- Increasing the number of KPIs published on the City's performance dashboard

# Department Review: Personnel

## Personnel

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Department of Personnel totals approximately \$8.9 million. This is an increase of \$206,000 over the FY 2018 Adopted Budget. The Department has minimal budgeted revenue.

#### Personnel Expenditures (PE)

The number of Personnel Department positions has decreased by 1.0 FTE, from 69.99 in the FY 2018 Adopted Budget to 68.99 in the FY 2019 Proposed Budget. The decrease includes the elimination of 1.0 Personnel Analyst 2 in the Liaison Section. The Department anticipates that eliminating this position may increase the number of days it takes to send lists of certified eligible candidates to requesting departments.

For historical reference, in FY 2017 3.00 FTEs were added to the Personnel Department's budget to handle its workload, including increases in the number of citywide budgeted positions. From the FY 2013 Adopted Budget to the FY 2019 Pro-

posed Budget, the number of budgeted FTEs has risen by over 1,400 citywide.

In FY 2018, 1.0 Associate Personnel Analyst in Classification and Compensation section of the Department was eliminated. The reduction of this position made it more difficult for the Department to timely produce classification studies, reclassifications, and the increased special salary adjustment requests that have occurred with the approaching expiration of the general salary freezes that have been in place since July 1, 2009.

Further, elimination of this position in FY 2018 has impacted other areas of the Department, as assignments need to be continually shifted to other employees, causing delays in their respective work areas.

As a result, the Department is increasing its target number of days that it takes for classification and compensation studies to be completed, from 19 actual days in FY 2017 to 23 days in FY 2018.

During the FY 2019 budget process, Personnel requested 2.0 FTEs be added to the

| SUMMARY OF PERSONNEL BUDGET CHANGES   |               |                     |                    |                     |                 |
|---|---------------|---------------------|--------------------|---------------------|-----------------|
| Description   | FTE           | PE                  | NPE                | Total Expenditures  | Revenue         |
| FY 2018 Adopted Budget  | 69.99         | \$ 7,606,397        | \$ 1,047,505       | \$ 8,653,902        | \$ 1,000        |
| <b>Programmatic Changes</b>   |               |                     |                    |                     |                 |
| <i>Reduction of Personnel Analyst 2 in the Liaison Section</i>                        | (1.00)        | (69,061)            | -                  | (69,061)            | -               |
| <b>Other Changes</b>  |               |                     |                    |                     |                 |
| <i>Other Salary &amp; Wages Adjustments (including 3.3% General Salary Increases)</i> | -             | 276,047             | -                  | 276,047             | -               |
| <i>Other Fringe Increases (Included Retirement ADC)</i>                               | -             | 131,498             | -                  | 131,498             | -               |
| <i>Termination Pay - Annual Leave</i>   | -             | (82,884)            | -                  | (82,884)            | -               |
| <i>Other Adjustments</i>  | -             | -                   | (49,165)           | (49,165)            | 5,200           |
| <b>FY 2019 Proposed Budget</b>  | <b>68.99</b>  | <b>\$ 7,861,997</b> | <b>\$ 998,340</b>  | <b>\$ 8,860,337</b> | <b>\$ 6,200</b> |
| <b>Difference from 2018 to 2019</b>   | <b>(1.00)</b> | <b>\$ 255,600</b>   | <b>\$ (49,165)</b> | <b>\$ 206,435</b>   | <b>\$ 5,200</b> |

Office of the Independent Budget Analyst  
April 2018

# Department Review: Personnel

---

Budget. However, these requests were not included in the Proposed Budget.

The Department has determined its staffing needs based on its current workload, which has lead to continual reallocation of staff to the most urgent and changing needs, as well as its expectations regarding continuing the implementation of automated processes.

Given the preceding discussion, Council may wish to discuss with the Personnel Director the potential impacts of eliminating the Personnel Analyst 2 position, as well as discuss the anticipated impacts of not increasing staffing by the 2.0 FTEs that were requested during the FY 2019 budget process.

# Department Review: Planning

## Planning

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget categorizes the Planning Department into three divisions based upon their respective work functions. These divisions are:

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

Due to varied work functions and multiple funding sources in the Department, the following analysis is organized by funding source.

#### General Fund

The FY 2019 Proposed Budget for the Planning Department totals approximately \$9.6 million, a decrease of approximately \$490,000 from the FY 2018 Adopted Budget. Revenues are projected to total \$1.3

million, a decrease of approximately \$69,000 from the FY 2018 Adopted Budget. The number of budgeted FTE positions remain unchanged.

### Significant Budget Expenditure Reductions

Non-Personnel Expenditures- As a part of the Department's efforts to address the City's shortfall projected in FY 2019, the FY 2019 Proposed Budget includes the reduction of \$202,000 in non-personnel expenditures. As a result of this budget reduction, the Department anticipates that the Mira Mesa Community Plan Update, the next update in-line based on the Department's current Work Program, could be delayed by one year, in which case completion would not occur until FY2022. However, the Department has indicated that it will explore options to mitigate the extent of the delay. Given that the Department's FY 2019 and FY 2020 Work Program is not yet complete, it is unclear to what extent future community plan updates would be impacted.

| SUMMARY OF PLANNING AND FACILITIES FINANCING EXPENDITURE BUDGET CHANGES |              |              |               |                      |                     |                     |
|---|--------------|--------------|---------------|----------------------|---------------------|---------------------|
|   | FY 2018 FTE  | FY 2019 FTE  | CHANGE        | FY 2018 BUDGET       | FY 2019 PROPOSED    | CHANGE              |
| <b>General Fund (Planning)</b>  |              |              |               |                      |                     |                     |
| <i>Long-Range Planning</i>  | 32.95        | 26.95        | (6.00)        | \$ 4,872,652         | \$ 3,793,668        | \$ (1,078,984)      |
| <i>Environmental &amp; Policy Analysis</i>                              | 21.00        | 27.00        | 6.00          | \$ 3,317,090         | \$ 3,818,097        | \$ 501,007          |
| <i>Financial &amp; Administrative Services</i>                          | 11.00        | 11.00        | -             | \$ 1,909,597         | \$ 1,997,753        | \$ 88,156           |
| <b>General Fund</b>   | <b>64.95</b> | <b>64.95</b> | <b>-</b>      | <b>\$ 10,099,339</b> | <b>\$ 9,609,518</b> | <b>\$ (489,821)</b> |
| <b>General Plan Maintenance Fund</b>                                    |              |              |               |                      |                     |                     |
| <i>Long-Range Planning</i>  | -            | -            | -             | \$ 1,743,508         | \$ 1,743,508        | \$ -                |
| <i>Environmental &amp; Policy Analysis</i>                              | -            | -            | -             | \$ 906,492           | \$ 906,492          | \$ -                |
| <b>General Plan Maintenance Fund</b>                                    | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>\$ 2,650,000</b>  | <b>\$ 2,650,000</b> | <b>\$ -</b>         |
| <b>Facilities Financing Fund</b>  |              |              |               |                      |                     |                     |
| <i>Facilities Financing</i>   | 16.35        | 16.00        | (0.35)        | \$ 2,908,111         | \$ 2,880,866        | \$ (27,245)         |
| <b>Facilities Financing Fund</b>  | <b>16.35</b> | <b>16.00</b> | <b>(0.35)</b> | <b>\$ 2,908,111</b>  | <b>\$ 2,880,866</b> | <b>\$ (27,245)</b>  |

# Department Review: Planning

| SUMMARY OF PLANNING DEPARTMENT - BUDGET CHANGES |              |                     |                     |                     |                     |
|---|--------------|---------------------|---------------------|---------------------|---------------------|
| Description                                     | FTE          | PE                  | NPE                 | Total Expense       | Revenue             |
| FY 2018 Adopted Budget                          | 64.95        | \$ 8,213,509        | \$ 1,885,830        | \$ 10,099,339       | \$ 1,362,454        |
| <b>Programmatic Changes</b>                     |              |                     |                     |                     |                     |
| Mixed Income Housing Density Program            | -            | -                   | 250,000             | 250,000             | -                   |
| Non-Personnel Expenditures                      | -            | -                   | (201,987)           | (201,987)           | -                   |
| One-Time Reductions and Annualizations          | -            | -                   | (500,000)           | (500,000)           | -                   |
| Revised Revenue                                 | -            | -                   | -                   | -                   | (69,167)            |
| <b>Other Changes</b>                            |              |                     |                     |                     |                     |
| Salary & Benefit Adjustments                    | -            | (45,593)            | -                   | (45,593)            | -                   |
| Non-Discretionary Adjustments                   | -            | -                   | 17,345              | 17,345              | -                   |
| Other Adjustments                               | -            | -                   | (9,586)             | (9,586)             | -                   |
| <b>FY 2019 Proposed Budget</b>                  | <b>64.95</b> | <b>\$ 8,167,916</b> | <b>\$ 1,441,602</b> | <b>\$ 9,609,518</b> | <b>\$ 1,293,287</b> |
| <i>Difference from 2018 to 2019</i>             | -            | \$ (45,593)         | \$ (444,228)        | \$ (489,821)        | \$ (69,167)         |

## Significant Budget Additions

Mixed Income Housing Density Program– The FY 2019 Proposed Budget includes \$250,000 in contractual expenditures to complete planning efforts for the Mixed Income Housing Density Program (also known as the Workforce Housing Density Program). The goal of the program, which is a component of the Mayor’s HousingSD plan, is to incentivize development of additional housing for entry-level/middle income households. The program is anticipated by the Department to be introduced to the City Council in June 2018, with subsequent actions in FY 2019. The total cost for the Program is \$500,000 programmed over two years (FY 2018 and FY 2019).

## Revenue Change

The FY 2019 Proposed Budget includes \$69,000 in reduced revenues. This is based on FY2017 revenue trends and FY

2018 year-end projections which reflect decreasing project review activity and available grant funding.

## Department Work Schedule

The Department’s planned work schedule for community plan updates is provided below. Additional information related to the Department’s Work Plan can be found on the City’s website under the Planning Department.

## General Plan Maintenance Fund (GPMF)

The FY 2019 Proposed Budget totals \$2.7 million for the GPMF. Revenue is also projected to total approximately \$2.7 million representing no change from the FY 2018 Adopted Budget. As the GPMF is a Special Revenue Fund, budgeted revenue will mirror budgeted expenses.

| ANTICIPATED COMMUNITY PLAN UPDATE WORK SCHEDULE* |                  |                   |
|--|------------------|-------------------|
| Community Plan Updates                           | Scope of Project | FY 2019 Status    |
| Mission Valley                                   | Plan Update      | To be completed   |
| Clairemont Mesa                                  | Plan Update      | In progress       |
| Kearny Mesa                                      | Plan Update      | In progress       |
| University                                       | Plan Update      | In progress       |
| Mira Mesa  | Plan Update      | To be initiated** |

\*Per the Planning Department Work Program FY 2018 & 2019.

\*\* Could be delayed by one year due to FY 2019 Proposed Budget reduction



# Department Review: Planning

## Facilities Financing

The FY 2019 Proposed Budget totals approximately \$2.9 million for the Facilities Financing Fund, which represents no material change from the FY 2018 Adopted Budget.

As Facilities Financing is a Special Revenue Fund, budgeted revenue will mirror budgeted expenses. Budgeted revenue totals approximately \$2.9 million.

### Budget Additions

**Rental Compensation** - The FY 2019 Proposed Budget includes a slight increase of \$7,380 in expenditures related to the fund's revised share of rent at the 101 Ash Street Building. The revision is based on the space planning proposed for the new building conducted by the Real Estate Assets Department. The Fund's total rent for its space in the 101 Ash Street Building for FY 2019 is \$219,943. Additional information related to 101 Ash Street Building Relocation can be found in the "Key Citywide Issues" Section in our Report.

**Relocation to 101 Ash Street** - While the FY 2019 Proposed Budget includes approximately \$72,000 for moving costs and additional furniture needed at the new loca-

tion, this move will likely not occur in FY 2019. This amount was also funded in FY 2018 for the same purpose, however, it was not spent due to relocation delay.

### Department Work Schedule

The Department's anticipated work schedule for facilities financing plans can be found on the next page. Additional information on the Department's work schedule can be found on the City's website within the Planning Department section.

## Issues for Council Consideration

### Council Priorities Addressed

The FY 2018 Proposed Budget includes several items that support the Climate Action Plan, which was identified as a priority for a majority of the Councilmembers in the FY 2018 Council Priority memorandums. These items include: the Parks Master Plan and Mission Bay Park Master Plan,

| SUMMARY OF FACILITIES FINANCING FUND - BUDGET CHANGES |               |                     |                    |                     |                     |
|---|---------------|---------------------|--------------------|---------------------|---------------------|
| Description   | FTE           | PE                  | NPE                | Total Expense       | Revenue             |
| FY 2018 Adopted Budget                                | 16.35         | \$ 2,078,987        | \$ 829,124         | \$ 2,908,111        | \$ 2,908,283        |
| <b>Programmatic Changes</b>                           |               |                     |                    |                     |                     |
| Rental Compensation                                   | -             | -                   | 7,380              | 7,380               | -                   |
| Relocation to 101 Ash Street                          | -             | -                   | 71,975             | 71,975              | -                   |
| Revenue Adjustment                                    | -             | -                   | -                  | -                   | (27,417)            |
| One-Time Reductions and Annualizations                | -             | -                   | (71,975)           | (71,975)            | -                   |
| <b>Other Changes</b>                                  |               |                     |                    |                     |                     |
| Salary & Benefit Adjustments                          | (0.35)        | 36,478              | -                  | 36,478              | -                   |
| Non-Discretionary Adjustments                         | -             | -                   | (100,537)          | (100,537)           | -                   |
| Other Adjustments                                     | -             | -                   | 29,434             | 29,434              | -                   |
| <b>FY 2019 Proposed Budget</b>                        | <b>16.00</b>  | <b>\$ 2,115,465</b> | <b>\$ 765,401</b>  | <b>\$ 2,880,866</b> | <b>\$ 2,880,866</b> |
| <b>Difference from 2018 to 2019</b>                   | <b>(0.35)</b> | <b>\$ 36,478</b>    | <b>\$ (63,723)</b> | <b>\$ (27,245)</b>  | <b>\$ (27,417)</b>  |

Office of the Independent Budget Analyst

April 2018

## Department Review: Planning

| <b>FACILITIES FINANCING PLAN WORK SCHEDULE*</b> |                         |                       |
|---|-------------------------|-----------------------|
| <b>Plan</b>                                     | <b>Scope of Project</b> | <b>FY 2019 Status</b> |
| Barrio Logan IFS                                | Plan Update             | To be completed       |
| Torrey Highlands PFFP                           | Plan Update             | To be completed       |
| Otay Mesa PFFP                                  | Plan Update             | To be completed       |
| Rancho Penasquitos PFFP                         | Plan Update             | To be completed       |
| Linda Vista IFS                                 | Plan Update             | To be completed       |
| Pacific Beach IFS                               | Plan Update             | To be completed       |
| Mission Valley CPU/IFS                          | Plan Update             | To be completed       |
| Pacific Highlands Ranch PFFP                    | Plan Update             | To be completed       |
| Kearny Mesa CPU/IFS                             | Plan Update             | To be initiated       |
| Clairemont Mesa CPU/IFS                         | Plan Update             | To be initiated       |

\*Per the Planning Department Work Program FY 2018 & 2019.

# Department Review: Police

## Police

| Performance Measure                                    | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
|--|----------------|----------------|----------------|-------------------|----------------|
| Percentage of 911 calls answered within 10 seconds     | 90%            | 91%            | 95%            | 92%               | 95%            |
| Average response time to Priority E calls (in minutes) | 7.0            | 6.9            | 7.0            | 6.9               | 7.0            |
| Average response time to Priority 1 calls (in minutes) | 14.0           | 16.3           | 14.0           | 16.8              | 14.0           |
| Average response time to Priority 2 calls (in minutes) | 27.0           | 43.7           | 27.0           | 48.0              | 27.0           |

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Police Department is approximately \$473.6 million for the General Fund, an increase of \$4.5 million or 1.0% from the FY 2018 Budget. The FY 2019 Proposed Budget includes 2,656.01 FTE positions, an increase of 3.00 FTE positions over FY 2018. Budgeted revenue totaling \$47.3 million represents an increase of \$861,000.

Proposed changes to the Police budget include the addition of civilian positions to support Police dispatch and special events, the addition of an Assistant Police Chief and other staff to manage the Department's new Neighborhood Services Division, the transfer of the Family Justice Center to the Office of the City Attorney, adjustments to overtime, and added TOT

revenue to support public services. The FY 2019 Budget also includes increased compensation for Police officers as a result of the City's new agreement with the San Diego Police Officers Association (POA), which is intended to strengthen ongoing Police recruitment and retention efforts. In FY 2019, salary-related expenditures for POA members are increasing by approximately \$18.5 million.

The FY 2019 Proposed Budget does not include any service cuts to the Police Department.

### Addition of Civilian Supplemental Positions

The FY 2019 Proposed Budget adds 13.00 FTE civilian supplemental positions and \$981,000 in associated expenditures to support the Police Department's dispatch and special events functions. The added positions include 9.00 Police Dispatcher 2

| SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES             |                 |                       |                       |                       |                      |
|---|-----------------|-----------------------|-----------------------|-----------------------|----------------------|
| Description   | FTE             | PE                    | NPE                   | Total Expense         | Revenue              |
| FY 2018 Adopted Budget                                  | 2,653.01        | \$ 401,015,822        | \$ 68,025,493         | \$ 469,041,315        | \$ 46,403,911        |
| <b>Programmatic Changes</b>                             |                 |                       |                       |                       |                      |
| Addition of Civilian Supplemental Positions             | 13.00           | 974,632               | 6,500                 | 981,132               | -                    |
| Addition of Assistant Police Chief                      | 1.00            | 413,328               | 5,000                 | 418,328               | -                    |
| Addition of Neighborhood Policing Administration        | 2.00            | 384,695               | 10,000                | 394,695               | -                    |
| Transfer of Civilian Positions to Family Justice Center | (4.00)          | (494,486)             | -                     | (494,486)             | -                    |
| Facility Maintenance Consolidation                      | (9.00)          | (942,024)             | -                     | (942,024)             | -                    |
| Reduction of Overtime Expenditures                      | -               | (1,751,017)           | -                     | (1,751,017)           | -                    |
| <b>Other Changes</b>                                    |                 |                       |                       |                       |                      |
| Salary and Benefit Adjustments                          | -               | 11,629,825            | -                     | 11,629,825            | -                    |
| Non-Discretionary Adjustments                           | -               | -                     | (1,499,205)           | (1,499,205)           | -                    |
| Other Adjustments                                       | -               | 203,517               | (4,399,739)           | (4,196,222)           | (138,932)            |
| Addition of TOT Revenue                                 | -               | -                     | -                     | -                     | 1,000,000            |
| <b>FY 2019 Proposed Budget</b>                          | <b>2,656.01</b> | <b>\$ 411,434,292</b> | <b>\$ 62,148,049</b>  | <b>\$ 473,582,341</b> | <b>\$ 47,264,979</b> |
| <b>Difference from 2018 to 2019</b>                     | <b>3.00</b>     | <b>\$ 10,418,470</b>  | <b>\$ (5,877,444)</b> | <b>\$ 4,541,026</b>   | <b>\$ 861,068</b>    |

Office of the Independent Budget Analyst

April 2018

# Department Review: Police

---

positions, 1.00 Police Dispatch Supervisor, 2.00 Clerical Assistant 2 positions for Special Events, and 1.00 Special Event Traffic Control Supervisor.

## **Addition of Assistant Police Chief**

The FY 2019 Proposed Budget adds of 1.00 Assistant Police Chief and \$418,328 in associated expenditures to the Police Department budget. The position addition is the result of a transfer and repurposing of 1.00 Program Manager from the Performance and Analytics Department. The added Assistant Police Chief will oversee the new Neighborhood Policing Division, described below.

## **Addition of Neighborhood Policing Administration**

The FY 2019 Proposed Budget includes the addition of 1.00 Police Captain and 1.00 Supervising Management Analyst, and \$395,000 in associated expenditures, to support the newly formed Neighborhood Services Division within the Police Department. The Division is intended to create a more efficient and effective response to addressing homelessness and quality of life issues, as well as increasing collaboration with regional partners and improving communication with the community and within the Department itself.

The FY 2019 Proposed Budget includes three positions in the Neighborhood Policing Division (the Police Captain and Supervising Management Analyst described in this section, plus the Assistant Police Chief described above). Due to the timing of the Division's formation, the full restructure is not reflected in the Proposed Budget. The Department has indicated that the Division will centralize Homeless Outreach Team (HOT), Quality of Life Team, Walking Team, and Psychiatric Emergency Response Team (PERT) programs under one chain of command.

The Neighborhood Policing Division is currently being staffed with existing Police Department positions, including two Lieutenants, 13 Sergeants, 45 Police Officers, and 2 Detectives. There are also new officers in training temporarily assigned to this Division.

## **Transfer of Family Justice Center to the Office of the City Attorney**

The FY 2019 Proposed Budget reorganizes the Family Justice Center within the Office of the City Attorney rather than the Police Department, where it was previously budgeted. As a result, 4.00 civilian Police Department positions and \$495,000 in associated expenditures are being transferred from Police to the City Attorney. Further detail on the Family Justice Center's budget is provided in our review of the Office of the City Attorney budget.

## **Facility Maintenance Consolidation**

The FY 2019 Proposed Budget includes a transfer of 9.00 FTE positions and \$942,000 in associated expenditures from the Police Department to the Public Works Department for consolidation of facility maintenance functions. Further discussion of the overall citywide facility maintenance consolidation plan can be found in this report's discussion of the Public Works-General Services budget.

## **Reduction of Overtime Expenditures**

As a result of a comprehensive zero-based budgeting process described in Attachment B to Volume 1 of the FY 2019 Proposed Budget, net budgeted overtime expenditures for the Police Department are reduced by approximately \$1.8 million in FY 2019, for a total overtime budget of \$24.6 million.

In the current fiscal year, the FY 2018 Mid

# Department Review: Police

---

-Year Budget Monitoring Report projected that the Police Department would spend approximately \$27.1 million on overtime at year-end, which exceeds the amount budgeted for FY 2019. In the FY 2019 Proposed Budget, the Department plans to reduce its current spending on overtime by implementing a \$3.0 million reduction in extension-of-shift overtime.

Extension-of-shift overtime is scheduled in advance and is used for community policing, emergency calls, writing reports, training, and other Police work. Beginning in FY 2019, the Department will require approval from Commanding Officers for this type of overtime. This new control is expected to reduce the usage of extension-of-shift overtime. However, in the event that emergencies or other public safety needs arise that may require additional overtime, the Department has indicated that it will respond in whatever manner is necessary to preserve public safety.

If the Police Department succeeds in achieving its proposed \$3.0 million reduction in extension-of-shift overtime in FY 2019, and it continues its other overtime spending as it did in FY 2018, Police overtime should remain within its \$24.6 million budget in FY 2019.

However, because this targeted reduction may be difficult to achieve, we recommend close monitoring of this expenditure during the quarterly budget monitoring process.

## **Addition of TOT Revenue**

New in FY 2019 is the addition of TOT revenue to the Police Department budget in the form of reimbursements for visitor-related services performed by the Department. The FY 2019 Proposed Budget includes \$1.0 million in TOT revenue for the Police Department.

## **Issues for Council Consideration**

### **Police Officer Recruitment and Retention**

The City continues to face significant challenges in reaching its budgeted sworn staffing level for the Police Department. As of April 23, 2018, there were 1,797 filled police officer positions out of a total of 2,040 budgeted positions. The Department is currently losing an average of 14 to 15 officers per month to retirements, separations, or departures for other agencies. As a result, despite having enrolled 141 recruits into Police academies since the beginning of FY 2018, the department has experienced 146 sworn departures so far this fiscal year.

The FY 2019 Proposed Budget includes a number of items to improve Police recruitment and retention. As in FY 2018, the Proposed Budget includes funding for four academies of 43 recruits each, for a total of 172 recruits per year. The FY 2019 Proposed Budget also continues funding for the Department's recruitment budget consisting of \$50,000 in non-personnel expenditures and approximately \$1.2 million in personnel expenditures for 7.00 FTE positions assigned to recruiting within the Department.

The most significant addition to the FY 2019 Proposed Budget for Police recruitment and retention is the implementation of the City's new agreement with the POA. As stated earlier, the FY 2019 Budget includes increased compensation for Police officers as a result of the City's new POA agreement, which is intended to strengthen ongoing Police recruitment and retention efforts. In FY 2019, salary-related expenditures for POA members are increasing by approximately \$18.8 million.



# Department Review: Police

---

The Department has also indicated that it is exploring new additional financial incentives such as bonuses for lateral transfers, incentive pay for viable candidate recruitment, and tuition reimbursement to pay off student loans. These discussions are in early stages and have not yet been implemented or included in the FY 2019 Proposed Budget. Our office recommends that the City Council receive timely updates on the status of these potential new proposals as they are developed.

In FY 2018, \$350,000 was budgeted for a Police recruitment marketing plan. According to the Department, an RFP was released in February 2018 to select a marketing company to assist in branding the San Diego Police Department and marketing itself to potential police officer candidates. The RFP has since closed and a vendor is expected to be selected by the end of April, with work commencing in May. The Public Safety & Livable Neighborhoods Committee is anticipated to hear an update on the implementation of the marketing plan as soon as is feasible.

## **Council Budget Priority Items**

A majority of Councilmember budget priority memoranda identified support for Police recruitment and retention efforts as a priority item in FY 2019. A discussion of the status of the Police Department's current efforts in this area, and related items funded in the FY 2019 Proposed Budget, is provided in the previous section.

# Department Review: Public Utilities

## Public Utilities

The Public Utilities Department (PUD) is responsible for providing water and sewer services throughout the City of San Diego. Three major enterprise funds support PUD's operations: the Municipal Sewer Revenue Fund, the Metropolitan Sewer Utility 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 2019 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 table shows both operating expenditures and proposed Capital Improvement Program (CIP) expenditures. Additional details on each funding source's operations are included in the following sections.

### Water Fund

#### Impacts of Mayor's FY 2019 Budget Proposal

Expenditures in the FY 2019 Proposed Budget for the Water Utility Operating

Fund total \$803.4 million (this is an increase of \$39.2 million from the FY 2018 Adopted Budget). Of this \$803.4 million, \$542.1 million are for operational expenses (an increase of \$21.0 million over FY 2018), and \$261.4 million for capital expenditures (an increase of \$18.3 million from FY 2018).

Revenues in the Water Fund are budgeted at \$708.5 million, which represents a decrease of \$19.5 million from the FY 2018 Adopted Budget.

This section will outline the main causes for revenue and expenditure variations from FY 2018, and discuss other significant issues that should be considered during Council's review of the Proposed Budget. A table detailing significant changes to the Water Fund's Operating Budget can be found on the next page.

#### Revenue Review

Revenue for the Water Fund in the Proposed Budget is forecast to decrease by \$19.5 million in FY 2019.

This decrease is due to the removal two one-time receipts of loan proceeds in FY 2018— a \$45.0 million net reduction in proceeds from commercial paper issuances, and a \$22.8 million reduction from State Revolving Fund (SRF) loans.

These reductions in revenue are partially offset by an anticipated award of \$20.9

| SUMMARY OF PUBLIC UTILITIES DEPARTMENT BUDGET |                        |                       |                         |
|---|------------------------|-----------------------|-------------------------|
| Fund  | Operating Expenditures | CIP Expenditures      | Revenues*               |
| Water Fund                                    | \$ 542,088,052         | \$ 261,358,994        | \$ 708,542,928          |
| Sewer Funds                                   | 363,238,988            | 212,452,242           | 449,030,767             |
| General Fund                                  | 2,606,490              | -                     | 1,409,000               |
| <b>Total</b>                                  | <b>\$ 907,933,530</b>  | <b>\$ 473,811,236</b> | <b>\$ 1,158,982,695</b> |

\*Revenues include AB 1600 revenues of \$16.2 million for the Sewer Funds and \$12.0 million for the Water Fund.

Office of the Independent Budget Analyst

April 2018

# Department Review: Public Utilities

million of Water Infrastructure Finance and Innovation Act (WIFIA) loans, and \$29.6 million in increased revenue from water sales that is consistent with the water rates approved by the City Council in 2015.

## Expenditure Review

Operating expenditures for the Water Fund in the Proposed Budget total \$542.1 million, an increase of \$21.0 million over the FY 2018 Adopted Budget. This increase includes the following significant adjustments:

- \$19.3 million in increased water purchasing costs, driven by 7.0% increased fixed charges and commodity rates from the County Water Authority (CWA).
- 1.14 FTE positions and \$5.6 million in increased support for the City's Pure Water potable reuse program. This program is discussed in greater detail later in this section.
- \$3.6 million in increased expenditures for condition assessments of water pipelines, reservoir dams, and outlets. These expenditures are included as ongoing expenditures in the Proposed Budget; past Budgets had included these expenditures as one-time expenses.
- \$350,000 in increased expenditures for installation of parkway strips and completion of a storm water capture feasibility study. PUD and Transportation & Storm Water staff indicate that they currently have bi-monthly meet-

| <b>SUMMARY OF PUBLIC UTILITIES WATER FUND OPERATING BUDGET CHANGES</b> |               |                      |                       |                       |                        |
|--|---------------|----------------------|-----------------------|-----------------------|------------------------|
| Description  | FTE           | PE                   | NPE                   | Total Expense         | Revenue                |
| FY 2018 Adopted Budget   | 791.02        | \$ 81,419,770        | \$ 439,706,149        | \$ 521,125,919        | \$ 716,070,035         |
| <b>Programmatic Changes</b>  |               |                      |                       |                       |                        |
| <i>Additional Pure Water Support</i>                                   | 1.14          | 113,978              | 5,535,436             | 5,649,414             | -                      |
| <i>Pipeline, Dam, and Outlet Condition Assessments</i>                 | -             | -                    | 3,600,000             | 3,600,000             | -                      |
| <i>Advanced Metering Infrastructure Project</i>                        | -             | -                    | 657,052               | 657,052               | -                      |
| <i>Storm Water Pilot Project &amp; Feasibility Study</i>               | -             | -                    | 350,000               | 350,000               | -                      |
| <i>Water Meter Test Bench Upgrades</i>                                 | -             | -                    | 200,000               | 200,000               | -                      |
| <i>Shift of Program Manager to Government Affairs</i>                  | (0.02)        | (2,938)              | -                     | (2,938)               | -                      |
| <i>Water Distribution Operations Supervisor</i>                        | 1.00          | 127,055              | -                     | 127,055               | -                      |
| <b>Revenue Adjustments</b>   |               |                      |                       |                       |                        |
| <i>Water &amp; Reclaimed Water Sales Revenue Increase</i>              | -             | -                    | -                     | -                     | 31,581,200             |
| <i>Anticipated WIFIA Loan Proceeds</i>                                 | -             | -                    | -                     | -                     | 20,931,600             |
| <i>Removal of FY 2018 Commercial Paper Issuance</i>                    | -             | -                    | -                     | -                     | (45,039,400)           |
| <i>Removal of FY 2018 SRF Loan Proceeds</i>                            | -             | -                    | -                     | -                     | (22,775,700)           |
| <i>Other Revenue Adjustments</i>                                       | -             | -                    | -                     | -                     | (2,466,163)            |
| <b>Other Changes</b>   |               |                      |                       |                       |                        |
| <i>Increased Water Purchasing Costs</i>                                | -             | -                    | 19,327,888            | 19,327,888            | -                      |
| <i>Salary and Benefit Adjustments</i>                                  | -             | 334,266              | -                     | 334,266               | -                      |
| <i>Pension Payment Stabilization Reserve Repayment</i>                 | -             | -                    | 378,546               | 378,546               | -                      |
| <i>Reductions due to Efficiencies &amp; Historical Savings</i>         | (2.00)        | (112,763)            | (4,003,840)           | (4,116,603)           | -                      |
| <i>Reimbursement to Parks &amp; Rec for River Park Ranger</i>          | -             | -                    | 88,350                | 88,350                | -                      |
| <i>IAM Consultant Services</i>   | -             | -                    | 79,760                | 79,760                | -                      |
| <i>One Time Adjustments and Annualizations</i>                         | -             | -                    | (12,519,447)          | (12,519,447)          | (1,758,644)            |
| <i>Non Discretionary and Information Technology</i>                    | -             | -                    | 7,923,419             | 7,923,419             | -                      |
| <i>Other Adjustments</i>   | (6.96)        | (925,595)            | (189,034)             | (1,114,629)           | -                      |
| <b>FY 2019 Proposed Budget</b>   | <b>784.18</b> | <b>\$ 80,953,773</b> | <b>\$ 461,134,279</b> | <b>\$ 542,088,052</b> | <b>\$ 696,542,928</b>  |
| <b>Difference from 2018 to 2019</b>                                    | <b>(6.84)</b> | <b>\$ (465,997)</b>  | <b>\$ 21,428,130</b>  | <b>\$ 20,962,133</b>  | <b>\$ (19,527,107)</b> |

Office of the Independent Budget Analyst

April 2018

# Department Review: Public Utilities

| PUBLIC UTILITIES WATER FUND KEY PERFORMANCE MEASURES |                |                |                |                   |                |
|--|----------------|----------------|----------------|-------------------|----------------|
| Performance Measure                                  | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
| Percentage reduction of per capita water consumption | 5%             | 5%             | 5%             | 5%                | 5%             |
| Miles of water mains awarded for replacement         | 35.0           | 33.0           | 35.0           | 34.2              | 35.0           |
| Number of water main breaks                          | 77             | 76             | 77             | 79                | 77             |

ings to coordinate activities related to storm water, and PUD plans to analyze potential multi-benefit storm water capture, treatment, and reuse projects to determine if they could be eligible for PUD funding within accordance with Proposition 218 requirements.

## Issues to Consider

### Pure Water Implementation

Across both the Water and Sewer Funds, the Proposed Budget includes 24.96 FTE positions, \$20.9 million in operating expenditures, and \$121.4 million in capital expenditures to support the City’s Pure Water program. Earlier this month, the City Council approved an Environmental Impact Report for Phase 1 of the project and made numerous additional requests for construction schedules and updates from staff.

The Pure Water program is one of the City’s most important projects, with the eventual goal of producing 83 million gallons of potable water per day by 2035 while also eliminating the need to make upgrades to the Point Loma wastewater treatment plant that could cost in excess of \$2 billion.

**Council may wish to request regular updates on the status of implementation of Phase 1 of Pure Water as well as on progress towards beginning Phase 2.**

### Reviews of Funds

In 2015, the City Council approved a five-year series of water rate increases that extend through FY 2020. During that rate

case, PUD committed to completing two reviews of funds—one in FY 2018 and one in FY 2020—to ensure that rate increases approved then are appropriate, and to make any adjustments to those rates that are necessary. **Council may wish to request an update on when the FY 2018 Review of Funds will be completed and presented.**

### Water Rate Structure Review

When the City Council approved the previously mentioned series of water rate increases, PUD was requested to prepare an analysis of potential different water rate structures that could adjust the proportion of fixed and volumetric water rates PUD charges its customers, and to include potential adjustments to the current tiering system for volumetric rates.

PUD staff has held several meetings with community groups and non-profit entities over the last several months to begin this process; **Council may wish to request additional detail on this process, and when a final set of recommendations or options will be presented.**

## Sewer Funds

### Impacts of Mayor’s FY 2019 Budget Proposal

The Proposed Budget for expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals \$575.7 million, which is an increase of \$93.3 million from FY 2018. Of this \$575.7 million, \$363.2 million are for operating expenses (an

# Department Review: Public Utilities

\$11.1 million increase from FY 2018), and \$212.5 million are for capital expenditures (an increase of \$82.2 million from FY 2018). Significant changes in operational expenditures are discussed below.

Revenues in the Sewer Funds are budgeted at \$449.0 million, which is an increase of \$57.3 million over FY 2018. This increase is largely due to the Metropolitan Sewer Fund's expected receipt of \$51.7 million in State SRF loan proceeds, which will be used to support the City's Pure Water program as well as the Pump Station 2 Power Reliability and Surge Protection project.

A table detailing significant changes to the Operating Budget of the combined Sewer Funds is displayed below.

## Expenditure Review

Operating expenditures in the FY 2019

Proposed Budget for the Sewer Funds total \$363.2 million, which is an increase of \$11.1 million over FY 2018. Significant expenditure adjustments include:

- The addition of 2.86 FTE positions and \$3.0 million in expenditures to support the City's Pure Water program.
- \$6.6 million in increased expenditures for condition assessments of wastewater pipelines and treatment facilities. These expenditures are included as on-going expenditures in the Proposed Budget; past Budgets had included these expenditures as one-time expenses.
- \$450,000 for preparation of a Recycled Water Master Plan, which will guide future maintenance of the City's 20

| SUMMARY OF PUBLIC UTILITIES SEWER FUNDS OPERATING BUDGET CHANGES |               |                      |                       |                       |                       |
|--|---------------|----------------------|-----------------------|-----------------------|-----------------------|
| Description  | FTE           | PE                   | NPE                   | Total Expense         | Revenue               |
| FY 2018 Adopted Budget   | 859.90        | \$ 91,571,088        | \$ 260,613,136        | \$ 352,184,224        | \$ 375,699,388        |
| <b>Programmatic Changes</b>                                      |               |                      |                       |                       |                       |
| Pure Water Support   | 2.86          | 275,496              | 2,700,000             | 2,975,496             | -                     |
| Condition Assessments  | -             | -                    | 6,599,330             | 6,599,330             | -                     |
| Meanley Pump Station Repairs                                     | -             | -                    | 500,000               | 500,000               | -                     |
| Recycled Water Master Plan Updates                               | -             | -                    | 450,000               | 450,000               | -                     |
| Customer Support Consultant Services                             | -             | -                    | 240,000               | 240,000               | -                     |
| Advanced Metering Infrastructure Consultant Costs                | -             | -                    | 657,052               | 657,052               | -                     |
| Shift of Program Manager to Government Affairs                   | 0.02          | 2,870                | -                     | 2,870                 | -                     |
| <b>Revenue Adjustments</b>                                       |               |                      |                       |                       |                       |
| SRF Loan for Metro projects (including Pure Water)               | -             | -                    | -                     | -                     | 51,710,300            |
| Other Revenue Adjustments  | -             | -                    | -                     | -                     | 6,312,545             |
| <b>Other Changes</b>   |               |                      |                       |                       |                       |
| Wastewater Treatment Contractual Expenses                        | -             | -                    | 1,775,521             | 1,775,521             | -                     |
| Environmental Compliance Cost Adjustments                        | -             | -                    | 1,100,000             | 1,100,000             | -                     |
| IAM Project Support  | -             | -                    | -                     | -                     | -                     |
| Salary and Benefit Adjustments                                   | -             | 2,827,354            | -                     | 2,827,354             | -                     |
| Pension Payment Stabilization Reserve Repayment                  | -             | -                    | 429,065               | 429,065               | -                     |
| Shifting COMMNET System Support to In-House                      | -             | -                    | (1,855,000)           | (1,855,000)           | -                     |
| Reductions due to Efficiencies & Historical Savings              | -             | -                    | (2,984,002)           | (2,984,002)           | -                     |
| IAM Project Support  | -             | -                    | 118,140               | 118,140               | -                     |
| Personnel Adjustments (Overtime, Hourly, COLA, etc)              | -             | -                    | -                     | -                     | -                     |
| One Time Adjustments and Annualizations                          | -             | -                    | (6,345,441)           | (6,345,441)           | (851,466)             |
| Non Discretionary and Information Technology                     | -             | -                    | 2,663,611             | 2,663,611             | -                     |
| Other Adjustments  | 8.96          | 923,678              | 977,090               | 1,900,768             | -                     |
| <b>FY 2019 Proposed Budget</b>                                   | <b>871.74</b> | <b>\$ 95,600,486</b> | <b>\$ 267,638,502</b> | <b>\$ 363,238,988</b> | <b>\$ 432,870,767</b> |
| <b>Difference from 2018 to 2019</b>                              | <b>11.84</b>  | <b>\$ 4,029,398</b>  | <b>\$ 7,025,366</b>   | <b>\$ 11,054,764</b>  | <b>\$ 57,171,379</b>  |

Office of the Independent Budget Analyst

April 2018



# Department Review: Public Utilities

| PUBLIC UTILITIES SEWER FUNDS KEY PERFORMANCE MEASURES     |                |                |                |                   |                |
|---|----------------|----------------|----------------|-------------------|----------------|
| Performance Measure                                       | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
| Miles of sewer mains replaced, repaired, or rehabilitated | 45.0           | 47.4           | 45.0           | 38.7              | 40.0           |
| Number of acute sewer main defects identified             | 50             | 31             | 50             | 45                | 50             |
| Number of sanitary sewer overflows (SSOs)                 | 40             | 42             | 40             | 35                | 40             |

year old recycled water system.

- \$500,000 for repair and replacement of electrical, mechanical, HVAC, and other systems at the Meanley Pump Station.
- A reduction of \$1.9 million in expenses associated with the COMMNET system. The COMMNET system is the wastewater treatment plant operating system; a portion of COMMNET work that had previously been contracted out is being shifted to be performed by in-house PUD staff.

over FY 2018 amounts and is due largely to increased recreational use of the City's reservoirs.

## General Fund

The City offers recreational use of its reservoirs, collecting various fees from recreation patrons. Revenues and expenses associated with the recreational use of reservoirs are General Fund transactions.

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget includes expenditures for managing these activities in the amount of \$2.6 million. This is an increase of \$111,000 over FY 2018, and is largely due to a \$100,000 increase in pumping expenditures for disposing waste from restrooms at various reservoirs. The remainder of the increase is due to increased contributions to the San Dieguito Joint Powers Authority.

Revenues in the Proposed Budget total \$1.6 million, which is an increase of \$196,000

## Department Review: Public Works

# Public Works

The Public Works Department is comprised of the following three branches.

- **Contracting**—Procures construction and consulting services specifically for Capital Improvement Program (CIP) projects and provides other related services. 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 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.

| SUMMARY OF PUBLIC WORKS DEPARTMENT BUDGET CHANGES |        |               |               |               |               |
|---|--------|---------------|---------------|---------------|---------------|
| Description                                       | FTE    | PE            | NPE           | Total Expense | Revenue       |
| <i>Contracting Branch</i>                         |        |               |               |               |               |
| FY 2018 Adopted Budget                            | 21.00  | \$ 2,268,443  | \$ 71,330     | \$ 2,339,773  | \$ 1,181,777  |
| FY 2019 Proposed Budget                           | 29.00  | 2,969,798     | 446,872       | 3,416,670     | 3,478,367     |
| Difference from 2018 to 2019                      | 8.00   | 701,355       | 375,542       | 1,076,897     | 2,296,590     |
| <i>Engineering &amp; Capital Projects Branch</i>  |        |               |               |               |               |
| FY 2018 Adopted Budget                            | 715.80 | \$ 79,622,265 | \$ 15,685,504 | \$ 95,307,769 | \$ 95,314,239 |
| FY 2019 Proposed Budget                           | 745.75 | 83,946,126    | 15,771,962    | 99,718,088    | 99,656,391    |
| Difference from 2018 to 2019                      | 29.95  | 4,323,861     | 86,458        | 4,410,319     | 4,342,152     |
| <i>General Services Branch</i>                    |        |               |               |               |               |
| FY 2018 Adopted Budget                            | 178.00 | \$ 15,147,158 | \$ 8,546,202  | \$ 23,693,360 | \$ 7,327,339  |
| FY 2019 Proposed Budget                           | 223.50 | 19,906,063    | 6,264,019     | 26,170,082    | 6,499,103     |
| Difference from 2018 to 2019                      | 45.50  | 4,758,905     | (2,282,183)   | 2,476,722     | (828,236)     |

## Public Works - Contracts

| Performance Measure                       | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
|---|----------------|----------------|----------------|-------------------|----------------|
| Average number of days to award contracts | 90             | 77             | 90             | 90                | 90             |

Most of the services provided by the Contracts Division support the Capital Improvements Program (CIP). The division provides centralized procurement for construction and professional consulting services, as well as contract management services.

### Impact of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget shifts the Contracts Division from being supported by the General Fund to the Engineering & Capital Projects (E&CP) Fund. The budget includes \$3.4 million in E&CP Fund expenditures, which is an increase of about \$1.1 million, or 46.0% over the FY 2018 Adopted Budget. The proposed budget also adds 8.00 FTE positions, increasing total FTE positions from 21.00 to 29.00 in FY 2019. The E&CP Fund is a special revenue fund in which work provided by the E&CP Branch related to the CIP is charged to the individual CIP project budget. Operations work is charged to the respective department.

The proposed budget also adds \$2.3 million in revenue to reflect additional posi-

tions and contract services provided, as well as other personnel expenditure adjustments.

### Significant Budget Additions

The proposed budget includes an increase of 6.00 FTE positions and \$581,000 to solicit and award minor construction and repair construction contracts.

On April 24, 2018 Council approved changes to the Municipal Code shifting the authority to award minor construction and repair contracts of \$250,000 or less, which are funded out of the operating budget, from the Purchasing and Contracting Department to the Public Works Department. Our Office notes that though the responsibilities have shifted, there is not a corresponding decrease of 6.00 FTE positions in the Purchasing and Contracting Department.

The proposed budget also includes a transfer of 2.00 FTE positions and \$87,074 from the E&CP Branch to the Contracts Division. Staff have indicated that this adjustment is necessary to better align the duties of these positions.

| SUMMARY OF PUBLIC WORKS - CONTRACTING BRANCH BUDGET CHANGES |              |                     |                   |                     |                     |
|---|--------------|---------------------|-------------------|---------------------|---------------------|
| Description   | FTE          | PE                  | NPE               | Total Expense       | Revenue             |
| FY 2018 Adopted Budget                                      | 21.00        | \$ 2,268,443        | \$ 71,330         | \$ 2,339,773        | \$ 1,181,777        |
| <b>Programmatic Changes</b>                                 |              |                     |                   |                     |                     |
| <i>Minor construction and repair contracting</i>            | 6.00         | 551,959             | 28,800            | 580,759             | -                   |
| <i>Transfer positions from the E&amp;CP Department</i>      | 2.00         | 87,074              |                   | 87,074              |                     |
| <b>Other Changes</b>  |              |                     |                   |                     |                     |
| <i>Salary and Benefit Adjustments</i>                       | -            | 62,322              |                   | 62,322              | -                   |
| <i>Other Adjustments</i>                                    | -            |                     | 346,742           | 346,742             | 2,296,590           |
| <b>FY 2019 Proposed Budget</b>                              | <b>29.00</b> | <b>\$ 2,969,798</b> | <b>\$ 446,872</b> | <b>\$ 3,416,670</b> | <b>\$ 3,478,367</b> |
| <i>Difference from 2018 to 2019</i>                         | <b>8.00</b>  | <b>\$ 701,355</b>   | <b>\$ 375,542</b> | <b>\$ 1,076,897</b> | <b>\$ 2,296,590</b> |

# Department Review: Public Works - Contracts

---

## **Issues for Council Consideration**

Under the existing structure, the Contracts Division charges CIP project budgets for contract services provided that relate to the CIP. However, for operational work, it is unable to charge General Fund departments for services provided, since both are supported with the same funding source. Under the proposed restructure, Contracts staff would be able to recover costs for services from these departments by being budgeted within the E&CP Fund. The shift would also provide for increased accounting transparency as the division is able to charge for all services it provides.

Our Office notes that the E&CP Fund is showing a \$4.8 million deficit in FY 2019. This is an increase of \$3.6 million over FY 2018. Actual fund deficits in FY 2016 and FY 2017 were both \$1.2 million.

**Council may wish to request additional information from staff on what is driving the increased fund deficit and how it will be addressed.**

## **Streamlining Efforts**

The Public Works Department is currently implementing five streamlining measures. One of which is the establishment of procedures to reduce the time it takes to procure consultant contracts. The Department is studying its process to identify inefficiencies during FY 2018 and plans to start implementing process improvements in FY 2019.

The department is also creating procedures for evaluating the performance of consultants providing architecture and engineering services. The evaluations are intended to improve future selection processes. The department expects this to be completed in FY 2018.

# Public Works - Engineering & Capital Projects

| Performance Measure   | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
|---|----------------|----------------|----------------|-------------------|----------------|
| Percentage of Capital Improvement Projects delivered on baseline Project Charter schedule | 80.0%          | 79.3%          | 80.0%          | 76.4%             | 80.0%          |

The Engineering & Capital Project (E&CP) Branch provides engineering services to support construction for capital improvement projects in the Capital Improvement Program (CIP). The branch supports a wide range of projects through planning, designing, project management; inspections of public and private work permitted in the right-of-way; and surveying and materials testing. The branch is comprised of six divisions:

- Architectural Engineering & Parks;
- Business Operations Support;
- Construction Management & Field Services;
- Project Implementation;
- Right-of-Way Design; and

- CIP Technical Support Division.

The CIP Technical Support Division is new and will include the following components: ADA Access Law Compliance, Standard Drawings, Contract Documents, Environmental Permitting, Surveys, and the Materials Test Lab.

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget includes \$99.7 million in expenditures from the E&CP Fund, which is an increase of \$4.4 million, or 4.6% over the FY 2018 Adopted Budget. Similarly, the proposed budget includes \$99.7 million in revenue, an increase of \$4.3 million, or 4.6%, reflecting charges to CIP projects for services. The proposed budget also includes 745.75 FTE positions, which is an increase of 29.95

| SUMMARY OF PUBLIC WORKS - E&CP BUDGET CHANGES       |               |                      |                      |                      |                      |
|---|---------------|----------------------|----------------------|----------------------|----------------------|
| Description   | FTE           | PE                   | NPE                  | Total Expense        | Revenue              |
| FY 2018 Adopted Budget                              | 715.80        | \$ 79,622,265        | \$ 15,685,504        | \$ 95,307,769        | \$ 95,314,239        |
| <b>Programmatic Changes</b>                         |               |                      |                      |                      |                      |
| <i>CIP Support</i>                                  | 17.00         | 1,563,771            | 128,600              | 1,692,371            | -                    |
| <i>Asset Management Component</i>                   | 9.00          | 829,716              | 92,000               | 921,716              | -                    |
| <i>Restructure</i>                                  | 4.00          | 458,695              | 10,500               | 469,195              | -                    |
| <i>Information Technology Support</i>               | 1.00          | 99,037               | 9,400                | 108,437              | -                    |
| <i>Non-Standard Hour Personnel Funding</i>          | (1.05)        | (92,387)             | -                    | (92,387)             | -                    |
| <i>Regional Water Quality Control Board Penalty</i> | -             | -                    | 130,303              | 130,303              | -                    |
| <b>Other Changes</b>                                |               |                      |                      |                      |                      |
| <i>Other Salary and Benefit Adjustments</i>         | -             | 1,465,029            | -                    | 1,465,029            | -                    |
| <i>Other Adjustments</i>                            | -             | -                    | (284,345)            | (284,345)            | -                    |
| <i>Revised Revenue</i>                              | -             | -                    | -                    | -                    | 4,342,152            |
| <b>FY 2019 Proposed Budget</b>                      | <b>745.75</b> | <b>\$ 83,946,126</b> | <b>\$ 15,771,962</b> | <b>\$ 99,718,088</b> | <b>\$ 99,656,391</b> |
| <b>Difference from 2018 to 2019</b>                 | <b>29.95</b>  | <b>\$ 4,323,861</b>  | <b>\$ 86,458</b>     | <b>\$ 4,410,319</b>  | <b>\$ 4,342,152</b>  |

Office of the Independent Budget Analyst

April 2018



# Department Review: Public Works - E&CP

---

FTE positions, or 4.2%, over prior year.

## **Significant Budget Additions**

The proposed budget proposes includes a net increase of 29.95 FTE positions. The proposed budget also transfers 2.00 FTE positions and \$87,074 from the E&CP Branch to the Contracts Division.

Specifically, the new positions include:

- 6.00 FTE positions and \$618,000 to support construction management for the Pure Water Program. We note that nine construction contracts with a total value of \$687.7 million are planned to be bid and awarded in FY 2019 in support of the Pure Water Project.
- Transfer of 6.0 FTE positions and \$556,000 from the Purchasing and Contracting Department related to the Prevailing Wage Program. According to the department, this shift better aligns position duties with the Public Works Department.
- 4.00 FTE positions and \$378,000 to address increased demand to restore department-owned survey monuments.
- 3.00 FTE positions and \$240,000 for materials test lab support to keep up with increase in utility underground permits. We note that 8.00 FTE positions were added in FY 2018 to support materials and lab testing.
- 4.00 FTE positions and \$458,000 to cover various other activities including in-house design services for City facilities and ventilation systems, Americans with Disabilities Act, drainage, and the Utility Underground Program; and support for the new CIP Technical Support Division.

The following are additional positions related to the Infrastructure Asset Management San Diego Project:

- 2.00 FTE positions and \$222,000 for additional informational technology support related to the Asset Management Planning (AMP) component, as well as support for minor contracts and facility upgrades coming through the AMP to address the backlog of deferred capital projects.
- 8.00 FTE positions and \$808,000 for activities such as scoping projects using the AMP, overseeing those projects, and providing coordination with asset managing departments on asset needs and project priorities.

## **Issues for Council Consideration**

### **Unfunded Department Requests**

The proposed budget does not include three positions requested by E&CP. One is for a Senior Management Analyst and \$93,000 to provide additional oversight of CIP allocations and projections. Increased monitoring of cash flow within the CIP has been a key strategy used to ensure that funds are being used efficiently and as many projects are moving forward as possible.

Another position is a Supervising Management Analyst and \$104,000 to support Public Records Act functions for which staff indicates there has been increased demand. Staff has also indicated that this position will be considered again at the May Revision.

Finally, an engineer and \$95,000 was requested to provide support for major road and bridge projects design.

# Department Review: Public Works - E&CP

---

## **E&CP Growth and Remaining Vacancies**

The FY 2019 Proposed Budget adds another 29.95 FTE positions to the E&CP Branch. The table below shows the growth in positions over recent years. The largest period of growth was from FY 2015 to FY 2016 with 114 FTE positions added. If the additional positions are approved, the branch will have received 261.15 FTE positions since FY 2015.

The E&CP's workload is driven by the CIP. The CIP has experienced significant growth over this time period as well and the CIP Outlook forecasts continued growth in the program through FY 2020. Though additional FTE positions may be warranted as seen with the continued growth of the CIP, our Office notes that the branch currently has 96 vacancies.

| Growth in Engineering & Capital Projects FTE Positions FY 2015 to FY 2019 |                |                |                |                |                  |                           |
|---|----------------|----------------|----------------|----------------|------------------|---------------------------|
|   | FY 2015 Actual | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | FY 2019 Proposed | FY 2015 to FY 2019 Change |
| <b>FTE Positions</b>  | 484.60         | 598.60         | 644.70         | 715.80         | 745.75           | 261.15                    |

# Public Works - General Services

| FACILITIES KEY PERFORMANCE MEASURES  |                |                |                |                   |                |
|--|----------------|----------------|----------------|-------------------|----------------|
| Performance Measure  | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
| Percentage of preventative maintenance activities of overall facilities maintenance activities | 30%            | 16%            | 20%            | 20%               | 20%            |

The General Services Branch of the Public Works Department provides various services to City departments including vehicle, facilities, and equipment maintenance and repair. It also provides publishing and printing services.

The General Services Branch is comprised of three divisions:

- Facilities
- General Services Administration
- Publishing

The Facilities and Administration Divisions are supported by the General Fund and Publishing is funded by the Publishing Services Fund.

The most significant changes proposed for the General Services Branch are: 1) Publishing is shifted out of Public Works and into the Department of Information Technology (1.00 FTE and associated costs) and the Purchasing & Contracting Department (9.00 FTE positions and associated costs), and 2) the consolidation of maintenance services from several departments into the

Public Works Facilities Division.

## Facilities

The Facilities Division's main function is to provide maintenance, repair, modernization, and improvement services for facilities Citywide.

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget includes General Fund expenditures of \$24.9 million, which is an increase of \$6.1 million, or 32.3%. This increase is driven by the transfer of maintenance personnel from various departments into the Facilities Division.

The proposed budget includes 214.50 FTE positions, which is a net increase of 54.50 FTE positions over the FY 2018 Adopted Budget. The budget proposes an increase of 60.50 FTE positions for the consolidation of facilities maintenance as well as a reduction of 5.00 vacant FTE positions. We note that the FY 2018 Adopted Budget also

| SUMMARY OF PUBLIC WORKS - GENERAL SERVICES BUDGET CHANGES              |                |                     |                       |                       |                       |
|--|----------------|---------------------|-----------------------|-----------------------|-----------------------|
| Description  | FTE            | PE                  | NPE                   | Total Expense         | Revenue               |
| <i>General Fund (Facilities &amp; General Services Administration)</i> |                |                     |                       |                       |                       |
| FY 2018 Adopted Budget   | 168.00         | \$ 14,255,791       | \$ 5,777,004          | \$ 20,032,795         | \$ 3,666,682          |
| FY 2019 Proposed Budget  | 223.50         | 19,906,063          | 6,264,019             | 26,170,082            | 6,499,103             |
| <i>Difference from 2018 to 2019</i>                                    | <i>55.50</i>   | <i>\$ 5,650,272</i> | <i>\$ 487,015</i>     | <i>\$ 6,137,287</i>   | <i>\$ 2,832,421</i>   |
| <i>Publishing Services Fund</i>  |                |                     |                       |                       |                       |
| FY 2018 Adopted Budget   | 10.00          | 891,367             | 2,769,198             | 3,660,565             | 3,660,657             |
| FY 2019 Proposed Budget  | -              | -                   | -                     | -                     | -                     |
| <i>Difference from 2018 to 2019</i>                                    | <i>(10.00)</i> | <i>\$ (891,367)</i> | <i>\$ (2,769,198)</i> | <i>\$ (3,660,565)</i> | <i>\$ (3,660,657)</i> |

# Department Review: Public Works - General Services

---

included a reduction of 5.00 vacant FTE positions.

Finally, revenues are budgeted at \$6.5 million which is an increase of \$2.8 million, or 77.2%. This increase is due to \$3.0 million in additional revenue associated with the transfer of positions from the Stadium to the Facilities Division.

## **Consolidation of Facilities Maintenance Services**

The budget proposes to consolidate facility maintenance services within the General Services—Facilities Division. Specifically, the proposed budget transfers:

- 33.00 FTE positions and \$3.1 million in expenses, and \$3.0 million in revenue from the Stadium Operations Fund;
- 12.50 FTE positions and \$1.0 million from the Library Department;
- 9.00 FTE positions and \$942,000 from the Police Department;
- 3.00 FTE positions and \$290,000 from the Fire-Rescue Department; and
- 3.00 FTE positions and \$272,000 from the Parks and Recreation Department.

## **Significant Budget Expenditure Reductions**

The proposed budget includes the following significant budget reductions to the Facilities Division's budget:

- \$355,000 associated with 5.00 vacant FTE positions: two carpenters, one plumber, one painter, and one heating, ventilation, cooling and refrigeration (HVACR) technician; and
- \$56,000 associated with capital equipment and contracts for carpet and window cleaning at the City Administration Building.

## **Issues for Council Consideration**

### **Staffing Consolidation and Budget Reduction**

According to staff, the 60.50 FTE positions transferred from the Stadium, Library, Police, Fire, and Parks and Recreation Departments will continue to provide services at their respective departments. In future years, as needs change, these positions could potentially be used for other City facilities maintenance functions. With additional flexibility, this may result more efficient use of personnel and resources.

In addition, the positions being transferred are from departments not yet included in the Infrastructure Asset Management San Diego System while the Facilities Division is currently using the system. The transferred positions will begin using the system to track maintenance history and work currently being done. This is expected to increase overall coordination of these services Citywide.

The FY 2019 Proposed CIP Budget provides \$2.7 million to the annual allocation for City Facilities Improvements. If anticipated commercial paper note proceeds are included, the annual allocation would receive a total of \$10.2 million. These are much needed investments in City Facilities capital needs, but maintenance and repair is also critical. When this work is goes undone, it may accelerate the deterioration of City buildings and could significantly add to the City's deferred capital backlog. The FY 2017 key performance indicator outcome shows that 16% of maintenance activities are preventative. Therefore, the majority of Facilities' work is reactive, responding to breakdowns of facility systems.

Our Office notes that the positions pro-

# Department Review: Public Works - General Services

---

posed for reduction are currently vacant . In recent years, the Facilities Division has experienced difficulty hiring in certain classifications. The division currently has 18.00 FTE positions vacant out of the 160.00 FTE positions budgeted for FY 2018.

## **Funding Requests Not Budgeted**

As with last year, the Facilities Division requested 21.00 FTE positions and one-time costs for the purchase of vehicles, for a total of \$3.3 million. Staff indicates that there is insufficient personnel to maintain City facilities at the level recommended by City staff and approved by Council last spring — where facilities, depending upon the type, would score either 15 or 20 on the facility condition index.

The department also made the following requests:

- \$150,000 in contract costs for asbestos remediation. According to staff, these costs are driven by increased demand for these services on City facilities and increases related to prevailing wage requirements.
- 1.00 Generator Technician and other non-personnel costs totaling \$186,000 to support emergency generators throughout the City. There is existing electrician staff doing this work but this position would be dedicated staff for the maintenance of the generators.
- \$200,000 in contract costs for emergency repairs for the City's facilities. According to staff, more facilities are requiring emergency repairs to elevators, fire and electrical panels, and stairs.
- \$700,000 in costs for supplies to carryout HVAC, roof, plumbing, and electrical system repairs and rehabilitations to various City facilities.

- \$28,000 in contract costs related to a Business Process Consultant working on the Infrastructure Asset Management San Diego System.

## **General Services Administration**

The Administration Division provides administrative, budgetary, information technology, and human resources support to the General Services Branch. The FY 2019 Proposed Budget for this division includes \$1.2 million in General Fund expenditures, which is an increase of \$50,000, or 4.3%. The proposed budget includes a total of 9.00 FTE positions, which is an increase of one position over prior year. The one position is an internal transfer from the Facilities Division.

## **Publishing Services**

Publishing Services Fund has been restructured out of Public Works – General Services for FY 2019. The copier services contract has moved to the Department of Information Technology and all other publishing services are with Purchasing & Contracting.



# Purchasing & Contracting

## Impacts of the Mayor's FY 2019 Budget Proposal

The Purchasing & Contracting Department's proposed budget for FY 2019 totals approximately \$26.7 million. The department has three funding sources, with distinct functions: the General Fund for purchasing and contracting operations, Central Stores and, newly transferred to the Purchasing & Contracting budget in FY 2019, the Publishing Services Fund. The FY 2019 Proposed Budget for the entire department reflects an increase of approximately \$9.8 million, or 58.3%, and 2.00 FTE positions, primarily due to the transfer of the animal services contract and publishing services into the Purchasing & Contracting Department. Changes to each fund are discussed in more detail as follows.

### General Fund

Purchasing & Contracting's General Fund FY 2019 Proposed Budget is approximately \$16.6 million. This is an increase of approximately \$9.9 million from the FY2018 Budget, which represents a 147.3% increase. The department's General Fund budget has a proposed net reduction of 5.00 FTE positions for FY 2019. Revenue has been reduced by \$365,000.

### Animal Services Contract

In May 2017, the County of San Diego notified the City that they would stop providing animal services to the City at the end of FY 2018. The County has been providing this service to the City since 1971. In October 2017, the City issued a Request for Information (RFI) to identify potential service providers. The only respondent to the RFI was the San Diego Humane Society. In October 2017, City Council was notified via memo of the results of the RFI and, in January 2018, the Public Safety & Livable Neighborhoods Committee was informed that the City was negotiating with the San Diego Human Society for animal services.

Also in January 2018, a Program Manager was hired to oversee the negotiations and the resulting new animal services contract using a position from the Office of the Assistant Chief Operating Officer that was re-purposed and assigned to Purchasing & Contracting. The existing contract with the County has been managed by the Financial Management Department. The FY 2019 Proposed Budget transfers the approximately \$10.5 million budgeted for the animal services contract from Citywide Program Expenditures into Purchasing & Contracting's budget. An 1.00 Assistant to the Director position is also transferred from the Office of the Assistant Chief Operating Officer into Purchasing & Contracting to offset the hiring of the Program

| SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES |              |              |             |                      |                      |                     |
|---|--------------|--------------|-------------|----------------------|----------------------|---------------------|
| Fund  | FY 2018 FTE  | FY 2019 FTE  | Change      | FY 2018 Budget       | FY 2019 Proposed     | Change              |
| General Fund  | 57.96        | 52.96        | (5.00)      | \$ 6,730,516         | \$ 16,643,878        | \$ 9,913,362        |
| Central Stores Fund   | 22.00        | 20.00        | (2.00)      | 10,120,970           | 7,533,914            | \$ (2,587,056)      |
| Publishing Services Fund*                                     | -            | 9.00         | 9.00        | -                    | 2,498,676            | \$ 2,498,676        |
| <b>Total Combined</b>   | <b>79.96</b> | <b>81.96</b> | <b>2.00</b> | <b>\$ 16,851,486</b> | <b>\$ 26,676,468</b> | <b>\$ 9,824,982</b> |

\*In FY 2018, the Publishing Services Fund was part of the Public Works - General Services Department.

# Department Review: Purchasing & Contracting

Manager. These transfers have a net zero impact to the overall General Fund budget but represent an increase of approximately \$10.7 million and 1.00 FTE position to the Purchasing & Contracting Department budget.

Contract negotiations have concluded and the new contract was presented at Budget and Government Efficiency Committee on April 19, 2018. City Council is scheduled to hear this item on April 30, 2018 with the goal of having the new contract in place by July 1, 2018. If a new service provider is not available come July 1, 2018, the responsibility for enforcement of local, State and Federal animal services laws would fall to City staff.

The proposed contract with the San Diego Humane Society totals approximately \$12.8 million for FY 2019. Of this, \$1.8 million is for one-time startup costs to be funded by the Shelter Campaign Fund. The remaining nearly \$11.0 million in ongoing annual operating costs will be funded by the General Fund. This is approximately \$450,000 higher than the amount included in the proposed budget. Both Purchasing & Contracting and Financial Management acknowledge this discrepancy and indicated an intent to correct this budget in the

May Revision.

## Technical Support for Ariba

The Department of Information Technology is transferring 1.00 Program Manager to Purchasing & Contracting to provide support for Ariba. This transfer reflects an approximately \$203,000 increase to the General Fund as the position used to be in the Information Technology Fund.

This position will be focused on the remaining implementation efforts and master data governance for Ariba. The department estimates full implementation of Ariba in approximately 18 months. According to Purchasing & Contracting, the component of Ariba used for service contracts is not quite ready for the public sector and they needed a technical upgrade. In the meantime, Purchasing & Contracting has been adding more commodity types into Ariba, focusing on the contracts with the highest amounts spent and largest number of invoices.

## Expanding the Administrative Appeals Hearing Program

The proposed budget includes the addition of 1.00 Program Manager in the Purchasing & Contracting Department to expand the Administrative Appeals Hearing Program. This addition costs approximately

| SUMMARY OF PURCHASING & CONTRACTING (GENERAL FUND) BUDGET CHANGES |               |                     |                      |                      |                     |
|---|---------------|---------------------|----------------------|----------------------|---------------------|
| Description   | FTE           | PE                  | NPE                  | Total Expense        | Revenue             |
| FY 2018 Adopted Budget  | 57.96         | \$ 5,704,675        | \$ 1,025,841         | \$ 6,730,516         | \$ 1,458,716        |
| <b>Programmatic Changes</b>                                       |               |                     |                      |                      |                     |
| Transfer Animal Services Contract                                 | 1.00          | 147,425             | 10,503,418           | 10,650,843           | -                   |
| Transfer Program Manager for IT support                           | 1.00          | 202,706             | -                    | 202,706              | -                   |
| Expand Administrative Appeals Hearing Program                     | 1.00          | 147,312             | -                    | 147,312              | 225,000             |
| Reduction of Procurement Contracting Officers                     | (2.00)        | (162,032)           | (6,000)              | (168,032)            | -                   |
| Transfer Prevailing Wage Program                                  | (6.00)        | (545,769)           | (10,500)             | (556,269)            | (590,000)           |
| <b>Other Changes</b>  |               |                     |                      |                      |                     |
| Salary and Benefit Adjustments                                    | -             | (242,862)           | -                    | (242,862)            | -                   |
| Non-Discretionary Adjustments                                     | -             | -                   | (96,164)             | (96,164)             | -                   |
| Information Technology Adjustments                                | -             | -                   | (20,304)             | (20,304)             | -                   |
| Other Adjustments   | -             | (1,077)             | (2,791)              | (3,868)              | -                   |
| <b>FY 2019 Proposed Budget</b>                                    | <b>52.96</b>  | <b>\$ 5,250,378</b> | <b>\$ 11,393,500</b> | <b>\$ 16,643,878</b> | <b>\$ 1,093,716</b> |
| <b>Difference from 2018 to 2019</b>                               | <b>(5.00)</b> | <b>\$ (454,297)</b> | <b>\$ 10,367,659</b> | <b>\$ 9,913,362</b>  | <b>\$ (365,000)</b> |

# Department Review: Purchasing & Contracting

\$147,000 but is offset by \$225,000 in revenue reimbursements from other City departments.

Purchasing & Contracting began handling administrative appeal hearings for parking citations in FY 2018 with the addition of a Program Coordinator. All other administrative appeal hearings are currently handled by a contractor. With the new Program Manager added in FY 2019, Purchasing & Contracting will bring all administrative appeal hearings in-house, discontinuing the need for City departments to use an outside vendor.

## Significant Budget Reductions

The Purchasing & Contracting Department's proposed General Fund budget includes the reduction of 8.00 FTE positions:

- 2.00 vacant Associate Procurement Contracting Officers are being reduced, saving approximately \$168,000, with no anticipated impacts to customers as a result of efficiencies from Ariba.
- The Prevailing Wage Program, consisting of 1.00 Supervising Management Analyst and 5.00 Associate Management Analysts, is being transferred to the Public Works-Engineering and Capital Projects Department, with no net impact to the General Fund as the program is offset by reimbursement

revenue from charging to capital projects.

## Central Stores Fund

The Central Stores Fund has a proposed FY 2019 budget of approximately \$7.5 million. This is a reduction of approximately \$2.6 million, or 25.6%, from the FY 2018 Adopted Budget. As an internal service fund, revenue is reduced by approximately \$2.4 million to keep the fund in balance. The reductions also include 2.00 FTE positions.

## Reduction of Inventory Purchases

As of period 5 in FY 2018, as reflected in the FY 2018 Mid-Year Budget Monitoring Report, the Central Stores Fund was spending more than it was recouping in revenue, by approximately \$869,000. This is partially due to the unanticipated cost of moving out of the 20th & B yard and relocating those store operations to the Chollas yard. According to Purchasing & Contracting, this cost approximately \$750,000 and included the build-out of additional space at Chollas. This cost was not built into the surcharge that Central Stores charges to City departments when items are purchased, which is intended to recoup Central Stores administrative and operating expenditures.

| SUMMARY OF CENTRAL STORES FUND BUDGET CHANGES |               |                     |                       |                       |                       |
|---|---------------|---------------------|-----------------------|-----------------------|-----------------------|
| Description                                   | FTE           | PE                  | NPE                   | Total Expense         | Revenue               |
| FY 2018 Adopted Budget                        | 22.00         | \$ 1,711,822        | \$ 8,409,148          | \$ 10,120,970         | \$ 9,943,246          |
| <b>Programmatic Changes</b>                   |               |                     |                       |                       |                       |
| Reduced Inventory Purchases                   | -             | -                   | (2,409,332)           | (2,409,332)           | (2,409,332)           |
| Consolidation of Locations                    | (1.00)        | (90,221)            | (105,966)             | (196,187)             | -                     |
| Reduction of Auto Messenger                   | (1.00)        | (52,207)            | -                     | (52,207)              | -                     |
| <b>Other Changes</b>                          |               |                     |                       |                       |                       |
| Salary and Benefit Adjustments                | -             | 73,546              | -                     | 73,546                | -                     |
| Non-Discretionary Adjustments                 | -             | -                   | 40,799                | 40,799                | -                     |
| Information Technology Adjustments            | -             | -                   | 4,664                 | 4,664                 | -                     |
| Other Adjustments                             | -             | -                   | (48,339)              | (48,339)              | -                     |
| <b>FY 2019 Proposed Budget</b>                | <b>20.00</b>  | <b>\$ 1,642,940</b> | <b>\$ 5,890,974</b>   | <b>\$ 7,533,914</b>   | <b>\$ 7,533,914</b>   |
| <b>Difference from 2018 to 2019</b>           | <b>(2.00)</b> | <b>\$ (68,882)</b>  | <b>\$ (2,518,174)</b> | <b>\$ (2,587,056)</b> | <b>\$ (2,409,332)</b> |

Office of the Independent Budget Analyst

April 2018

# Department Review: Purchasing & Contracting

The Purchasing & Contracting Department, along with support from the finance departments, is evaluating the expenditures, revenues and surcharge rate of the Central Stores Fund. Purchasing & Contracting indicated that they are reducing inventory purchases due to the availability of “just-in-time” commodities through Ariba and are looking for other operating efficiencies in order to bring the fund in balance.

The FY 2019 Proposed Budget includes a reduction of approximately \$2.4 million in inventory purchases to balance with an equivalent reduction in projected revenue in FY 2019. This represents a 31.3% reduction in inventory purchases from the FY 2018 Adopted Budget.

## Significant Budget Reductions

Central Stores is also reducing 2.00 FTE positions in the FY 2019 Proposed Budget:

- 1.00 Stock Clerk, rent, janitorial and security expenses, for a total of approximately \$196,000, are reduced from the budget as a result of moving out of 20th & B and consolidating all Central Stores operations at the Chollas yard
- 1.00 Auto Messenger, for approximately \$52,000, is reduced from the proposed budget with no anticipated operational impacts as the department intends to purchase a sorting machine to make the library book sorting and delivery process more efficient.

## Publishing Services Fund

The FY 2019 Proposed Budget transfers responsibility for publishing services from the Public Works-General Services Department to the Purchasing & Contracting Department. The copier services contract has been pulled out of the Publishing Services Fund and transferred to the Department of Information Technology. No operational changes are expected at this time with the publishing services offered to City departments and no significant budget adjustments have been made to the functions that remain in the Publishing Services Fund. The FY2019 Proposed Budget for the Publishing Fund is approximately \$2.5 million with an equal amount of revenue. There are 9.00 FTE positions in the Publishing Services Fund's FY 2019 Proposed Budget.

| SUMMARY OF PUBLISHING SERVICES FUND BUDGET CHANGES |             |                   |                     |                     |                     |
|--|-------------|-------------------|---------------------|---------------------|---------------------|
| Description  | FTE         | PE                | NPE                 | Total Expense       | Revenue             |
| FY 2018 Adopted Budget*                            | -           | \$ -              | \$ -                | \$ -                | \$ -                |
| <b>Programmatic Changes</b>                        |             |                   |                     |                     |                     |
| <i>Transfer Publishing Services</i>                | 9.00        | 759,259           | 1,689,417           | 2,448,676           | 2,253,113           |
| <b>Other Changes</b>                               |             |                   |                     |                     |                     |
| <i>Other Adjustments</i>                           | -           | -                 | 50,000              | 50,000              | 245,563             |
| <b>FY 2019 Proposed Budget</b>                     | <b>9.00</b> | <b>\$ 759,259</b> | <b>\$ 1,739,417</b> | <b>\$ 2,498,676</b> | <b>\$ 2,498,676</b> |
| <i>Difference from 2018 to 2019</i>                | <i>9.00</i> | <i>\$ 759,259</i> | <i>\$ 1,739,417</i> | <i>\$ 2,498,676</i> | <i>\$ 2,498,676</i> |

\*In FY 2018, the Publishing Services Fund was part of the Public Works - General Services Department.

## Department Review: Real Estate Assets

# Real Estate Assets

| Performance Measure  | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
|--|----------------|----------------|----------------|-------------------|----------------|
| Percentage of rent reviews completed on time per fiscal year     | 90%            | 77%            | 90%            | 82%               | 90%            |
| Number of properties reviewed for potential disposition per year | 50             | 63             | 50             | 50                | 50             |

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. READ also provides direction for operations of SDCCU Stadium, the City Concourse, the City’s Airports division, and the Joint Use Management Agreement for PETCO Park.

READ’s General Fund and Concourse Operations budget are addressed here; the budget for the SDCCU Stadium is addressed in the *Stadium Operations* section of our report, and the budgets for PETCO Park and the Airports Division are discussed in the *Other Departments* section.

### General Fund

The FY 2019 Proposed Budget for the General Fund portion of READ includes expenditures of \$8.0 million, which is a reduction of approximately \$33,000 from the

FY 2018 Adopted Budget. READ’s General Fund revenues in the Proposed Budget total \$51.3 million, an increase of \$809,000 from FY 2018.

#### Significant Budget Reductions

- A reduction of \$23,000 in central plant maintenance costs due to increased operational efficiencies.
- A reduction of \$2.1 million in one-time expenditures. This amount was included in the FY 2018 Adopted Budget to fund relocation of General Fund City departments to the 101 Ash Street building.

As discussed in our report’s *Key Citywide Issues: 101 Ash* section, City staff plans to reissue an RFP for renovations and tenant improvements to the building following further discussions with the Infrastructure Committee and the City Council during the months of May and June. No City departments will be relocated to 101 Ash

| SUMMARY OF REAL ESTATE ASSETS DEPARTMENT BUDGET CHANGES |              |                     |                     |                     |                      |
|---|--------------|---------------------|---------------------|---------------------|----------------------|
| Description   | FTE          | PE                  | NPE                 | Total Expense       | Revenue              |
| FY 2018 Adopted Budget                                  | 34.00        | \$ 3,966,094        | \$ 4,030,577        | \$ 7,996,671        | \$ 50,480,890        |
| <b>Programmatic Changes</b>                             |              |                     |                     |                     |                      |
| Addition of Potential 101 Ash Moving Expenses*          | -            | -                   | 2,100,000           | 2,100,000           | -                    |
| Removal of FY 2018 101 Ash Moving Expenses*             | -            | -                   | (2,100,000)         | (2,100,000)         | -                    |
| Civic Theater - Electrical Main Switch Repair           | -            | -                   | 75,000              | 75,000              | -                    |
| Reduction in Central Plant Maintenance                  | -            | -                   | (23,063)            | (23,063)            | -                    |
| <b>Other Changes</b>                                    |              |                     |                     |                     |                      |
| Salary and Benefit Adjustments                          | -            | (65,134)            | -                   | (65,134)            | -                    |
| Other Adjustments                                       | -            | -                   | (20,088)            | (20,088)            | 808,548              |
| <b>FY 2019 Proposed Budget</b>                          | <b>34.00</b> | <b>\$ 3,900,960</b> | <b>\$ 4,062,426</b> | <b>\$ 7,963,386</b> | <b>\$ 51,289,438</b> |
| <b>Difference from 2018 to 2019</b>                     | <b>-</b>     | <b>\$ (65,134)</b>  | <b>\$ 31,849</b>    | <b>\$ (33,285)</b>  | <b>\$ 808,548</b>    |

\*This change is discussed in greater detail in this section; the \$2.1 million in moving expenses in FY 2018 was budgeted as a one-time adjustment last year, and now is proposed to be used to support the 101 Ash Renovation CIP project.



# Department Review: Real Estate Assets

in FY 2018. Staff indicate that in the FY 2018 Year-End Report they will request this one-time funding be transferred into the 101 Ash Renovation CIP project. It is therefore anticipated to be used in FY 2018, albeit not for the purpose originally intended.

## Significant Budget Additions

- An increase of \$75,000 in expenditures to repair the electrical system that services the San Diego Civic Theater. The Theater's 12,000 volt main switch and other circuit breakers require repairs or replacement.
- A total increase in READ's General Fund revenues of \$809,000, due largely to a \$440,000 increase in lease revenue from Pueblo Lands and a \$378,000 increase in telecom lease revenue.
- A one-time increase of \$2.1 million in expenditures associated with moving General Fund City departments into the 101 Ash building. This increase essentially replaces the \$2.1 million in expenses from the FY 2018 Adopted Budget that are now proposed to be used for the 101 Ash CIP project.

As discussed in our section on 101 Ash, there is a very real possibility that the building will not be ready for occupancy until FY 2020, in which case this

funding would remain unused for its described purpose. Staff indicates that if departments do not move into 101 Ash in FY 2019, this funding would be used for expenses related to the relocation of City personnel, furnishings, and equipment out of the City's leased space at the 1010 Second Avenue building (Executive Complex), which was vacated earlier this year after renovations at that building led to positive tests for asbestos.

We have not been presented with detailed FY 2019 costs associated with relocation of departments from 1010 Second Avenue; an adjustment to this proposed expenditure may be appropriate during the May Revise.

## Concourse & Parking Garage Operating Fund

The FY 2019 Proposed Budget for the Concourse and Parking Garage Operating Fund includes \$3.8 million in expenditures, which is a reduction of \$1.3 million from the FY 2018 Adopted Budget. Revenues for the Fund total \$3.0 million, a decrease of \$188,000 from FY 2018.

## Significant Budget Reductions

- A reduction of \$1.5 million in one-time

| SUMMARY OF CONCOURSE AND PARKING GARAGE OPERATING FUND CHANGES |             |                   |                       |                       |                     |
|--|-------------|-------------------|-----------------------|-----------------------|---------------------|
| Description  | FTE         | PE                | NPE                   | Total Expense         | Revenue             |
| FY 2018 Adopted Budget   | 2.00        | \$ 176,884        | \$ 4,924,334          | \$ 5,101,218          | \$ 4,181,430        |
| <b>Programmatic Changes</b>                                    |             |                   |                       |                       |                     |
| Removal of FY 2018 CIP transfer for Parkade Elevators          | -           | -                 | (1,500,000)           | (1,500,000)           | -                   |
| Bi-Weekly Powerwashing of Parkade                              | -           | -                 | 60,000                | 60,000                | -                   |
| Increased Security for Naturalization Ceremonies               | -           | -                 | 44,000                | 44,000                | -                   |
| Increased Annual Maintenance for Concourse Projects            | -           | -                 | 50,000                | 50,000                | -                   |
| <b>Other Changes</b>   |             |                   |                       |                       |                     |
| Salary and Benefit Adjustments                                 | -           | 35,114            | -                     | 35,114                | -                   |
| Other Adjustments  | -           | -                 | 12,333                | 12,333                | (187,704)           |
| <b>FY 2019 Proposed Budget</b>                                 | <b>2.00</b> | <b>\$ 211,998</b> | <b>\$ 3,590,667</b>   | <b>\$ 3,802,665</b>   | <b>\$ 3,993,726</b> |
| <b>Difference from 2018 to 2019</b>                            | <b>-</b>    | <b>\$ 35,114</b>  | <b>\$ (1,333,667)</b> | <b>\$ (1,298,553)</b> | <b>\$ (187,704)</b> |

Office of the Independent Budget Analyst

April 2018

# Department Review: Real Estate Assets

---

expenditures. This \$1.5 million was included in the FY 2018 Budget as a transfer to the City's CIP to repair and modernize the Parkade's elevators. On an emergency basis the City has entered into a sole-source agreement with J. R. Filanc Construction Co., Inc. for repair of the elevators. Work is expected to be completed in FY 2019.

## **Significant Budget Additions**

- An increase in expenditures of \$60,000 to provide bi-weekly power washing of the Parkade's walkways.
- An increase in expenditures of \$50,000 associated with increased annual maintenance of the City Concourse and Parkade.
- An increase of \$44,000 for security during Naturalization Ceremonies held at Golden Hall. At present, Naturalization Ceremonies are scheduled to continue through September 2018, but the US District Courts have not yet scheduled ceremony dates beyond then. **Council may wish to request an update on the status of scheduling additional Naturalization Ceremonies beyond September.**

# Department Review: Risk Management

## Risk Management

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 \$7.2 million comprise approximately

65% of the revenues to the Risk Management Administration Fund, with Non-General Fund departments contributing \$3.8 million, or approximately 35%.

### Impacts of Mayor's FY 2019 Budget Proposal

The table below presents a summary of budget changes from the FY 2018 Adopted Budget to the FY 2019 Proposed Budget. The number of FTE positions in the FY 2019 Proposed Budget remains unchanged from FY 2018, at 85.23.

Revenues and expenditures in RM's FY 2019 Proposed Budget total approximately \$11.0 million and \$11.6 million, respectively. Expenditures that exceed revenues are

| SUMMARY OF RISK MANAGEMENT BUDGET CHANGES                                    |              |                     |                     |                      |                      |
|--|--------------|---------------------|---------------------|----------------------|----------------------|
| Description  | FTE          | PE                  | NPE                 | Total Expenditures   | Revenue              |
| FY 2018 Adopted Budget   | 85.23        | \$ 8,693,142        | \$ 2,314,124        | \$ 11,007,266        | \$ 10,529,309        |
| <b>Programmatic Changes</b>  |              |                     |                     |                      |                      |
| <i>Revenue Increase to Maintain Operations</i>                               | -            | -                   | -                   | -                    | 4,81,994             |
| Account Clerk  | 1.00         | 59,647              | -                   | 59,647               | -                    |
| Clerical Assistant 2   | (1.00)       | (86,526)            | -                   | (86,526)             | -                    |
| FSA and COBRA Contract Administration Fees                                   | -            | -                   | 85,000              | 85,000               | -                    |
| Investment Consulting Fees for the 457(b) Deferred Compensation Plan         | -            | -                   | (25,000)            | (25,000)             | -                    |
| Temporary Workers' Compensation Staffing                                     | -            | -                   | (110,000)           | (110,000)            | -                    |
| Discretionary IT Projects  | -            | -                   | (201,104)           | (201,104)            | -                    |
| <b>Other Changes</b>   |              |                     |                     |                      |                      |
| Estimated Decrease in Vacancy Savings (increases salaries)                   | -            | 202,976             | -                   | 202,976              | -                    |
| Other Salaries and Wages Increases (including 3.3% General Salary Increases) | -            | 265,246             | -                   | 265,246              | -                    |
| Other Fringe Increases (Includes Retirement ADC)                             | -            | 457,889             | -                   | 457,889              | -                    |
| Other Adjustments  | -            | -                   | (34,917)            | (34,917)             | -                    |
| <b>FY 2019 Proposed Budget</b>   | <b>85.23</b> | <b>\$ 9,592,374</b> | <b>\$ 2,028,103</b> | <b>\$ 11,620,477</b> | <b>\$ 11,011,303</b> |
| <b>Difference from 2018 to 2019</b>  | <b>-</b>     | <b>\$ 899,232</b>   | <b>\$ (286,021)</b> | <b>\$ 613,211</b>    | <b>\$ 481,994</b>    |

<sup>1</sup> Fringe benefits are non-wage costs related to personnel, such as Workers' Compensation, Long-Term Disability, the Actuarially Determined Contribution (ADC) pension payment, Flexible Benefits, and Medicare.

# Department Review: Risk Management

---

anticipated to be covered with RM fund balance. Highlights of budget changes are discussed in the next sections.

## **Personnel Expenditures (PE)**

As previously stated, there are no FTE changes to the RM Department in total, but the following offsetting FTE adjustments have been made in the Proposed Budget:

- Addition of 1.0 Account Clerk to administer Workers' Compensation accounts payable requests, ensuring adherence to State-mandated regulations.
- Reduction of 1.0 Clerical Assistant II in the Finance and Administration Division. Administrative and customer support functions will be impacted with the removal of this position.

## **Non-Personnel Expenditures (NPE)**

Significant NPE budget changes between FY 2018 and FY 2019 include:

- \$85,000 increase for contract administration fees related to the City's Flexible Savings Accounts (FSA) and COBRA programs, which are intended to be contracted out. Benefits include enhancements to FSA payment methods for City employees.
- \$25,000 decrease in investment consulting fees related to recent Council approval of moving the City's 457(b) Deferred Compensation plan to the CalPERS 457(b) plan.
- \$110,000 decrease for temporary Workers' Compensation staffing, due to the recently approved Mayoral recommendation to increase internal Workers' Compensation job classifications' rate of pay by 20%. Recruitment

and retention efforts are expected to improve, resulting in less of a need for contracted services previously needed for the City to maintain compliance with State reporting requirements.

- \$201,000 decrease for various discretionary IT projects including claims management system enhancements for Workers' Compensation and Public Liability.

The Department requested FY 2019 funding, but did not receive, \$217,000 for various discretionary IT projects including those which would enable: faster querying of claims data, more efficient filing of State-mandated Workers' Compensation claims reporting, and more efficient tracking and management of insurance policies.

## **Other Risk Management Funds**

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 "Reserves."

## Department Review: Special Promotional Programs

# Special Promotional Programs

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 proposed budget allocations for Special Promotional Programs is approximately \$123.2 million, a \$6.9 million or 6% increase over FY 2018. This increase is due to the projected continued growth of transient occupancy tax (TOT) revenue a \$1.0 million increase in the use of fund balance.

The expenditure and revenue budgets displayed in the table below incorporates the projected use of approximately \$2.8 million in fund balance in FY 2019 as well as allocations that support the FY 2018 proposed operating budgets for the Commission for Arts and Culture (\$1.5 million included in the Arts, Culture, and Community Festivals line item) and the Special Events and Filming Department (\$1.2 million).

| <b>SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS BUDGET CHANGES</b> |                        |                         |                     |
|---|------------------------|-------------------------|---------------------|
|   | <b>FY 2018 ADOPTED</b> | <b>FY 2019 PROPOSED</b> | <b>CHANGE</b>       |
| <b>Revenue</b>  |                        |                         |                     |
| <i>Transient Occupancy Tax (TOT)</i>                          | \$ 110,085,646         | \$ 116,276,306          | \$ 6,190,660        |
| <i>Special Events Department</i>                              | 75,000                 | 75,000                  | -                   |
| <i>Transfer from General Fund</i>                             | 4,213,942              | 3,949,600               | (264,342)           |
| <i>Use of TOT Fund Balance</i>                                | 1,875,663              | 2,875,602               | 999,939             |
| <b>Total Revenue</b>  | <b>\$ 116,250,251</b>  | <b>\$ 123,176,508</b>   | <b>\$ 6,926,257</b> |
| <b>Allocations</b>  |                        |                         |                     |
| <i>Arts, Culture, and Community Festivals</i>                 | \$ 14,609,885          | \$ 14,460,234           | \$ (149,651)        |
| <i>Capital Improvements</i>                                   | 29,326,332             | 29,336,088              | 9,756               |
| <i>Convention Center Complex</i>                              | 12,556,450             | 12,561,050              | 4,600               |
| <i>Mission Bay Park/Balboa Park Improvements</i>              | 1,670,166              | 1,673,475               | 3,309               |
| <i>PETCO Park</i>   | 9,288,975              | 9,293,350               | 4,375               |
| <i>QUALCOMM Stadium</i>                                       | 4,755,491              | 4,744,213               | (11,278)            |
| <i>Trolley Extension Reserve</i>                              | 1,055,250              | 1,064,000               | 8,750               |
| <i>Economic Development Programs</i>                          | 1,710,000              | 1,710,000               | -                   |
| <i>Major Events Revolving Fund</i>                            | -                      | -                       | -                   |
| <i>Safety and Maintenance of Visitor-related Facilities</i>   | 70,604,034             | 77,670,186              | 7,066,152           |
| <i>Discretionary TOT to General Fund</i>                      | 21,609,984             | 22,855,261              | 1,245,277           |
| <i>Mission Bay Park/Balboa Park Improvements</i>              | 359,059                | 460,209                 | 101,150             |
| <i>Convention Center</i>                                      | 3,883,543              | 2,575,968               | (1,307,575)         |
| <i>PETCO Park</i>   | 4,045,773              | 4,445,549               | 399,776             |
| <i>QUALCOMM Stadium</i>                                       | 2,958,838              | 2,994,145               | 35,307              |
| <i>Special Events Department</i>                              | 1,216,251              | 1,225,280               | 9,029               |
| <i>Trolley Extension Reserve</i>                              | 3,000                  | -                       | (3,000)             |
| <i>TOT Administration and Promotional Activities</i>          | 36,527,586             | 43,113,774              | 6,586,188           |
| <b>Total Allocations</b>                                      | <b>\$ 116,250,251</b>  | <b>\$ 123,176,508</b>   | <b>\$ 6,926,257</b> |



# Department Review: Special Promotional Programs

---

Funding for 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 the City 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 2019 this transfer is approximately \$22.9 million, a \$1.2 million or 5.8% increase over the FY 2018 Adopted Budget. The increase in this transfer is a result of the projected increase in TOT revenue for FY 2019.

## **Program and Department Budgets**

A number of promotional programs, agencies, and City departments are supported wholly or in part by the TOT Fund. The following sections discuss FY 2019 arts and culture funding (Penny for the Arts), and funding allocated to the Mission Bay Park/Balboa Park Improvements Fund and for TOT administration and promotional activities. Details on the changes in TOT funding for the Commission for Arts & Culture Department, PETCO Park, QUALCOMM Stadium, Police Department, Fire-Rescue Department and the City's Special Events Department can be found in Volume 2 of the FY 2019 Proposed Budget and in the "Office of Boards and Commissions," "QUALCOMM Stadium," "Police,"

"Fire-Rescue," "Special Events and Filming," and "Other Departments" sections of this report. A discussion of Convention Center revenues, including the FY 2019 TOT allocation to the Convention Center, will be included in our Office's forthcoming report "Review of City Agencies FY 2019 Budgets: Convention Center," to be released during the week of April 30th.

## **Arts and Culture Funding**

The FY 2019 proposed Arts and Culture funding is approximately \$14.5 million, a decrease of \$150,000 or 1.0% from the FY 2018 funding level of \$14.6 million. Similar to the FY 2018 Adopted Budget, a one-time transfer from the General Fund was used to supplement the \$10.5 million base budget in the amount of \$3.9 million. This funding level is just short of meeting the requests of a majority of Councilmembers who in their budget priority memoranda requested that arts and culture funding be increased from, or remain consistent with, the FY 2018 amount of \$14.6 million, though it is very close. As the \$3.9 million adjustment for FY 2019 is one-time, the Arts and Culture budget would return to \$10.5 million in FY 2020, unless \$3.9 million in new one-time or ongoing funds are identified.

The 1.0% reduction to the overall Arts and Culture funding level reflects the net impact resulting from a \$264,000, or 2.0% reduction in the Arts, Culture and Community Festivals programming allocation and a \$115,000, or 8.2% increase in the Commission for Arts and Culture Department (which is now organized within the Office of Boards and Commissions).

This reduction is not significant and is generally in-line with the Mayor's 2% expenditure reduction request from all City departments; however, our Office notes that this reduction to overall arts and cul-

# Department Review: Special Promotional Programs

| PENNY FOR THE ARTS - BLUEPRINT GOAL: 9.52% OF TOT                                |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | FY 2018 ADOPTED       | FY 2019 PROPOSED      | CHANGE                |
| <i>Transient Occupancy Tax Projection (10.5 cents)</i>                           | 231,140,560           | 244,180,244           | 13,039,684            |
| <i>Percent of TOT Funding in Budget</i>  | 6.32%                 | 5.92%                 | -0.40%                |
| <i>Penny for the Arts Blueprint Goal (\$, based on goal of 9.52%)</i>            | 22,004,581            | 23,245,959            | 1,241,378             |
| <i>Penny for the Arts Budgeted Funding (\$, based on percent of TOT funding)</i> | 14,609,885            | 14,460,234            | (149,651)             |
| <b>Variance in Budgeted Funding from the Blueprint Goal (\$)</b>                 | <b>\$ (7,394,696)</b> | <b>\$ (8,785,725)</b> | <b>\$ (1,391,029)</b> |

ture funding is occurring while TOT revenue is projected to increase. This divergence further impacts the “Penny for the Arts” goal. This goal was based on a Five-Year Blueprint (Blueprint) that was adopted by the City Council in 2012, with a goal of restoring Arts and Culture funding to 2002 levels, or one cent of the City 10.5 cent TOT (approximately 9.52%), by FY 2017. While the goal was not reached in FY 2017, the funding amount did reach its highest level at \$15.1 million (7.00% of TOT). Since then, funding was subsequently reduced to \$14.6 million in the FY 2018 Adopted Budget (6.32% of TOT) and to \$14.5 million in the FY 2019 Proposed Budget (5.92% of TOT).

Should Council be interested in allocating additional arts and culture funding, our Office notes that:

- Any **ongoing** increase to arts and culture funding above what was included in the Proposed Budget will need to be supported by an ongoing resource (either a new funding source or an offsetting ongoing reduction elsewhere); and
- Council may consider a one-time increase to arts and culture funding for FY 2019 with available one-time resources.

## **Mission Bay Park/Balboa Park Improvements Fund (Improvements Fund)**

The Improvements Fund budget includes debt service payments, maintenance of the Balboa Park tram, and other miscellaneous

costs. In the FY 2019 Proposed Budget, the Improvements Fund totals approximately \$2.1 million, an increase of \$3,000 over FY 2018 due to changes in non-discretionary expenditures charged to the fund.

## **TOT Administration and Promotional Activities**

A portion of the 4 cents of TOT 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 2019 allocation for TOT Administration and Promotional Activities is approximately \$43.1 million, a \$6.6 million or 18% increase over FY 2018 due to the projected increase in the City’s TOT revenue, as well as the use of savings resulting from a reduction of the transfer of TOT funds to the Convention Center. This is due to a \$1.3 million reduction to the City’s contribution to the Convention Center for marketing and promotion. Prior to FY 2019, the City has historically contributed \$3.4 million for marketing, promotions, and capital projects related to the Convention Center.

The increased allocation for TOT Administration and Promotional Activities (\$6.6 million) is split between Fire-Rescue Life-guards which is receiving a \$5.0 million increase, and new funding for public safety support at special events in the amount of \$1.6 million which is divided among Police (\$1.0 million) and Fire-Rescue (\$600,000).

## Department Review: Stadium Operations

# Stadium Operations

The Stadium Operations Fund is a special revenue fund that supports the day-to-day operations of the SDCCU Stadium (Stadium). Management of the Stadium is provided by the Real Estate Assets Department. As in prior years, the FY 2019 Proposed Budget does not include any performance measures for the Stadium.

No events are scheduled at the stadium past December 31, 2018 at this time; the Proposed Budget for the Department Fund therefore includes significant adjustments, as is discussed below.

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 proposed expenditure budget for Stadium Operations is approximately \$15.8 million, a reduction of \$8.1 million or 34% from the FY 2018 Adopted Budget. This reduction in expenditures is largely due to removal of a one-time transfer to the General Fund in the FY 2018 Budget that was intended to be used to fund a special election during FY 2018.

FY 2019 Stadium Fund revenues are projected at \$10.8 million, a reduction of \$3.1 million from FY 2018.

The Stadium's FY 2019 budgeted expenditures are in excess of budgeted revenues by \$5.0 million, a deficit that will be mitigated through use of fund balance.

### Significant Budget Expenditure Reductions

- A reduction of \$8.5 million in expenses due almost entirely to the removal of an \$8.5 million one-time transfer to the General Fund in FY 2018 that was proposed to be used to support a special election and other Mayor and Council priorities. As no special election was held in FY 2018, associated savings fell to the General Fund's FY 2018 Excess Equity balance.
- A reduction of 33.00 FTE positions and \$76,000 in expenditures that result from shifting stadium personnel from the Stadium Operations department to the General Services division of the Public Works Department. As no events are scheduled at the stadium past the end of the calendar year, these positions are being moved to shift to work on other City facilities in 2019.

The Proposed Budget for the Stadium Fund does include a transfer from the Stadium Operations Fund of \$3.0 mil-

| SUMMARY OF STADIUM OPERATIONS FUND BUDGET CHANGES      |                |                       |                       |                       |                       |
|--|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Description  | FTE            | PE                    | NPE                   | Total Expense         | Revenue               |
| FY 2018 Adopted Budget                                 | 36.00          | \$ 3,613,998          | \$ 20,247,282         | \$ 23,861,280         | \$ 13,844,638         |
| <b>Programmatic Changes</b>                            |                |                       |                       |                       |                       |
| <i>Transfer of 33.00 FTEs to Public Works</i>          | (33.00)        | (3,081,203)           | 3,005,507             | (75,696)              | -                     |
| <i>Transfer of 1.00 FTE to Fleet Operations</i>        | (1.00)         | (132,313)             | 124,243               | (8,070)               | -                     |
| <b>Other Changes</b>                                   |                |                       |                       |                       |                       |
| <i>Salary and Benefit Adjustments</i>                  | -              | 156,165               | -                     | 156,165               | -                     |
| <i>Non-Discretionary and IT Costs</i>                  | -              | -                     | 325,885               | 325,885               | -                     |
| <i>Removal of FY 2018 one-time costs and transfers</i> |                | (3,259)               | (8,500,000)           | (8,503,259)           | (3,100,000)           |
| <i>Revised Revenue Projections</i>                     |                |                       |                       |                       | 36,414                |
| <b>FY 2019 Proposed Budget</b>                         | <b>2.00</b>    | <b>\$ 553,388</b>     | <b>\$ 15,202,917</b>  | <b>\$ 15,756,305</b>  | <b>\$ 10,781,052</b>  |
| <i>Difference from 2018 to 2019</i>                    | <i>(34.00)</i> | <i>\$ (3,060,610)</i> | <i>\$ (5,044,365)</i> | <i>\$ (8,104,975)</i> | <i>\$ (3,063,586)</i> |

## Department Review: Stadium Operations

---

lion in funding to the General Fund to support these positions in FY 2019; alternate funding sources for these positions may be necessary beginning in FY 2020.

- A reduction of 1.00 FTE position and \$8,000 in expenditures that result from shifting this position from the Stadium Operations Department to the Fleet Operations Department.

The Proposed Budget for the Stadium Fund does include a transfer from the Stadium Operations Fund of \$124,000 in funding to the Fleet Operations Operating Fund to support this position in FY 2019; alternate funding sources for this position may be necessary beginning in FY 2020.

# Department Review: Transportation & Storm Water

## Transportation & Storm Water

Transportation & Storm Water (TSW) is responsible for the operations and maintenance of streets, sidewalks, street trees, 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 waterways and the ocean. To accomplish these goals, TSW has four divisions:

- Administration & Right of Way (ROW) Management
- Storm Water
  - Street
  - Transportation Engineering Operations (TEO)

In addition to the General Fund, the Department receives both operating and Capital Improvement Fund (CIP) funds from various sources, including transfers from the Prop 42 Replacement Transportation Relief Fund, the Underground Surcharge Fund, the Gasoline Tax, TransNet, the Storm Drain Fund, and the Infrastructure Fund.

| SUMMARY OF TRANSPORTATION & STORM WATER DEPARTMENT GENERAL FUND BUDGET CHANGES |               |                      |                       |                       |                      |
|--|---------------|----------------------|-----------------------|-----------------------|----------------------|
| Description  | FTE           | PE                   | NPE                   | Total Expense         | Revenue              |
| FY 2018 Adopted Budget   | 624.71        | \$ 57,178,825        | \$ 65,055,406         | \$ 122,234,231        | \$ 57,107,359        |
| <b>Programmatic Changes - Admin/ROW</b>  |               |                      |                       |                       |                      |
| Zero-Based Budget Overtime Changes   | -             | 2,197                | -                     | 2,197                 | -                    |
| <b>Programmatic Changes - Storm Water</b>                                      |               |                      |                       |                       |                      |
| Addition of Pipe Repair Crew   | 9.00          | 679,568              | 193,145               | 872,713               | -                    |
| Regional Board Penalty and Supplemental Projects                               | -             | -                    | 501,166               | 501,166               | 491,143              |
| Increased Street Sweeping per CleanSD  | -             | -                    | 150,000               | 150,000               | -                    |
| Reclassification of Planner to Program Manager                                 | -             | 57,691               | -                     | 57,691                | -                    |
| Reduction to Rain Barrel Rebate Program  | -             | -                    | (55,000)              | (55,000)              | -                    |
| Reduction of Street Sweeper HUD evaluation                                     | -             | -                    | (144,000)             | (144,000)             | -                    |
| Reduction in land searches for long-term mitigation                            | -             | -                    | (150,000)             | (150,000)             | -                    |
| Reduction in Storm Water Mitigation Bank                                       | -             | -                    | (690,000)             | (690,000)             | -                    |
| Zero-Based Budget Overtime Changes   | -             | 928,071              | -                     | 928,071               | -                    |
| <b>Programmatic Changes - Street</b>   |               |                      |                       |                       |                      |
| Addition of Engineers for Sidewalk Capital Repairs                             | 2.00          | 198,028              | -                     | 198,028               | 98,948               |
| Addition of Superintendent for Trench Restoration                              | 1.00          | 116,663              | -                     | 116,663               | 113,352              |
| Transfer of Horticulturalist for Urban Forestry                                | 1.00          | 81,414               | -                     | 81,414                | -                    |
| Elimination of Private Property Graffiti Abatement                             | -             | -                    | (300,000)             | (300,000)             | -                    |
| Removal of FY18 One-Time Funds for Tree Trimming                               | -             | -                    | (881,746)             | (881,746)             | -                    |
| Zero-Based Budget Overtime Changes   | -             | 627,563              | -                     | 627,563               | -                    |
| <b>Programmatic Changes - TEO</b>  |               |                      |                       |                       |                      |
| Reclassification of Engineer to Program Manager                                | -             | 58,030               | -                     | 58,030                | -                    |
| Zero-Based Budget Overtime Changes   | -             | 2,501                | -                     | 2,501                 | -                    |
| <b>Other Changes</b>   |               |                      |                       |                       |                      |
| Salary and Benefit Adjustments   | -             | 1,424,251            | -                     | 1,424,251             | -                    |
| Non-Discretionary and IT Costs   | -             | -                    | 3,947,341             | 3,947,341             | -                    |
| One-Time Reductions, Non-Standard Hourly & Other                               | (0.01)        | 115,332              | (4,266,555)           | (4,151,223)           | (1,106,076)          |
| <b>FY 2019 Proposed Budget</b>   | <b>637.70</b> | <b>\$ 61,470,134</b> | <b>\$ 63,359,757</b>  | <b>\$ 124,829,891</b> | <b>\$ 56,704,726</b> |
| <b>Difference from 2018 to 2019</b>  | <b>12.99</b>  | <b>\$ 4,291,309</b>  | <b>\$ (1,695,649)</b> | <b>\$ 2,595,660</b>   | <b>\$ (402,633)</b>  |

Office of the Independent Budget Analyst

April 2018



# Department Review: Transportation & Storm Water

## Mayor's FY 2019 Proposed Adjustments

The FY 2019 Proposed Budget for TSW includes both General Fund and Underground Surcharge Fund expenditures and revenues. A summary of General Fund changes by division is included on the previous page, and a summary of changes to the Underground Surcharge Fund is shown below. Expenditures in the Proposed Budget for both funds combined total \$184.8 million, which is an increase of \$3.0 million over the FY 2018 Adopted Budget. Combined revenues in the Proposed Budget total \$117.8 million, which is an increase of \$103,000 from FY 2018.

A review of the FY 2019 Proposed Budget and significant programmatic changes in each TSW division follows.

### Admin & ROW Management

The Administration & ROW Management Division 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.

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for ROW Management includes \$5.8 million in General Fund expenditures and 21.77 FTE positions, which is an increase of \$495,000 and 1.00 FTE position from the FY 2018 Adopted Budget.

The Proposed Budget for the Underground Surcharge Fund includes \$60.0 million in expenditures and 22.15 FTE positions, which is an increase of \$427,000 and 5.15 FTE positions from FY 2018. Revenues for the Underground Surcharge Fund are \$61.1 million, an increase of \$506,000 over FY 2018.

### Significant Budget Additions

- 4.00 FTE positions and \$421,000 in expenditures to support the Utilities Undergrounding Program, including increasing the Undergrounding Program's project portfolio, bringing more work in-house, and improving project planning and coordination.

The number of projects in the Undergrounding project portfolio is increasing significantly; in FY 2017 the portfolio contained \$440 million in projects; estimated project amounts for FY 2019 total \$772 million.

| SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES    |              |                     |                      |                      |                      |
|---|--------------|---------------------|----------------------|----------------------|----------------------|
| Description   | FTE          | PE                  | NPE                  | Total Expense        | Revenue              |
| FY 2018 Adopted Budget                                  | 17.00        | \$ 1,930,068        | \$ 57,598,731        | \$ 59,528,799        | \$ 60,564,328        |
| <b>Programmatic Changes</b>                             |              |                     |                      |                      |                      |
| <i>Additional Undergrounding Staff</i>                  | 4.00         | 390,972             | 30,000               | 420,972              | -                    |
| <b>Other Changes</b>                                    |              |                     |                      |                      |                      |
| <i>Salary and Benefit Adjustments</i>                   | -            | (200,544)           | -                    | (200,544)            | -                    |
| <i>Non-Discretionary, IT, &amp; Non-Standard Hourly</i> | 1.15         | 51,121              | 155,405              | 206,526              | -                    |
| <i>Revised Revenue</i>                                  | -            | -                   | -                    | -                    | 505,987              |
| <b>FY 2019 Proposed Budget</b>                          | <b>22.15</b> | <b>\$ 2,171,617</b> | <b>\$ 57,784,136</b> | <b>\$ 59,955,753</b> | <b>\$ 61,070,315</b> |
| <i>Difference from 2018 to 2019</i>                     | <i>5.15</i>  | <i>\$ 241,549</i>   | <i>\$ 185,405</i>    | <i>\$ 426,954</i>    | <i>\$ 505,987</i>    |

# Department Review: Transportation & Storm Water

## 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.

In May 2013, the new Municipal Storm 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 expenditures over the next several decades to comply with permit requirements.

In FY 2014, TSW prepared a Watershed Asset Management Plan (WAMP) that incorporates both the costs of permit compliance and the costs of flood risk management activities. The WAMP is used as a planning tool to project how much funding is necessary for permit 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.

Estimated compliance costs through FY 2035 as total over \$3 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 billion cost estimate identified above has been reduced from \$3.9 billion when the WAMP was initially prepared, as a result of changes to the Chollas Creek metals TMDL that TSW staff worked with the Regional Board to implement. Additional amendments to other TMDLs are in discussions, including the Collas Creek Dissolved Metals TMDL and the Chollas Creek Bacteria TMDL. If approved, these amendments are likely to further decrease costs. Even with such reductions, however, compliance costs will remain high. The City lacks a dedicated source of funding that is sufficient to fully address compliance requirements.

Development of the Division's FY 2019 Proposed Budget was guided in part by the WAMP, which was reflected in the City's Five-Year CIP Outlook. The Outlook identified \$97.3 million in needs for capital projects alone (not including operating expenses) to ensure compliance with storm water permits.

Actual funding in the Proposed Budget for the Storm Water division operations totals \$52.0 million, of which \$21.8 million is for flood risk management activities, and \$30.1 million is for water quality efforts.

| STORM WATER DIVISION KEY PERFORMANCE MEASURES  |                |                |                |                   |                |
|--|----------------|----------------|----------------|-------------------|----------------|
| Performance Measure  | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
| Number of Failed Storm Drain Pipes   | 0              | 43             | 0              | 14                | 0              |
| Percentage of progress towards achieving the final bacteria TMDL wet weather storm sample compliance threshold | 80%            | 100%           | 81%            | TBD               | 81%            |
| Miles of streets swept annually  | 117,000        | 106,172        | 117,000        | 117,000           | 117,000        |

# Department Review: Transportation & Storm Water

---

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for the Storm Water Division totals \$52.0 million and includes 209.25 FTE positions, which is a decrease of \$1.0 million in expenditures and an increase of 9.00 FTE positions from FY 2018.

### Significant Budget Reductions

- \$840,000 in reduced expenditures for mitigation bank payments and land searches for mitigation sites. Mitigation sites are generally permanently protected, managed, and monitored, and are intended to be used to offset and mitigate the environmental impacts of other storm water projects and maintenance. If sufficient land for mitigation cannot be identified and purchased, construction and maintenance projects could be delayed.
- \$55,000 in reduced expenditures for the rain barrel rebate program. This program, which helps fund residential rain barrels and is administered by the Public Utilities Department, has received funding in past years from TSW. The reduction will require a revision to the current service level agreement between PUD and TSW.

### Significant Budget Additions

- 9.00 new FTE positions and \$823,000 in expenditures associated a new storm water pipe repair crew. This will double the department's current resources, and allow the department to increase the number of pipe repairs from 12 to 13 per year to 25. The positions are expected to be filled within 3 to 6 months.
- \$58,000 in increased expenditures associated with reclassifying a currently

vacant position from an Associate Planner to a Program Manager. The new position will oversee long-range storm water compliance planning and related long-term storm drain system planning and asset management. The position is anticipated to be filled by July 2018.

## Issues for Council Consideration

### Storm Water Permit Compliance

As noted earlier, the City is not currently making all the expenditures necessary to ensure compliance with its storm water permits, and absent a new source of revenue dedicated to storm water permit compliance, it is unlikely the City will have the means to make all expenditures necessary for permit compliance. Penalties for not complying with storm water permit requirements are up to \$10,000 per day per violation.

Multiple TMDL deadlines are approaching over the next several years—the Chollas Creek Metals TMDL and first phase of the Chollas Creek Bacteria TMDL have compliance deadlines that begin in FY 2019. Deadlines associated with the Los Penasquitos Sediment TMDL begin in FY 2020. Additional deadlines associated with the Chollas Creek Bacteria TMDL exist in FY 2021, and the Shelter Island Yacht Basin Copper TMDL has a compliance deadline of FY 2023. The City is currently on track to meet these TMDLs with the exception of the Chollas Creek metals TMDL and the FY 2021 deadline associated with the Chollas Creek bacteria TMDL. As we noted earlier, TSW staff is currently pursuing amendments to these TMDLs which would bring them on track for compliance.

It should also be noted that TSW made a

# Department Review: Transportation & Storm Water

---

number of requests for funding in the FY 2019 Proposed Budget that were unfulfilled. Among those requests was a \$25.0 million transfer to storm water CIP projects, and \$1.0 million to make technical updates to various storm water planning documents, including the City's Water Quality Improvement Plans and Jurisdictional Runoff Management Plan. Failure to adequately fund storm water permit compliance efforts increases the likelihood of noncompliance and associated fines and penalties.

## 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, traffic signals, signs, and street trees.

In addition to the General Fund, the Street division receives funds from other sources, including:

- Prop 42 Replacement-Transportation Relief Fund
- TransNet
- Gasoline Tax
- Infrastructure Fund

## Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for Street Division totals \$57.2 million, an increase of \$3.0 million over FY 2018. The Proposed Budget includes 337.43 FTE positions in the Division, which is an increase of 2.99

FTE position over FY 2018.

### Significant Budget Reductions

- \$882,000 reduction in funding for the City's contract to trim street trees. The FY 2018 Proposed Budget included a similar reduction, but the funding was ultimately restored using one-time funding in the Adopted Budget.

This reduction applies to broad-leaf and conifer trees, and will reduce the frequency those trees are trimmed from once every 9 years to once every 21 years. The number of trees expected to be trimmed in FY 2019 will fall from roughly 20,000 to 10,000 as a result of this reduction in funding.

TSW indicates that it will still trim and maintain trees that could have immediate public safety impacts regardless of whether the particular tree posing a safety hazard is scheduled for periodic trimming. Nevertheless, reductions in regular tree maintenance can increase the likelihood of safety hazards and may increase the City's related liabilities.

- \$300,000 reduction in funding for graffiti abatement. This reduction will reduce the scope of the department's graffiti abatement contract with Urban Corps by eliminating abatement of graffiti on residential private property. In FY 2018, roughly 3,000 abatements were done on residential private property, and they accounted for roughly 15% of the total abatements performed.

### Significant Budget Additions

- 2.00 FTE positions and \$198,000 in expenses to increase the City's capacity for creating and scoping capital sidewalk repair and replacement projects.

# Department Review: Transportation & Storm Water

| STREET DIVISION KEY PERFORMANCE MEASURES                      |                |                |                |                   |                |
|---|----------------|----------------|----------------|-------------------|----------------|
| Performance Measure   | Target FY 2017 | Actual FY 2017 | Target FY 2018 | Estimated FY 2018 | Target FY 2019 |
| Miles of Streets repaired                                     | 308            | 268            | 349            | 349               | 390            |
| Number of Trees Trimmed                                       | 44,000         | 39,054         | 44,000         | 44,000            | 27,000         |
| Average number of days to mitigate a reported sidewalk hazard | 5              | 23             | 15             | 30                | 20             |
| Square Feet of sidewalks replaced/repared                     | 170,000        | 151,336        | 170,000        | 170,000           | 170,000        |

- 1.00 FTE position and \$81,000 in expenditures for the transfer of a horticulturalist position from the Development Services Department. This position, which is currently vacant but expected to be filled in May, will increase TSW's horticulturalist positions to 2, and will assist the City Forester in developing and implementing the City's urban forestry program and in making general tree assessments.

In the Proposed Budget, the City's Urban Forestry program includes the City Forester, 2 horticulturists, and 9 additional positions in a tree-maintenance crew.

## Issues for Council Consideration

### Sidewalk Repairs

The Proposed Budget does include the addition of 2.00 FTE positions to work on sidewalk capital projects, as well as a \$5.0 million transfer from the Infrastructure Fund to the Sidewalks CIP project. The sidewalk condition assessment completed in FY 2017, however, found \$46.8 million in needed funding for sidewalk repairs and missing sidewalks. Additional locations needing maintenance and repair have been identified since then, and some additional resources have been dedicated to capital sidewalk repair; the current unfunded need for sidewalk capital repairs totals \$49.8 million. Unfunded TSW requests in the FY 2019 Proposed Budget included 13.00 new FTE positions to add an addi-

tional sidewalk repair crew to the City's in-house sidewalk repair teams.

**Council may wish to inquire as to what liability the City currently maintains with its backlog of damaged sidewalks, and what plans exist to go about reducing that backlog.**

### Trees

The Proposed Budget cuts the budget for tree trimming by \$882,000. This amount was proposed to be eliminated in FY 2018, but it was restored in the Adopted Budget. Tree maintenance was a priority in a majority of Council Budget Priority memoranda as well.

FY 2018 funding for TSW's tree trimming contract allowed for broadleaf trees to be trimmed once every 7 years. Due to increased trimming costs, maintaining FY 2018 funding levels would shift this cycle to once every 9 years. However, the proposed elimination of funding will further reduce the trimming cycle to once every 21 years.

### Street Repair and Maintenance

The Proposed Budget assumes 390 miles of street repairs, in the following amounts:

- 290 miles of slurry seal maintenance work (slurry seal repairs costs roughly \$100,000 per mile).
- 94 miles of asphalt overlay (asphalt overlay costs approximately \$400,000 per mile)
- 6 miles of concrete streets and street reconstruction (concrete streets cost



# Department Review: Transportation & Storm Water

---

roughly \$1 million per mile; reconstruction costs roughly \$1.5 million per mile.)

This amount of street repair will exceed repairs necessary to meet the Mayor's pledge to resurface 1,000 miles of streets in 5 years and maintain City streets at a overall condition index of 70 or higher.

## 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.

### Impacts of Mayor's FY 2019 Budget Proposal

The FY 2019 Proposed Budget for TEO includes \$9.8 million in expenditures and 69.25 FTE positions. This is an increase of \$64,000 in expenditures from the FY 2018 Adopted Budget. Budgeted positions in TEO show no change from FY 2018.

#### Significant Budget Additions

- \$58,000 in increased expenditures associated with reclassifying a currently vacant position from an Assistant Civil Engineer to a Program Manager. The new position will support implementation of the Bike Share Program, the Vision Zero Program, the Climate Action Plan, the Downtown Mobility Plan, and CIP projects. The position is anticipated to be filled in early FY 2019.

## Other Departments

### Airports

Expenditures in the FY 2019 Proposed Budget for the Airports Division total approximately \$5.4 million, which is a \$313,000 decrease from the FY 2018 Adopted Budget. Airports Fund revenue is budgeted at \$4.9 million, a \$437,000 decrease from FY 2018.

Significant adjustments include:

- \$250,000 in increased one-time expenditures for repair of the Brown Field Airport terminal, including lead abatement, exterior surface repair, and painting (\$225,000 in funding for Brown Field was also included as a one-time expenditure in FY 2018).
- A \$435,000 reduction in one-time FY 2018 expenditures, including the above referenced \$225,000 for Brown Field and \$210,000 for repair and restuccoing of Montgomery Field's Operations Terminal.

The remaining balance in the Airports Fund is projected to total \$9.0 million.

### DCOO: Infrastructure/ Public Works

The FY 2019 Proposed Budget for the Deputy Chief Operating Officer (DCOO) for Infrastructure/Public Works is approximately \$654,000, a decrease of \$338,000 or 34.1% from the FY 2018 Adopted Budget. The decrease largely results from a \$391,000 reduction in personnel expense associated with the transfer of 1.00 Program Coordinator to the Department of

Information Technology, and the reduction of 1.00 Program Manager and 1.00 Associate Management Analyst. Total positions in the Branch are reduced from 5.00 to 2.00 FTE positions in FY 2019 including 1.00 DCOO and 1.00 of an Executive Secretary.

### DCOO: Internal Operations

The FY 2019 Proposed Budget for the Deputy Chief Operating Officer (DCOO) of the Internal Operations Branch is approximately \$474,000, an increase of \$13,000 or 2.8% from the FY 2018 Adopted Budget. The increase is primarily attributable to \$14,000 increase in salary and fringe expense which is partially offset by a \$1,000 reduction in NPE. The Branch consists of 1.00 DCOO and 0.50 of an Executive Secretary.

### DCOO: Neighborhood Services

The FY 2019 Proposed Budget for the Deputy Chief Operating Officer (DCOO) of the Neighborhood Services Branch is approximately \$371,000, a decrease of \$684,000 or 64.8% from the FY 2018 Adopted Budget. The decrease largely results from the transfer of 5.00 positions and \$624,000 of associated personnel expense to the new Office of Boards & Commissions. The transfers includes 3.00 Executive Directors (for the Human Relations Commission, Commission on Gang Prevention & Intervention, and Citizens Review Board on Police Practices), 1.00 Executive Secretary,

## Department Review: Other Departments

---

and 1.00 Administrative Aide 2. Total positions in the Branch are reduced from 6.50 to 1.50 FTE positions in FY 2019 including 1.00 DCOO and 0.50 of an Executive Secretary.

### Ethics Commission

The FY 2019 Proposed Budget for the Ethics Commission includes approximately \$1.3 million, an increase of \$55,000 from the FY 2018 Adopted Budget. This change is primarily due to an increase in Salary and Benefit Adjustments for their 5.00 FTE positions.

### Office of the CFO

The FY 2019 Proposed Budget for the Office of the Chief Financial Officer (CFO) is approximately \$608,000, a decrease of \$11,000 or 1.9% from the FY 2018 Adopted Budget. The decrease is primarily attributable to a \$20,000 reduction in NPE which is partially offset by an \$8,000 increase in salary and fringe expense. The Office is comprised of 1.00 CFO and 1.00 Executive Secretary.

### Office of the COO

The FY 2019 Proposed Budget for the Office of the Chief Operating Officer (COO) is approximately \$1.8 million, an increase of \$333,000 or 23.0% from the FY 2018 Adopted Budget. The increase is primarily due to \$356,000 of additional personnel expense associated with the addition of 1.00 Deputy Chief Operating Officer (to serve as Chief of Civic Initiatives), a transfer of 1.00 Program Manager from the Office of the ACOO (to serve as Assistant Chief of Civic Initiatives), and a 0.35 FTE reduction in hourly support. Total posi-

tions in the Office increase from 6.35 to 8.00 FTE positions in FY 2019.

### Office of the IBA

The FY 2019 Proposed Budget for the Office of the Independent Budget Analyst (IBA) is approximately \$2.1 million, a decrease of \$22,000 or 1.0% from the FY 2018 Adopted Budget. The decrease is attributable to \$34,000 decrease in salary and fringe expense which is partially offset by a \$12,000 increase in NPE. The Office is comprised of 10.00 FTE positions.

### Office of Homeland Security

The FY 2019 Proposed Budget for the Office of Homeland Security (OHS) is approximately \$2.8 million, an increase of \$215,000 or 8.2% from the FY 2018 Adopted Budget. Budgeted revenue totaling \$1.0 million represents an increase of \$134,000. The FY 2019 Proposed Budget increases OHS staff by 1.00 FTE position, from 17.05 FTEs to 18.05 FTEs, by adding 2.00 Program Coordinators and reducing 1.00 Associate Management Analyst. Personnel expenditures for the 2.00 added Program Coordinator positions are fully reimbursable by federal Urban Area Security Initiative (UASI) grant funds. The positions will perform work related to countering violent extremism and regional training related to UASI programs. The reduction of 1.00 Associate Management Analyst was proposed by the Office of Homeland Security in response to requested budget reductions and the Office has indicated current staff can adequately absorb the workload of this position without impacting services.

# Department Review: Other Departments

---

## **PETCO Park**

The FY 2019 Proposed Budget for the PETCO Park Fund includes \$17.3 million in expenditures, an increase of \$501,000 from the FY 2018 Adopted Budget. Revenues are projected to total \$17.0 million, which is an increase of \$399,000 or 2.4% over FY 2018.

Significant adjustments include:

- \$292,000 in increased expenditures for police services, which is contractually obligated per the Police and Traffic Control Services at Padres Home Games Letter.
- \$196,000 in increased expenditures for the City's contractually obligated portion of the Joint Use Management Agreement (JUMA) expenditures.