

Review of the

FISCAL YEAR 2024

PROPOSED BUDGET

Office of the Independent Budget Analyst
Report 23-08



The City of

SAN DIEGO 

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April 28, 2023

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Overview: IBA Review and Analysis of the Mayor's FY 2024 Proposed Budget

IBA Review and Analysis of the Mayor's FY 2024 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 expenditures and revenues, consistency with City Council and community priorities, identifying service level impacts, ensuring the application of City budget policies and best practices, and pointing out potential impacts on future years. This involves significant cooperation from the Executive Branch to understand the workings of the \$5.1 billion Proposed Budget, and we appreciate the time taken by the Department of Finance, Mayor's Office, and all operating departments to meet with our Office and to answer our many questions over the past two weeks.

Role of the City Council in the FY 2024 Budget Process

After release of the Mayor's Proposed Budget on April 14, 2023, the City Charter vests budget authority for finalizing the FY 2024 budget in the hands of the City Council. The Council holds many public hearings reviewing the budget proposals for all City departments, hosts meetings to solicit more feedback from constituents and communities, and fully reviews the Proposed Budget.

Council ultimately is tasked with determining whether modifications to the Proposed Budget are necessary to fund critical community priorities that are not yet addressed in the Proposed Budget. The Council has the authority to change budget line items and programs, provided the overall budget remains balanced.

Over the next several weeks, Council will hold evening meetings to solicit public feedback, and meet as the Budget Review Committee to hear presentations from all operating departments on the budget for their departments. During these meetings, the Office of the IBA will also present issues of interest, areas of concern, and potential questions for each department, with the goal of working with Councilmembers and staff to provide information that assists the Council in making informed decisions. Our Office will also participate in Council Budget Town Halls held throughout the City.

In May, we will also review and analyze the FY 2023 Third Quarter Budget Monitoring Report and evaluate the Mayor's May Revision to the FY 2024 Proposed Budget (scheduled to be released on May 16, 2023). Councilmembers will issue memos to our Office on May 26, 2023 that detail each Council Office's budget modification priorities, and we will issue a final report on recommended modifications to the FY 2024 Proposed Budget and Mayor's May Revision on June 7, 2023.

On June 12, 2023, Council is scheduled to consider final adoption of the budget, and at that time the Council will have the authority to change line items or services and programs in the Proposed Budget, provided the Budget remains balanced. The Mayor has the authority to veto Council changes, but the Council can override the Mayor's veto with six votes of the Council.

Overview: IBA Review and Analysis of the Mayor's FY 2024 Proposed Budget

Overview of IBA Review and Analysis

This report provides an overview of the City's revenues, expenditures, and reserves in the Proposed Budget, discusses key citywide issues identified by our Office for Council's consideration, and reviews the proposed budgets for each department in the City.

It is noteworthy that development of the Proposed Budget for the first time included additional steps to more deeply integrate equity considerations, with departments incorporating tactical equity plans and collaborating with the City's Department of Race and Equity to ensure their budgets address and incorporate equity concerns and goals. This is a positive step and is directly aligned with this Council's priorities and goals.

General Fund revenues and expenditures in the Proposed Budget are both at all-time highs, and the Proposed Budget does not include any significant reductions in City service levels; on the contrary the budget proposes to maintain or increase services across the City. Increases of note include General Fund support for homelessness and housing programs, public safety, and City infrastructure, as will be discussed.

The Proposed Budget also categorizes many recurring expenses that were noted as one-time expenses in prior budgets – such as various homelessness and housing programs, and contributions to the City's Infrastructure Fund - as *ongoing* expenses, which presents a more accurate view of the City's finances and should allow for better budget planning in the future.

While the Proposed Budget is balanced and presents a more accurate picture of the City's finances than past budgets, we also highlight

some concerns. Most notably, the Budget's recognition of the ongoing nature of many expenses is sobering. Ongoing expenditures in the budget exceed ongoing revenues by \$113.2 million. The Proposed Budget remains balanced only because it makes use of \$129.6 million in one-time funding – mostly the remaining balance of American Rescue Plan Act (ARPA) dollars (\$52.1 million), and savings from prior fiscal years, or Excess Equity (\$68.6 million). While the Proposed Budget does not allocate all available Excess Equity (a balance of \$52.6 million is unallocated and potentially available for use in future fiscal years), absent *significant* growth in revenues, future years will require the City to make difficult choices to allocate a limited amount of funding to a growing number of needs; adopting budgets with structural imbalances today will restrict the ability of the Mayor and Council to fund tomorrow's priorities.

We also note that while the Proposed Budget makes continued investments in the City's aging infrastructure, significantly more investment will be necessary to address the City's growing infrastructure backlog; the five-year funding gap for City infrastructure has grown to \$5.2 billion, and absent additional funding for maintenance, capital renewal, and new capital projects, that gap will only continue to grow.

General Fund Revenue Overview

The Proposed Budget includes \$1.98 billion in revenues. Of this amount, \$1.43 billion is derived from the City's four major General Fund revenues: Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Franchise Fees. These revenues are sensitive to the overall economic condition of the San Diego region,

Overview: IBA Review and Analysis of the Mayor's FY 2024 Proposed Budget

and the Proposed Budget projects moderate growth in all four major General Fund revenues.

In general, major General Fund revenues are proposed to increase by \$109.8 million from the FY 2023 Adopted Budget, and \$79.1 million from year-end projections that were included in the FY 2023 Mid-Year Budget Monitoring Report. Revenue from each Major General Fund revenue source is projected at all-time highs, marking the first time that each revenue source is projected to come in above pre-pandemic trends (in FY 2023, all major General Fund revenues were anticipated to come in above pre-pandemic trends with the exception of TOT; growth in TOT in FY 2023 has so far exceeded projections from this time last year by \$50 million, and some moderate growth in TOT is continued to be projected in FY 2024).

We also note that revenue growth is augmented by the planned use of the City's remaining federal ARPA allocation of \$52.1 million. FY 2024 is anticipated to be the last year the City will draw on the \$299.7 million in ARPA dollars that were allocated to the City in FY 2021. The use of ARPA in recent years has allowed the City to avoid service level reductions, and it is important to recognize that it will no longer be a resource in future fiscal years. Maintenance or growth in City service levels will therefore require increased support from local revenues.

Our Office's discussion of these revenues and projected growth rates is included in this report's **General Fund Overview: Revenue** section.

General Fund Expenditure Overview

Total General Fund expenditures are increasing by \$88.2 million, or 4.5%, from the \$1.96 billion in the FY 2023 Adopted Budget. There are a large number of changes in both Personnel Expenditures (PE) and Non-Personnel Expenditures (NPE).

The net PE increase to the General Fund is \$109.2 million. This increase is largely due to an increase in the City's pension payment/Actuarially Determined Contribution (ADC) (\$41.1 million); increases in salaries and wages primarily related to approved contracts with the City's Recognized Employee Organizations (REOs), largely the public safety REOs, as well as corresponding increases for unrepresented employees, merit/step increases, and promotions (\$32.1 million); anticipated increases in salaries and wages related to the recent contract negotiations with the City's non-public safety REOs (\$29.3 million - this amount is expected to change in the May Revision based on anticipated final agreements with the REOs); increases in overtime expenditures, primarily to right-size the overtime budgets of the Police and Fire-Rescue Departments (\$25.0 million); and the addition of 170.61 FTEs in the Proposed Budget (\$22.1 million).

Offsetting those PE increases is a decrease in salaries and wages associated with increased salary savings due to anticipated vacancies, mainly in the Police and Fire-Rescue Departments, (\$24.1 million) and a decrease in payments into the City's Supplemental Pension Savings Plan H (SPSP-H), the City's defined-contribution retirement plan that is associated with the unwinding of Proposition B (\$15.0 million).

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General Fund NPE in the Proposed Budget are *decreasing* by a net of \$21.0 million. This net amount includes not only decreases, but several significant increases, including ongoing support for homeless shelters and services (\$31.9 million); increased gas and electric service costs (\$14.0 million); capital infrastructure debt service (\$12.0 million); and public liability costs (\$9.7 million), among many other larger increases. Those are more than offset by decreases, largely by the removal of one-time NPE amounts from the FY 2023 Adopted Budget, including transfers to the Capital Improvements Program (\$40.2 million); one-time pension payment transition costs for Proposition B employees (\$28.0 million); and one-time funding for homelessness and housing programs (\$23.4 million), among others. More detail on these changes can be found in this report's *General Fund Overview: Expenditures* section.

How the Mayor Balanced the FY 2024 Budget

While total revenues are sufficient to support expenditures in the Proposed Budget, this was only possible through the use of several one-time resources. They include:

- \$68.6 million in Excess Equity, out of \$121.2 million currently anticipated in year-end projections.
- \$52.1 million in ARPA funding to support general City services, as discussed in the Revenue overview.
- \$5.8 million in proceeds from the sale of Tailgate Park.
- \$1.1 million in Grant Revenue.

- \$1.0 million in a transfer from the Fire/Emergency Medical Services Transport Fund.
- \$645,000 in Short-Term Residential Occupancy revenue.
- \$410,000 in use of internal service funds fund balance.

Additional detail on significant one-time resources is included in this report's *General Fund Overview: Revenue* section and various *Department Review* sections. As discussed below, it is important to note that use of these one-time resources for ongoing commitments contributes to a structural imbalance in the Proposed Budget that will require mitigation in future years.

Key FY 2024 Budget Issues

While the Proposed Budget is balanced, keeps the City on track with meeting updated General Fund Reserve target, and increases funding for many City programs and services, our Office has identified several potential key issues that merit additional discussion. As noted, the Budget remains structurally unbalanced, infrastructure spending being proposed is not sufficient to close a growing infrastructure funding gap, and citywide vacancies continue to be a challenge for departments.

The Proposed Budget's Structural Imbalance Has Grown Significantly

The Proposed Budget for the General Fund is balanced, with \$2.04 billion in expenditures supported by \$1.98 billion in revenues and \$68.6 million in Excess Equity from prior year savings. However, resources classified as one-time in the Budget total \$129.6 million

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(mostly from remaining ARPA funding of \$52.1 million and Excess Equity of \$68.6 million), while expenditures classified as one-time total only \$16.5 million. This means that the City is using \$113.2 million in one-time resources to support ongoing expenditures. This structural imbalance has grown from the \$38.2 million imbalance that existed in the FY 2023 Adopted Budget.

While actual revenue growth in FY 2023 significantly outpaced projections in the Adopted Budget, thereby alleviating some current-year impacts and providing Excess Equity that is proposed to be used in FY 2024, it is unlikely that FY 2024 revenue growth will continue at the same rapid pace.

In order to ensure that the City is positioned to use its budget to respond to shifting needs in future years, it is critical that the City work towards eliminating structural imbalances in future years, as committing to ongoing expenses now without dedicated ongoing resources to support them handicaps the City's ability to make future budget adjustments without cutting services. Outside of a significant new source of revenue or a significant reduction in ongoing expenses, the City will continue to lack the resources necessary to fund all the services and priorities that are desired.

Infrastructure Funding Remains Insufficient to Address Growing Capital Backlog

The Proposed Budget includes significant support for infrastructure and capital projects, with \$647.6 million included in the Capital Improvements Program (CIP) for FY 2024, including \$204.0 million appropriated for projects that support General Fund capital infrastructure, an increase of \$73.4 million from FY 2023. However, General Fund capital

needs identified in the most recent Five-Year CIP Outlook total \$1.9 billion for FY 2024.

The two key funding sources the City has to support almost any General Fund capital project are the Infrastructure Fund and the General Fund. The Infrastructure Fund receives a portion of growth in sales tax revenue, and totals \$21.5 million in the Proposed Budget. The FY 2023 Adopted Budget provided \$40.2 million from the General Fund for capital projects, but General Fund dollars are not being directly allocated to capital projects in the Proposed FY 2024 Budget. The General Fund is used to support capital, maintenance, and operational needs of most City departments, and many City priorities compete for General Fund dollars. The General Fund also provides debt service payments for the City's commercial paper and lease revenue bond programs, which are used to fund capital infrastructure projects.

The City's General Fund CIP needs far outweigh available resources, as evidenced by the \$5.2 billion five-year funding gap in the [FY 2024-28 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#). To address this backlog, the City needs a large scale and holistic financing strategy, including new revenues; the City also requires a viable plan to execute projects that includes important Asset Management practices, such as condition assessments and investment in resources to support the City Enterprise Asset Management (EAM) System. These needs and related considerations are discussed in this report's *Key Citywide Issues: Infrastructure Funding Needs* section.

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Progress Made towards Filling Vacancies but Challenges Remain

High vacancy levels have been a persistent problem across City departments for many years. The impacts of vacancies are far-reaching, including impaired quality of services to residents, limited departmental capacity to execute projects, and increased stress and workload on existing employees.

Some progress has been made towards filling vacant positions with qualified candidates through implementing general wage increases, special wage adjustments, and other compensation programs; improving the hiring process at the department level; keeping closer collaboration between departments and the Personnel Department; hosting a Citywide career fair; and certain efforts in the Personnel Department including its new Recruiting and Outstation Sections.

However, departments continue to face challenges, especially with lengthy hiring processes and compensation levels which often put the City at a competitive disadvantage compared to other public and private employers. Additional information on the impacts of vacancies is discussed in this report's section on *Key Citywide Issues: Departmental Vacancies* and in individual Department reviews. Further, for more details on the history of compensation issues and recent compensation increases, see IBA Report 23-01, [FY 2024 Labor Negotiations Over Compensation Increases](#).

Notable FY 2024 Budget Adjustments

Funding for City Equity Efforts

Many additions to the Proposed Budget are proposed to support the City's efforts to increase diversity and equity. Some significant additions, among others that are detailed in this report's *Key Citywide Issues: Equity* and various *Department Review* sections include:

- \$9.2 million in Climate Equity Funds to support capital improvement projects responding to climate change impacts in communities of concern.
- 4.00 FTEs and \$1.2 million to support the SD Access 4 All Digital Equity Program which addresses community-level disparities through programs such as open public Wi-Fi, Digital Navigation and literacy services, and \$648,000 in ongoing non-personnel expenditures for a hotspot and Chromebook lending program.
- 3.00 FTEs and \$1.1 million for planting trees in historically disadvantaged communities in line with a legal settlement with the Air Pollution Control District.
- 3.00 FTEs and \$740,000 for a Human Resources recruitment program which will, among other things, endeavor to promote diversity in the City's workforce by broadcasting recruitments to a diverse candidate pool. Targeted outreach to historically underrepresented populations is part of this overall strategy.

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Homelessness and Housing Programs and Services

The Proposed Budget includes an increase of \$18.8 million over the FY 2023 Adopted Budget for the Homelessness Strategies and Solutions Department. As noted earlier, this recognizes the need to support existing programs that had received significant funding from one-time grants with ongoing General Fund support. This includes ongoing funding for continued shelter operations, Safe Parking programs, and storage sites. Significant additions for *new* activities include:

- \$8.8 million ongoing increase for expanding shelter capacity, new shelter services, shelter bed replacement, and new Safe Parking
- \$500,000 increase for Neil Good Day Center

Additionally, the budget provides \$2.3 million for the Housing Instability Prevention Program, which provides rental assistance designed to stabilize low-income households at risk of losing housing. The Proposed Budget also includes \$3.3 million for homelessness outreach efforts and \$1.4 million for the Homelessness Response Center.

Support for Climate Action Plan 2.0 Activities

The Proposed Budget includes \$15.1 million across all funds to provide both direct and indirect support for CAP 2.0 strategies. Significant expenditures include:

- \$1.4 million for Enhanced Hot Spot Crews to support Clean SD within the Environmental Services Department to provide litter and waste abatement related to encampments in the public right-of-way.
- \$1.3 million to secure a renewable natural

gas source for Pump Station 2 in the Public Utilities Department.

- \$1.1 million for 3.00 new FTEs and associated tree planting funding for the Urban Forestry program, in line with a legal settlement with the Air Pollution Control District to plant trees in historically disadvantaged communities (this is also noted as an equity related adjustment).
- \$1.0 million for the Phase 2 Public Power Feasibility Study, which is funded by the Energy Independence Fund.

Public Safety

The Proposed Budget contains several significant additions pertaining to public safety, which provides additional resources for Police, Fire, and Lifeguards.

- \$24.8 million in additional overtime expenditures, including \$15.7 million for the Fire-Rescue Department and \$9.2 million for the Police Department, which is intended to align the budget with year-end projections in the FY 2023 Mid-Year Budget Monitoring Report.
- \$4.0 million to deploy new Smart Streetlights with video and automated license plate recognition (ALPR) technology throughout the City.
- 10.00 civilian FTEs and \$738,000 for additional Police Investigative Service Officers (PISOs) which will assist sworn personnel by conducting lower-level investigative work and responding to lower-priority calls.
- 10.00 FTEs and \$2.6 million to support the Fire-Rescue Department's Community Risk Reduction Division by ensuring compliance with mandated fire safety and

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HAZMAT inspection reporting requirements under Senate Bill 1205.

- Various additions to support the Lifeguard Division including 1.00 Lifeguard Sergeant to lead recruiting efforts, 2.00 Lifeguard IIs to support La Jolla Shores, \$200,000 for various NPE, and \$296,000 for the bi-annual Advanced Lifeguard Academy.

Infrastructure Fund Commitments

Per Charter Section 77.1, the Proposed Budget includes a contribution of \$21.5 million to the Infrastructure Fund. The Proposed Budget allocates \$20.0 million for 8 projects for buildings, parks, stormwater, and transportation, including:

- \$4.4 million for City facilities improvements.
- \$6.2 million for general park improvements and \$530,000 for Olive Street Park acquisition and development.
- \$1.4 million for flood resilience infrastructure stormwater projects.
- \$4.1 million for street resurfacing and reconstruction, \$2.5 million for sidewalks and streetlights in City Heights, \$709,000 for Golf Course Drive improvements and \$200,000 for guardrails.
- \$1.6 million (budgeted in the operating budget) to support repairs and tenant improvements for Police facilities.

Comparing the Proposed Budget to City Council's Budget Priorities Resolution

The FY 2024 budget process is the first time the City Council's Budget Priorities were initially prepared and approved during the fall, and then subsequently updated in February. This reflects action taken by the City Council on June 27, 2022 to accelerate development of Council's budget priorities in order to amplify their impact on the development of the Mayor's Proposed Budget. Council then considered additions and amendments to its priorities, and adopted an Updated FY 2024 Budget Priorities Resolution on February 13, 2023. The table on the following pages compares the City Council's Updated FY 2024 Budget Priorities to the Mayor's FY 2024 Proposed Budget. The status of each budget priority is categorized as *added* to the Proposed Budget (A), *partially added* to the Proposed Budget (PA), *maintained* at FY 2023 levels (M), *reduced* from FY 2023 levels (R), or *not included* in the Proposed Budget (N).

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COMPARISON OF COUNCIL FY 2024 BUDGET PRIORITIES TO MAYOR'S FY 2024 PROPOSED BUDGET (A=Added, P=Partial Add, M=Maintained, R=Reduced, N=Not Included)		
City Council Operating Budget Priorities	Status	Notes
Homelessness and Housing		
Rental Assistance – Housing Instability Prevention Program	P	Included \$2.3 million to continue program, but several Councilmembers requested additional funding. The proposed amount is lower than the \$3.6 million provided in FY 2023. HSSD and SDHC may revise amount for May Revision.
Affordable Housing	N	Not included
San Diego (Neil Good) Day Center (including maintained funding, as well as facility repairs and improvements)	P	\$500,000 one-time provided for Day Center operation costs, portion of funds may cover urgent facility improvements.
Homeless Shelters for LGBTQ+ and Senior Populations (including shelter services and reconfigurations)	M/A	\$1.5 million maintained for LGBTQ+ shelter. Provides \$2.4 million for existing senior non-congregate shelter operation and ancillary costs.
Homelessness Outreach	R	HSSD and SDHC are discussing funding for Multidisciplinary Outreach Team Pilot funded in FY 2023, which was not included in Proposed Budget; remaining outreach funding maintained.
Middle-Income First-Time Homebuyer Pilot Program	N	Not included
Eviction Prevention Program	N	Not included
Environment and Climate Action		
Bicycle Master Plan	N	Not Included
Urban Forestry Program (including program maintenance and expansion)	A	3.00 FTEs and \$1.1 million for additional tree planting in line with a legal settlement with the Air Pollution Control District.
Climate Action Plan Implementation	M	Current technical assistance funding is maintained, but no additional funding for further implementation is added
Climate Equity Fund	A	Additional \$1.9 million to align revenues to the fund with increases in gas and electric franchise fee revenue. Project allocation will be presented in May Revision.
Public Safety		
Firefighter Relief Factor Study and Relief Pool (paid for with overtime savings)	N	Not included
Lifeguards (including funding for positions, NPE, and Lifeguard Academy)	P	A majority of the items/positions in priorities memoranda are included
Security Measures (including at parks/recreation facilities, homeless shelters, lifeguard towers, and Civic Center Plaza)	P	Additional security services at library facilities and Civic Center Plaza.
Neighborhood Services		
Brush and Weed Abatement (including continued funding for parks and recreation and right-of-way areas)	M	Funding for Brush Management by Parks and Recreation in open space areas, and by Transportation for the right-of-way, is maintained.
Library Support (including library materials, library maintenance, and donation match)	N	Not Included
Code Enforcement	N	Not Included
Youth Services		
Childcare Facilities/Facilities Assessments	N	Not Included
Youth Services Librarians (to include all library locations)	N	Not Included
Youth Care and Development Program (including focus on mental health, job training, and after-school education)	N	Not included
Youth Commission (funds for increased civic engagement and education)	N	Not Included

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COMPARISON OF COUNCIL FY 2024 BUDGET PRIORITIES TO MAYOR'S FY 2024 PROPOSED BUDGET		
<i>(A=Added , P=Partial Add , M=Maintained , R=Reduced , N=Not Included)</i>		
City Council Operating Budget Priorities	Status	Notes
Arts and Culture		
Overall Funding and Penny for the Arts Blueprint	P	Increased Arts & Culture funding, but still \$7.0 million below the 7% of TOT funding goal and \$15.0 million short of the Penny for the Arts goal
Other Operating Budget Priorities		
Human Capital and Employee Compensation (including competitive salaries, enhancing recruitment and retention)	A	Estimated employee compensation increases are included. Recent negotiations with non-public safety REOs over FY 2024 compensation increases are expected to result in a May Revision adjustment.
World Design Capital 2024	N	Not Included
Office of the City Auditor (including salary increases and new positions)	P	14% salary increase included, but requested 3.00 FTE was not funded.
Office of Labor Standards and Enforcement	N	Positions/items in priorities memoranda are not included; 3.00 FTEs requested by Compliance Department to assist in prevailing wage compliance monitoring also not included.
ADA Transition Plan and Complaint Projects Backlog (funding for positions)	P	Funding for the ADA Plan is included at \$262,000, matching a grant to bring total funding for the plan to \$1.5 million. Requested position to oversee ADA compliance not included.
City Council Infrastructure Budget Priorities	Status	Notes
Transportation and Mobility Safety		
Pedestrian and Bicycle Safety (including continued implementation of Vision Zero)	P	\$12.2 million is included.
Traffic Calming	P	\$200,000 is included.
Streetlights (repairs, upgrades, new installations)	N	Not included.
Traffic Signals (new, modified, optimized signals)	P	\$4.3 million included.
Streets, Sidewalks, Stormwater		
Streets (including maintenance, repairs, resurfacing)	P	\$108.9 million including \$4.6 million for streets and roads modifications and \$104.3 million for resurfacing.
Sidewalks (including repairs and installations)	P	\$3.1 million included.
Stormwater (including maintenance and capital projects)	P	\$23.3 million included for capital projects.
Facilities^a		
Fire-Rescue (including maintenance and capital projects for existing lifeguard towers/facilities)	P	\$155,000 is budgeted in the EMS Fund for exhaust extraction system replacements and other maintenance at Fire-Rescue facilities.
Library (including maintenance, improvement, expansion of existing facilities)	N	None specifically identified for Library facilities.
Parks & Recreation (including maintenance and repair of existing facilities; new facilities)	P	\$3.0 million included for Balboa Park Botanical Building improvements.
Police (including Police Headquarters, other facilities)	p	\$1.6 million is budgeted in the Infrastructure Fund for operating expenditures relating to repairs and tenant improvements for Police facilities.
Americans with Disabilities Act (ADA)		
ADA Transition Plan and Complaint Projects Backlog (projects in public facilities and rights-of-way)	N	No funding included for specific ADA Transition Plan and Complaint Projects Backlog, although some projects might get done as part of larger CIP projects if they overlap.
Security-Related Infrastructure		
Installations/Repairs to Various City Facilities	N	Not specifically identified but may be included as part of capital projects as appropriate.
City Council Budget Resource and Mitigation Priority	Status	Notes
American Rescue Plan Act (ARPA) Funds	A	The remaining \$52.1 million in ARPA funds are included.

^a \$4.4 million included for annual allocation for General Fund facilities capital improvements.

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Identifying Potential Resources for Council Modifications to the Mayor's FY 2024 Proposed Budget

While the Proposed Budget contains numerous additions that address several of Council's budget priorities, not all priorities received funding in the FY 2024 Proposed Budget. To this end, in order to add additional items to the budget, Council must identify additional resources or reduce other expenditures in order to add priorities while maintaining a balanced budget. It is also important to note that additional expenditures anticipated with respect to the non-public safety REOs' pending contracts are expected in the May Revision, and resources to support those increases will also need to be identified.

Given the budget's structural imbalance, Council should be mindful when considering allocating any newly identified resources, and to the extent Council wishes to add expenditures as it moves through the budget process, its focus should be on one-time expenditures rather than ongoing ones.

Our Office will continue work with the Department of Finance to identify additional resources for Council modifications. While we generally agree with forecasts for major revenues, these forecasts will inevitably be updated in the May Revision, in tandem with release of the FY 2023 Third Quarter Budget Monitoring Report. Additional information on FY 2023 revenues will provide the Department of Finance and our Office with a better sense of where revenue forecasts should be set for FY 2024, as well as provide additional updates on projected Excess Equity or other potential resources that might carry forward for use in FY 2024 or subsequent years.

Below we provide further detail on some resources that may be available for the Council to consider as it moves through the budget process.

Excess Equity

The City is currently projected to end FY 2023 with \$121.2 million in unspent General Fund dollars, which will be carried forward to FY 2024 as Excess Equity. The FY 2024 Proposed Budget makes use of \$68.6 million of this amount, leaving \$52.6 million unallocated.

Given the budget's structural imbalance, it would be prudent to leave most or all this amount unallocated so that it is available to mitigate projected deficits in FY 2025. That noted, these unallocated funds exist, and it is ultimately Council's decision whether to allocate them in the FY 2024 Budget.

Transient Occupancy Tax Fund Balance

The Transient Occupancy Fund (discussed in additional detail in the *Department Review – Special Promotional Programs* section of this report) is used to support the promotion of the City's cultural amenities and natural attractions. Each year the City reimburses certain relevant General Fund expenses (including expenses for lifeguards and park maintenance) with TOT Fund proceeds. The FY 2024 Proposed Budget does not allocate all projected TOT Fund revenues, leaving a projected FY 2024 year-end fund balance of \$8.6 million. These dollars could be allocated to reimburse eligible General Fund expenditures, thus freeing up resources for other Council priorities.

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Reduced Debt Service Projections

As discussed in this report's *Department Review – Citywide Program Expenditures* section, lower actual principal amounts in the 2023A bond issuance than assumed in the Proposed Budget are expected to reduce bond debt service by \$4.4 million. This will be partially offset by \$1.2 million in increased debt service to support commercial paper borrowing. The remaining \$3.2 million difference is anticipated to be reflected in the May Revision.

Increased Residual RPTTF Distribution

As noted in the *General Fund Overview: Revenue* section of this report, residual Redevelopment Property Tax Trust Fund (RPTTF) revenue, a component of the City's property tax revenue, is anticipated to come in \$1.2 million higher than is currently projected in the Proposed Budget. This amount is anticipated to be reflected in the May Revision, though it may be available to support Council priorities.

Critical Need for Resources

While the Mayor has proposed a balanced budget for FY 2024, the City's needs are substantially larger than existing resources can support. Even with the City's General Fund revenues at record highs, additional resources are necessary to support existing and upcoming needs. Federal relief money from ARPA that helped close City deficits over the last three years runs out in FY 2024, and the City's FY 2024-2028 Five-Year Financial Outlook projects baseline deficits through FY 2026, and significant overall deficits through FY 2028 and beyond when new facilities and planned commitments are included. Current funding needs such as stormwater compliance requirements and the growing \$5.2 billion

capital infrastructure funding gap, among others, require additional resources. The desire for enhanced or expanded services – especially in the context of the City's structural imbalance – only exacerbates the need to identify significant new revenue sources. Absent new revenue, the City will face increasingly difficult choices in allocating its substantial, but limited, existing funding to support a growing number of needs.

Next Steps in the Process – City Council's Role and Community Involvement

May 3-9: Budget Review Committee hears "IBA Review of the FY 2024 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals. The Budget Review Committee also holds an evening hearing to receive public input on May 3rd.

May 10: City Council holds evening hearing to receive further input from the public.

May 16: Mayor releases May Revision and FY 2023 Third Quarter Budget Monitoring Report

May 18: Budget Review Committee hears the Mayor's May Revision and Third Quarter Budget Monitoring Report providing additional context for final budget decisions.

May 26: City Councilmembers issue final budget modification priority memoranda, including recommendations for potential budget revisions, to the Office of the IBA.

June 7: Office of the IBA releases final report on recommended revisions to the Mayor's FY 2024 Proposed Budget including the May Revision, based on input from City Council memoranda and feedback, public comment,

Overview: IBA Review and Analysis of the Mayor's FY 2024 Proposed Budget

and independent analysis.

June 12: City Council makes final FY 2024 budget decisions and takes action on any FY 2023 budget revisions

June 27: City Council considers and adopts the FY 2024 Appropriations Ordinance

Additional Reports

Our Office will also be issuing individual reports for the following agencies prior to their budget hearings, scheduled for May 9, 2023:

- San Diego Convention Center Corporation
- San Diego Housing Commission
- San Diego City Employees' Retirement System



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General Fund Overview: Expenditures

Expenditures Overview

As shown in the following table, General Fund expenditures are increasing by \$88.2 million, or 4.5%, from \$1.96 billion to \$2.04

billion. Non-Personnel Expenditure (NPE) changes net to a \$21.0 million decrease. Larger changes are shown below.

GENERAL FUND EXPENDITURE CHANGES				
<i>(dollars in millions)</i>	FTE	PE	NPE	TOTAL
FY 2023 Adopted Budget	8,336.39	\$ 1,278.4	\$ 676.6	\$ 1,955.0
Budget Change Highlights				
FY 2024 PE Increase (See Next Page for Listing)	170.61	109.2	-	109.2
<i>Homeless Shelters and Services (ongoing)</i>	-	-	31.9	31.9
<i>Gas (\$3.4m) and Electric (\$10.6m) Services (ongoing)</i>	-	-	14.0	14.0
<i>Capital Infrastructure Debt Service</i>	-	-	12.0	12.0
<i>Public Liability (\$8.9m insurance; \$833k other operating cost) - ongoing</i>	-	-	9.7	9.7
<i>Parks Improvement Funds Transfer (ongoing)</i>	-	-	8.0	8.0
<i>Refuse Disposal Fees - incl. \$5.1m for increased tipping fee (ongoing)</i>	-	-	7.2	7.2
<i>Transfer to the Bridge to Home Program (one-time)</i>	-	-	5.8	5.8
<i>Smart Streetlights Deployment (ongoing)</i>	-	-	4.0	4.0
<i>Animal Services Contract (\$1.0m one-time; \$2.8m ongoing)</i>	-	-	3.8	3.8
<i>Fleet Fees - Usage and Replacement (net amount)</i>	-	-	3.4	3.4
<i>Transfer of Refuse Packers from Refuse Disposal Fund (one-time)</i>	-	-	2.6	2.6
<i>Time Schedule Order Compliance Monitoring - Stormwater (ongoing)</i>	-	-	2.5	2.5
<i>Increase in Citywide Elections Costs (ongoing)</i>	-	-	1.9	1.9
<i>Add'l Vehicle (\$1.8m one-time); Security Services (\$1.1m ongoing)</i>	-	-	2.8	2.8
<i>Corporate Master Lease Rent Increase - ongoing</i>	-	-	1.3	1.3
<i>Rental of Police Firearms Training Facility (one-time)</i>	-	-	1.0	1.0
<i>Vehicles for Enhanced Hot Spot Crew - for Clean SD (one-time)</i>	-	-	1.0	1.0
<i>Energy Independence Fund Adjustment (supported by franchise fees)</i>	-	-	(1.6)	(1.6)
<i>Capital Lease - ongoing</i>	-	-	(1.7)	(1.7)
<i>Transfer to the Infrastructure Fund (ongoing)</i>	-	-	(6.9)	(6.9)
<i>Removal of 101 Ash and CCP Lease-to-own Rent</i>	-	-	(10.3)	(10.3)
<u>Largest FY 2023 One-time Cost Removals</u>				
<i>Capital Improvements Program (CIP) Transfer</i>	-	-	(40.2)	(40.2)
<i>Pension Payment Transition Costs for Post-Proposition B Employees</i>	-	-	(28.0)	(28.0)
<i>Funding for Homelessness and Housing Programs</i>	-	-	(23.4)	(23.4)
<i>Watershed Master Planning Consulting, Vehicles, and IT Equipment</i>	-	-	(5.3)	(5.3)
<i>Extension of Shift Overtime - Police Department</i>	-	-	(4.1)	(4.1)
<i>Vehicles and Sign Postage to Support Street Sweeping</i>	-	-	(3.1)	(3.1)
<i>Sidewalk Vending Ordinance</i>	-	-	(2.3)	(2.3)
<i>Support for State Senate Bill 1383</i>	-	-	(1.8)	(1.8)
<i>Vehicles & Equipment for Stormwater Pump Station Repair & Automation</i>	-	-	(1.7)	(1.7)
<i>SD Access 4 All: Broadband Access Expansion (\$1.1m); Broadband Master Plan (\$500k)</i>	-	-	(1.6)	(1.6)
<i>General Fund Reserve Contribution</i>	-	-	(1.5)	(1.5)
<i>Other One-Time Expenditure Adjustments</i>	-	-	(18.6)	(18.6)
<i>Other Budget Changes</i>	-	-	18.0	18.0
FY 2024 Proposed Budget	8,507.00	\$ 1,387.6	\$ 655.6	\$ 2,043.2
Net Increase (Decrease): FY 2023 to FY 2024 - 4.5% increase	170.61	\$ 109.2	\$ (21.0)	\$ 88.2

Note: Table may not total due to rounding.

General Fund Overview: Expenditures

Personnel Expenditure (PE) changes net to a \$109.2 million increase and are shown in the following table. A brief discussion of some of

these changes begins on the next page of this section.

General Fund Personnel Expenditure (PE) Changes (Salaries/Wages & Fringe Benefits)				
<i>(dollars in millions)</i>	FTE	Wages	Fringe	Total PE
FY 2023 Adopted Budget	8,336.39	\$ 767.0	\$ 511.4	\$ 1,278.4
Net Departmental Position Additions, Reductions, Transfers ¹				
<i>Environmental Services</i>	49.48	2.8	1.8	4.6
<i>Police</i>	23.00	1.6	1.1	2.7
<i>Fire-Rescue</i>	21.88	2.8	1.3	4.1
<i>Parks & Recreation</i>	21.58	1.8	2.2	4.0
<i>Human Resources</i>	13.50	1.0	0.2	1.2
<i>Stormwater</i>	7.00	0.3	0.0	0.3
<i>Planning</i>	6.34	0.7	0.3	1.0
<i>Department of Finance</i>	6.00	0.5	0.2	0.6
<i>Transportation</i>	4.24	0.4	0.1	0.5
<i>Department of Information Technology</i>	4.00	0.3	0.1	0.5
<i>City Attorney</i>	2.00	0.3	0.1	0.4
<i>Compliance</i>	2.00	0.3	0.1	0.3
<i>Facilities Services</i>	3.00	0.3	0.1	0.4
<i>Library</i>	1.90	0.1	0.2	0.3
<i>City Treasurer</i>	1.25	0.1	0.0	0.1
<i>Economic Development</i>	1.00	0.1	0.0	0.2
<i>Performance & Analytics</i>	1.00	0.1	0.0	0.2
<i>Purchasing & Contracting</i>	1.00	0.1	0.0	0.2
<i>Homelessness Strategies & Solutions</i>	1.00	0.1	0.0	0.1
<i>Commission on Police Practices</i>	0.50	0.1	0.0	0.1
<i>Office of the Chief Operating Officer</i>	0.35	0.3	0.0	0.4
<i>Real Estate & Airport Management</i>	(0.25)	(0.0)	(0.0)	(0.0)
<i>Development Services</i>	(0.50)	(0.0)	(0.0)	(0.0)
<i>Sustainability & Mobility</i>	(0.66)	(0.0)	(0.0)	(0.0)
Subtotal - Net Departmental Position Changes	170.61	\$ 14.0	\$ 8.0	\$ 22.1
<i>Removal of Fringe Above (avoids double counting in this table)</i>	-	-	(8.0)	(8.0)
<i>Actuarially Determined Contribution (ADC)</i>	-	-	41.1	41.1
<i>Contributions to the Workers' Compensation Fund(\$1.4m), Risk Management Fund (\$919k), and Long Term Disability Fund (\$523k)</i>	-	-	2.8	2.8
<i>Flexible Benefits Plan Increases (partly due to position adds)</i>	-	-	2.1	2.1
<i>Defined Contribution Plan Adjustments - SPSP-H and 401(a) Plan</i>	-	-	(13.7)	(13.7)
<i>Estimated Compensation Increases Being Negotiated (wages only)</i>	-	29.3	-	29.3
<i>Overtime (including \$15.7 in Fire-Rescue and \$9.2m in Police)</i>	-	25.0	-	25.0
<i>Budgeted PE Savings Increase (decreases wages)</i>	-	(24.1)	-	(24.1)
<i>Other Wage Adjustments (incl. previously negotiated compensation increases, step increases, promotions)</i>	-	32.1	-	32.1
<i>Other Fringe Adjustments</i>	-	-	0.4	0.4
FY 2024 Proposed Budget	8,507.00	\$ 843.4	\$ 544.2	\$ 1,387.6
Net Increase/(Decrease) FY 2023 to FY 2024 - 8.5% PE Increase	170.61	\$ 76.4	\$ 32.8	\$ 109.2

Notes: Table may not total due to rounding.

¹ Transfers shown in the table only include those to/from non-General Fund departments. Transfers among General Fund departments are not counted as additions or reductions to the General Fund, including 17 positions transferred from Debt Management to Department of Finance; 3 positions transferred from the Office of the Mayor to the Office of the Chief Operating Officer associated with the Office of Immigrant Affairs; and 1 position transferred from the Office of the Chief Operating Officer to Department of Finance.

General Fund Overview: Expenditures

Personnel Expenditures (PE)

As shown in the table on the preceding page, the net General Fund PE increase (salaries/wages and fringe benefits) from the FY 2023 Adopted Budget to the FY 2024 Proposed Budget is \$109.2 million. This net amount is comprised of a number of increases and offsetting decreases. The largest *increases* are listed below.

- The largest increase, \$41.1 million in the bottom portion of the Fringe column, is the increase to the FY 2024 Actuarially Determined Contribution (ADC) pension payment, which was determined by the FY 2022 actuarial valuation. This increase is largely related to Proposition B unwinding, FY 2022 pension system investment return being lower than previously assumed, and higher than expected salary increases. For more on the ADC and Proposition B unwinding, see the *Pension* section under *Key Citywide Issues*.
- The second largest increase, \$32.1 million shown in the bottom portion of the Wages column, is largely related to previously negotiated compensation increases, step increases, and promotions. This increase reflects FY 2024 Memoranda of Understanding (MOUs) with the City's three public safety Recognized Employee Organizations (REOs)¹, as well as impacts related to certain non-public safety agreements. Increases for unrepresented employees are also included. FY 2024 MOUs for the City's three non-public safety

REOs² are discussed below.

- The third largest increase, \$29.3 million shown in the bottom portion of the Wages column, is related to the City's recent negotiations with its three non-public safety REOs. Total Proposed Budget compensation increases related to these negotiations, including fringe benefits, is estimated to be \$31.0 million, with the wages portion at \$29.3 million.

MOUs for the non-public safety REOs expire at the end of FY 2023 (June 30, 2023); and the City has been negotiating with them over FY 2024 successor MOUs. Tentative Agreements (TAs) have been reached with MEA and AFSCME Local 127; and negotiations with DCAA are ongoing.

If resulting TAs are achieved and ratified by all three REOs' memberships and final agreements are approved by the City Council, the increased compensation will be higher than amounts currently included the Proposed Budget. Increased cost estimates for anticipated final agreements are expected to be addressed in the May Revision. For additional information on labor negotiations and compensation issues, see IBA Report 23-01, [FY 2024 Labor Negotiations Over Compensation Increases](#).

- The fourth largest increase shown in the bottom portion of the Wages column is \$25.0 million for overtime increases, largely driven by Fire-Rescue and Police

¹ The three public safety REOs include: San Diego Police Officers Association (POA); International Association of Fire Fighters, Local 145 (IAFF Local 145); and California Teamsters Local 911 which represents the Lifeguards.

² The three non-public safety REOs include: American Federation of State, County & Municipal Employees, Local 127 (AFSCME Local 127); Deputy City Attorneys Association (DCAA); and San Diego Municipal Employees Association (MEA).

General Fund Overview: Expenditures

overtime, \$15.7 million and \$9.2 million, respectively. See the *Fire-Rescue Department* and *Police Department* sections of this report for additional information.

- The next largest increase relates to net departmental position additions. These net additions to the General Fund total 170.61 FTEs and \$22.1 million, as shown in the “Net Departmental Position Additions, Reductions, Transfers” section of the previous table. Refer to the department sections of this report for further details and analysis of specific FTE and PE changes.

Offsetting to the General Fund PE increases are *decreases* related to additional Budgeted PE Savings. These additional savings total \$24.1 million as shown in the bottom section of the Wages column. Budgeted PE Savings is used to balance wage costs by accounting for vacancies and turnover. The largest additional Budgeted PE Savings are in the Fire-Rescue and Police Departments, at \$10.3 million and \$8.7 million, respectively. There are four other departments with over \$1.0 million in additional Budgeted PE Savings: Library, Parks and Recreation, General Services – Facilities, and Transportation.

The next largest PE decrease (shown in the bottom section of the Fringe column) is \$13.7 million, largely related to Proposition B unwinding. Budget adjustments to two defined contribution retirement plans include a decrease of \$15.0 million for the Supplemental Pension Savings Plan H (SPSP-H) and a partially offsetting \$1.4 million increase for the 401(a) Plan³. Most active employees affected

by Proposition B have been transferred into SDCERS⁴ and are no longer SPSP-H members. The non-public safety employees, however, are now eligible to participate in the 401(a) Plan. See the *Pension* section of this report for additional information on Proposition B unwinding.

Non-Personnel Expenditures (NPE)

Significant NPE changes are included in the table on the first page of this section. NPEs are decreasing by \$21.0 million in the FY 2024 Proposed Budget. This net decrease includes a number of large offsetting increases and decreases, and several are highlighted below.

Some of the larger *additions* include:

- \$31.9 million for homeless shelters and programs. See the *Homelessness Strategies and Solutions Department* section in this report for more information.
- \$14.0 million for gas and electric services, including \$4.4 million for electric services for streetlights and traffic signals, primarily associated with increased consumption and rate/price increases. See the *Sustainability and Mobility Department* section in this report for more information.
- \$12.0 million for capital infrastructure debt service, mainly driven by 2023A new issuance. Note that a \$3.2 million May Revision adjustment to reduce the debt service budget is anticipated. See the *Citywide Program Expenditures Department* section in this report for additional information.
- \$9.7 million for ongoing Public Liability costs, including \$8.9 million for Public Liability insurance costs and \$833,000 for other operating costs.
- \$8.0 million for transfers to the Parks

³ General Member (non-public safety) employees hired on or after July 1, 2009 participate in a 401(a) Plan and contribute 1% of their salary on a mandatory basis, which is matched by City contributions.

⁴ SDCERS is the San Diego City Employees Retirement System.

General Fund Overview: Expenditures

Improvement Funds due to higher Mission Bay revenues.

- \$7.2 million for ongoing Refuse Disposal Fees, including \$5.1 million for the tipping fee increase.
- \$5.8 million for a one-time transfer to the Bridge to Home Program, associated with the sale of the Tailgate Park property. See the *Citywide Program Expenditures Department* section in this report for additional information.
- \$4.0 million in ongoing costs in the Police Department to support Smart Streetlights Deployment. See the *Police Department* section in this report for additional information.
- \$3.8 million, including \$2.8 million ongoing costs and \$1.0 million one-time costs for Animal Services Contract with the San Diego Humane Society. See the *Parks & Recreation Department* section in this report for additional information.
- \$3.4 million in increased Fleet fees, including a \$7.8 million increase in charges for vehicle usage, partially offset by \$4.0 million decrease in vehicle replacement costs.
- \$2.6 million for a one-time transfer of Refuse Packers from Refuse Disposal Fund to support the long-term solvency of Refuse Disposal Fund. See the *Environmental Services Department* section of this report for additional information.
- \$2.5 million in ongoing costs to comply with a Time Schedule Order released by the Water Board and monitor the compliance. See the *Stormwater Department* section of this report for additional information.

costs from the budget. The table on the first page of this section contains \$165.1 million of such one-time cost removals, and many of these removals are addressed in the appropriate department reviews sections of this report.

There are a number of NPE *decreases* year-over-year which more than offset the NPE increase listed above. These larger decreases are related to the removal of FY 2023 one-time

General Fund Overview: Revenue

Revenue Overview

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)							
	FY 2023 ADOPTED	FY 2023 MID-YEAR PROJECTED YEAR-END	FY 2024 PROPOSED	CHANGE, ADOPTED/ PROPOSED	% CHANGE, ADOPTED/ PROPOSED	CHANGE, MID-YEAR/ PROPOSED	% CHANGE, MID-YEAR/ PROPOSED
Major General Fund Revenues	\$ 1,317.2	\$ 1,347.9	\$ 1,427.0	\$ 109.8	8.3%	\$ 79.1	6.0%
Property Tax	706.2	715.7	756.9	50.7	7.2%	41.2	5.8%
Sales Tax	380.2	384.6	392.2	12.0	3.2%	7.6	2.0%
Transient Occupancy Tax	135.2	155.8	168.0	32.8	24.3%	12.2	9.0%
Franchise Fees	95.6	91.8	109.9	14.3	15.0%	18.1	18.9%
Other General Fund Revenues	\$ 631.6	\$ 634.1	\$ 554.5	\$ (77.1)	(12.2%)	\$ (79.6)	(12.6%)
American Rescue Plan Act Funds	147.6	147.6	52.1	(95.5)	(64.7%)	(95.5)	(64.7%)
Other Revenues	484.0	486.5	502.4	18.4	3.8%	15.9	3.3%
Total Revenue	\$ 1,948.8	\$ 1,982.0	\$ 1,981.5	\$ 32.7	1.7%	\$ (0.5)	>.1%

Table may not total due to rounding

The FY 2024 Proposed Budget for the General Fund includes approximately \$1.98 billion in revenues, an increase of \$32.7 million or 1.7% above the FY 2023 Adopted Budget. As compared to FY 2023 year-end projections in the Mid-Year Budget Monitoring Report, total General Fund revenues for FY 2024 actually remain essentially flat, decreasing by about \$500,000. The four largest General Fund revenues – property tax, sales tax, transient occupancy tax (TOT), and franchise fees – are considered Major General Fund Revenues, and total \$1.43 billion, or 72.0% of all General Fund revenues. In FY 2024, major General Fund revenues are projected to increase by \$109.8 million (8.3%) from the FY 2023 Adopted Budget, and \$79.1 million (6.0%) from year-end projections that were included in the FY 2023 Mid-Year Budget Monitoring Report.

This section provides a brief overview of the economic outlook included in the Proposed Budget and a discussion of each of the City’s four major General Fund revenues. Overall, we believe the revenue projections in the Proposed Budget are reasonable.

Economic Outlook

The revenues projected in the FY 2024 Proposed Budget reflect a resilient economy during a time of heightened recession risk. Overall, the economy in FY 2024 is anticipated to

slow, but remain positive. However, we note that economic conditions are particularly difficult to predict due to continued uncertainty around interest rates.

The City of San Diego’s economy has performed above state and national averages for key economic indicators such as employment, business activity, and inflation. Additionally, in FY 2023, major General Fund revenues have come in above the Adopted Budget projection, with increases particularly noteworthy in TOT.

While a heightened risk for a recession remains, economists with the UCLA Anderson Forecast predict that if a recession were to occur, it would not happen until close to the end of calendar year 2023. Monetary policy relating to the Federal Reserve's approach to interest rate increases will be a large factor in the likelihood of a potential recession. The Federal Reserve could trigger a recession depending on how aggressive it is in raising interest rates to cool the economy. The UCLA Anderson Forecast predicts if the Federal Reserve can slow down interest rate increases and inflation decreases without further intervention, consumer demand is likely to remain strong enough to avoid a recession.

With the information available, and the City of San Diego continuing to perform above average across key economic indicators, it is

General Fund Overview: Revenue

reasonable to use a “no-recession” scenario for FY 2024 General Fund revenue projections. Factors that could change recession likelihood, and that therefore require consistent monitoring, include inflation stickiness (or persistence), any increase in the unemployment rate, and aggressive monetary policy. Overall, the revenues in the Proposed Budget reflect slower, moderate growth that balances economic risks with continued strong actual revenue performance, which we believe is reasonable.

Looking beyond FY 2024, we note that the City will not be able to rely on federal American Rescue Plan Act (ARPA) funds in future years. The remaining \$52.1 million in ARPA funds are recognized as revenue in the Proposed Budget.

Additional details on each of the major General Fund revenues follow.

Property Tax

The FY 2024 Proposed Budget for property tax is \$756.9 million. This represents an increase of \$50.7 million from the FY 2023 Adopted Budget. As of mid-year, FY 2023 property tax revenue is estimated to be \$715.7 million, which is \$9.4 million above the FY 2023 Adopted Budget. The increase in property tax from the FY 2023 mid-year projection to the FY 2024 Proposed Budget is \$41.2 million.

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

FY 2024 property tax projections are based on real estate activity through calendar year 2022, due to the lag in time from when new assessed property values are set and when property tax revenue is collected, which can take between 12 to 18 months. Current

housing trends in FY 2023 will not materialize in the City’s property tax revenues until FY 2025.

The FY 2024 Proposed Budget assumes a 5.64% growth rate in the 1% property tax and MVLFF payment, which together make up 93.2%, or \$705.5 million, of total property tax revenue. This growth rate represents a decrease from the FY 2023 Adopted Budget, which assumed a 6.00% growth rate in receivables for these two components. During FY 2023 budget monitoring, the growth rate on these two components remained the same throughout the year.

Per Proposition 13, the assessed value of a home not otherwise sold or improved cannot increase beyond 2% or the level of inflation, whichever is lower. The index used for measuring the inflation factor for assessing property values is the California Consumer Price Index (CCPI).

For FY 2023, Proposition 13 growth in assessed values for those homes met the 2% threshold. For FY 2024, this trend continues as the October CCPI value was 7.3%, well above the 2% threshold. Given the latest inflation calculations and the anticipated growth rate, incorporating this increase as well as other significant factors such as record-breaking home prices seen in calendar year 2022, is anticipated to increase overall property tax revenues, supporting the 5.64% assumed growth rate for FY 2024. The volume of sales was lower in calendar year 2022 than the previous year, but still relatively high compared to pre-pandemic years. The volume of sales matters because when a house sells, that triggers a reassessment which can increase property taxes above the Proposition 13 limits of 2% or CCPI. We do note that the 5.64% assumed in the Proposed Budget is higher than the assumed 5.3% growth rate included in the most recent Five-Year Financial Outlook. With the current FY 2023 projection remaining above the FY 2023 Adopted Budget, this

General Fund Overview: Revenue

seems reasonable. Our Office agrees with projections for the 1% property tax and MVLFF assumptions.

The remaining component of property tax revenue is residual distributions from the RPTTF, which total \$51.4 million. This projection incorporates the same assumed growth rate for RPTTF deposits as with the other property tax categories and is also updated to include the latest enforceable obligations following the formal adoption of the most recent Recognized Obligation Payments Schedule (ROPS). It should be noted that ROPS must be approved by the State and there could be changes to the RPTTF distributions if the State disallows any items included in the ROPS.

In the April estimate from the County Auditor and Controller, a prior period adjustment of \$6.7 million was removed from enforceable obligations. The impact of this prior period adjustment is an approximately \$1.2 million increase in RPTTF residuals for FY 2023. This will result in an additional \$1.2 million in excess equity for potential use in FY 2024. At the release of the Mayor's FY 2024 Proposed Budget, the April estimate was not yet released. Any impact from this change on FY 2024 will be reflected in the May Revision.

Additionally, RPTTF projections may still be in flux as the County must still determine the appropriate level of deposits for the RPTTF. Our Office will continue to work with the Department of Finance (DOF) to track any changes to the RPTTF and the fiscal impacts for FY 2023 and FY 2024.

Sales Tax

The FY 2024 Proposed Budget for sales tax is \$392.2 million. This is a \$12.0 million, or 3.2%, increase over the \$380.2 million budgeted in FY 2023 and a \$7.6 million, or 2.0%, increase from the FY 2023 mid-year projection.

The FY 2024 Proposed Budget assumes a 1.5% growth rate to sales tax applied to the prior year's actuals through the currently received disbursements (February 2023). The remaining months are based on projections.

The 1.5% growth rate is down from the 3.4% growth rate assumed for FY 2023, and far below the 13.2% growth rate assumed for FY 2022. This reduction reflects a significant moderation in the growth of sales tax, as the robust recovery has stabilized, and an economic slowdown is anticipated. In the most recent Five-Year Financial Outlook the FY 2024 sales tax growth was projected to be 2.1%, so 1.5% is a decrease from that report. Additionally, this assumed growth rate is below pre-pandemic years, which hovered between 2.5% and 3.0%.

The Federal Reserve has increased interest rates nine times since March 2022 in order to slow consumption and bring prices down. Despite interest rate increases, only recently has inflation begun to ease. As we assume the impacts of rate increases will gradually cool the economy and bring down demand for goods, as intended by the Federal Reserve, we anticipate slower growth in consumption, and therefore slower growth in sales tax revenue in FY 2024.

Since economic indicators such as the unemployment rate and the Consumer Price Index are trending favorably, the projected growth in sales tax, though low, is supported at this time. As of February 2023, the City's unemployment rate was at 3.6%, which is near pre-pandemic levels. The state of California has an unemployment rate of 4.8% and the nation is at 3.9%. With more people working, they have more disposable income to spend. As for prices, March 2023 prices are up 5.3% from a year ago. Even though this is an increase, it is down from the peak in May 2022, which showed an 8.3% increase in overall prices from the year previous. Consumers are anticipated to continue spending despite increases

General Fund Overview: Revenue

in costs of goods in the near term, but the pace of spending is expected to slow down relative to previous years.

The UCLA Anderson Forecast predicts even with the potential of any kind of slowdown or recession, California is well positioned to continue to outperform the nation for business activities and job growth. That forecast predicts that growth in coastal cities, including San Diego, is expected to continue.

The FY 2024 sales tax projection of \$392.2 million is close to the City’s sales tax consultant’s “most likely” scenario of \$395.7 million. Our Office will continue to closely monitor sales tax receipts in the current fiscal year to determine impacts for the upcoming fiscal year, and will continue to monitor actual sales tax receipts to determine if any modifications are appropriate to consider during review of the May Revision.

Impacts to the Infrastructure Fund

The Charter requires that the annual increases in sales tax revenue above a 2016 baseline, adjusted for inflation, be deposited into the Infrastructure Fund. Projections in the Proposed Budget exceed the baseline.¹

The FY 2024 Proposed Budget includes a \$21.5 million deposit into the Infrastructure Fund, which is smaller than last year’s contribution of \$28.4 million.

Transient Occupancy Tax

The FY 2024 Proposed Budget for Transient Occupancy Tax (TOT) revenue is \$319.3 million, of which \$168.0 million is allocated directly to the General Fund (known as General Fund TOT). This is a \$32.8 million increase in General Fund TOT, or a 24.3% increase over the FY 2023 Adopted Budget, and a \$12.2 million, or 9.0%, increase over the FY 2023

Mid-Year Report projection. The FY 2024 General Fund TOT projection reflects an anticipated normalization, with a growth rate of 5.9%, after volatility in recent years attributed to the pandemic and recovery.

The City’s TOT – or hotel tax – revenue is derived from a 10.5% tax on short-term stays in the region. That amount is broken into three separate allocations – a General Fund allocation of 5.5%, an allocation for Special Promotional Programs that support the promotion of the City’s cultural amenities and natural attractions of 4.0%, and a 1.0% “Council Discretionary” allocation that ultimately ends up being allocated to the City’s General Fund (the 1.0% “Council Discretionary” allocation is included in ‘Other Revenues’ row of the earlier chart, along with several other revenue sources). In this section we discuss the General Fund allocation of 5.5%. Please refer to our “Special Promotional Programs” review for a discussion of the remaining 5.0%.

TOT revenue is driven by the demand for hotel rooms reflected in the price per room, the occupancy rate of rooms, and the supply of rooms. That demand is in turn determined by leisure travel, international travel, business travel, and group travel. While San Diego has historically had high demand across all these travel types, at the height of the pandemic, demand for hotel rooms was nearly zero. Since the FY 2021 Third Quarter Report and the lifting of the State-issued Stay-at-Home-Order, TOT revenue has experienced a robust rebound, and is expected to stabilize in FY 2024.

San Diego’s tourism recovery has continued to outpace predictions in FY 2023. The current General Fund TOT projections for FY 2023 exceed the Adopted Budget by 17.4%, or \$23.5 million. The amount of people visiting San Diego has steadily increased, but still

¹ The Charter also requires reductions in pension costs as compared to FY 2016 to be deposited into the Infrastructure Fund, but pension costs remain above the baseline and therefore contributions to the Infrastructure Fund are being driven solely by increases in Sales Tax revenue.

General Fund Overview: Revenue

has not exceeded pre-pandemic levels. While the volume of people has not fully returned, TOT revenues have exceeded pre-pandemic levels, indicating room price levels are a key factor driving TOT revenues. Additionally, inflation in San Diego peaked during the summer of 2022 (the beginning of FY 2023). From May 2022 until September 2022, inflation fluctuated between a 7.3% and 8.3% increase in overall prices from the previous year. This period of high inflation coincides with some of the busiest months for tourism.

The San Diego Tourism Marketing District (TMD), together with Tourism Economics, prepares hotel demand forecasts that take into account type of travel and projected room rates. The last projection was released in January 2023 and a quarterly update is anticipated to be released before the May revision. The January 2023 report forecasted a recession in early 2023, which is incongruent with other economic forecasts and indicators and general assumptions for the FY 2024 Proposed Budget, as well as projections for key indicators for TOT.

Instead, the Proposed Budget uses a growth rate of 5.9%, which was determined by taking an average of previous year-over-year growth rates for TOT revenues. The years averaged included 2003-2019, and intentionally exclude the volatility of pandemic years. The 5.9% increase is applied to FY 2023 actuals and projections. This will be the first year since the pandemic that projections will be based on the previous year instead of pre-pandemic years, a sign of revenue normalizing.

We believe using a historical average is a reasonable approach as the City appears to be moving past the period of rapid bounce-back recovery. Given that the City may still be on the tail end of a robust recovery, and inflation may be declining, we believe a 5.9% growth rate reasonably balances the uncertainty and economic indicators.

We will continue to closely monitor

projections before the May Revision for key indicators shifting or stabilizing more.

Franchise Fees

The FY 2024 Proposed Budget projects General fund major franchise fees to total \$109.9 million. This is an increase of \$14.3 million, or 15.0% from the FY 2023 Adopted Budget.

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 San Diego Gas & Electric (SDG&E), which accounts for \$76.9 million or 71.1% of major General Fund franchise fees included in the FY 2024 Proposed Budget. This amount is \$17.8 million, or 30.2% higher than what is contained in the FY 2023 Adopted Budget.

The most recent quarterly payment from SDG&E came in \$15.3 million higher than expected, representing a calendar year increase of 29.0%. The FY 2023 Adopted Budget had assumed a projected increase of 7.36%.

It is not unusual for this franchise fee to vary significantly from its projected growth rate, as historically SDG&E franchise fees have been hard to predict. This is due to both substantial volatility in the energy market, and because SDG&E does not normally share its financial forecasts for electricity and natural gas rates or sales volume with the City. Last year SDG&E franchise fees came in 10.2% higher than expected. Previous variations in SDG&E franchise fee revenue have gone from a 6.9% annual decline in receipts in FY 2017, up to a

General Fund Overview: Revenue

7.1% increase the following year in FY 2018. For reference, the actual 2019 calendar year growth rate was negative 1.3%, and thereafter SDG&E franchise fees had been relatively stable, up until the past two years.

The \$15.3 million increase in the FY 2023 quarterly payment appears to stem from a subsection of the receipt related to direct access customers². The revenue from the electric municipal surcharge for direct access customers increased from \$12 million to \$30.6 million between calendar year 2021 and 2022. As information regarding this change is currently limited, our Office will continue to look into additional details about what is driving this increase.

In addition to the increase for the FY 2023 budget due to the higher payment discussed above, another factor contributing to the increased projection is an assumption that SDG&E franchise fee revenue will increase by 8.0%. This projection is based on historical trends in energy consumption and rate increases implemented in recent years. Our Office suggests the Department of Finance work with the Sustainability and Mobility Department to better understand the complexities related to this change and determine whether this was a one-time increase or an ongoing trend.

Additionally, \$6.2 million in General Fund franchise fees are from the bid amounts for the gas and electric franchise agreements now being budgeted within franchise fee revenues.

Finally, similar to the FY 2023 Adopted Budget, the franchise fee projections for SDG&E also contain an additional \$1.5 million for the Climate Equity Fund (CEF), consistent with the terms of the franchise agreement and the commitments made by SDG&E at the adoption of the franchise agreements.

² In 1998, SDG&E offered all customers the choice to begin purchasing their electric commodity services from an Energy Service Provider (ESP), which is a third party, instead of continuing to purchase their services from SDG&E. Those that chose this option are considered direct access customers.

Refuse Hauling

The second largest portion of franchise fee revenue is derived from refuse hauler and landfill disposal fees. Refuse hauling franchise fees are based on the tonnage of refuse disposed. The Proposed Budget includes \$13.2 million, or 12.2% of major General Fund franchise fees, from this source. This amount is \$422,000, or 3.1% lower than what was included in the FY 2023 Adopted Budget. Our Office agrees with this projection.

Cable

The third largest portion of franchise fee revenue is from cable television franchise fees, which totals \$11.1 million or 10.3% of major General Fund franchise fees in the Proposed Budget. This amount assumes a 4.63% decline in cable franchise fee revenue from current FY 2023 projections.

Cable television franchise fee revenue has shown consistent year-over-year declines since FY 2011 (with one small exception in FY 2015), as cable television customers have switched to online and streaming services. The decline in the Proposed Budget continues this trend. The assumed rate of growth utilized in the Proposed Budget is based on historical averages. Our Office agrees with this projection.

American Rescue Plan Act

The federal American Rescue Plan Act (ARPA) allocated the City \$299.7 million to provide government services to the extent of reduction in revenue due to COVID-19 as compared to the most recent year prior to the pandemic. ARPA funds have become a critical revenue source in the City's budget since without them, the City would have faced serious budget cuts in FY 2022, translating into significant reductions in services to City

General Fund Overview: Revenue

residents. The City used \$100.0 million in ARPA funds in FY 2022, plans to use \$147.6 million in FY 2023, and the remaining \$52.1 million is include in the FY 2024 Proposed Budget. It is important to note that this is a one-time funding source that will not be available in FY 2025 and beyond. Given that the City’s budget is structurally imbalanced, with ongoing expenditures exceeding ongoing revenues, absent establishment of new – or growth in existing – revenue sources, the City may have to reduce service levels in future years to ensure future budgets remain balanced.

Other Revenues

Beyond Major General Fund revenues and ARPA funds, the FY 2024 Proposed Budget includes \$502.4 million in other revenues. This includes the 1.0% “Council Discretionary” TOT allocation, charges for services the General Fund provides to non-general fund departments, and various other revenues. Some notable components of ‘Other Revenues’ are discussed below.

Lease and Concession Revenues

The City receives revenues from numerous lease agreements the City has with other entities for the use of City properties. The Proposed Budget includes \$66.1 million in General Fund lease and concession revenue from Mission Bay, Pueblo Lands, Midway/Frontier property, and other parks or open spaces. This is an increase of \$10.3 million from the FY 2023 Adopted Budget. The increase is largely driven by additional revenues from Mission Bay and Belmont Park, which have net revenue growth of \$8.0 million and \$876,000, respectively. The revenue increase aligns with increased demand for leisure and concession service compared to the earlier years in the pandemic. For additional information on lease revenues, see the *Real Estate & Airport*

Management section of this report.

Cannabis Business Tax

San Diego Voters passed measure N in 2016 which imposed an 8% tax on non-medical cannabis businesses. The tax on Cannabis Production Facilities (CPF) was decreased from 8% to 2% on May 1, 2022. The FY 2024 Proposed Budget includes \$21.4 million in revenues from the Cannabis Business Tax. This amount is \$4.4 million lower than what was included in the FY 2023 Adopted Budget. During FY 2023 budget monitoring, the year-end revenues for Cannabis Business Tax were adjusted to decrease by \$5.9 million, which was attributed to a combination of increased competition from other jurisdictions and the growth of illegal delivery services. For additional information on Cannabis Business Tax revenues, see the *City Treasurer* section of this report.

Reserves: General Fund Reserve

General Fund Reserve

This section provides background information on the City’s General Fund Reserve policy and Reserve target amounts based on that policy. Following the policy discussion, we review the Reserve’s funding status.

Background: General Fund Reserve Policy and Reserve Policy Targets

The City’s Reserve Policy¹ was amended and approved by the City Council in December 2022. The target General Fund Reserve level is 16.7% of the most recent three-year average of annual audited General Fund operating revenues. The revised Reserve Policy extends the timeline to reach that target by five years, to FY 2030. For FY 2023, which ends June 30, 2023, the Reserve Policy’s General Fund target decreased from 14.9% to 14.3% of operating revenues, as shown in the right-most column of the following table.

City Reserve Policy: General Fund Reserve Funding Schedule			
Target Date	Emergency Reserve Target Percent	Stability Reserve Target Percent	Total Reserve Target Percent
June 30, 2022	7.70%	7.20%	14.90%
June 30, 2023	7.43%	6.87%	14.30%
June 30, 2024	7.21%	6.37%	13.58%
June 30, 2025	7.21%	6.37%	13.58%
June 30, 2026	7.50%	6.60%	14.10%
June 30, 2027	7.90%	6.80%	14.70%
June 30, 2028	8.00%	7.35%	15.35%
June 30, 2029	8.00%	8.00%	16.00%
June 30, 2030	8.00%	8.70%	16.70%

The General Fund Reserve has two components: the Emergency Reserve and the Stability Reserve, for which the ultimate Policy goal is to reach 8.0% and 8.7%, respectively.² The preceding table shows the Reserve components and scheduled timeframe for reaching the 16.7% total Reserve goal.

Similar to the overall target, the amount of each year’s Reserve target during the phase-in period is based on the audited General Fund operating revenues for the prior three fiscal years.

In the following table, the bottom three rows show the applicable three-year average revenues, as well as Reserve target percentages and target amounts, for FY 2023 and FY 2024. The FY 2022 target percentage was 14.9% of operating revenues, which equates to \$205.6 million. In accordance with the updated

City Reserve Policy: General Fund Reserve Target Calculation (<i>\$ in millions</i>)		
	FY 2023	FY 2024
<i>Revenues¹</i>		
FY 2023		\$ 1,738.0
FY 2022	\$ 1,619.5	\$ 1,619.5
FY 2021	\$ 1,368.5	\$ 1,368.5
FY 2020	\$ 1,357.0	
<i>3-Year Average of Revenues</i>	\$ 1,448.3	\$ 1,575.3
Reserve Target %	14.30%	13.58%
Reserve Target	\$ 207.1	\$ 213.9

Note: Table may not total due to rounding.

¹ FY 2020 to FY 2022 revenues are based on actual operating revenues, and FY 2023 revenues are based on the mid-year projection for FY 2023.

¹ The City’s Reserve Policy is delineated in [Council Policy 100-20](#).

² Per the City’s Reserve Policy, the “Emergency Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event”, and the “Stability Reserve will be maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures.”

Reserves: General Fund Reserve

Reserve Policy, the FY 2023 Reserve target decreases to 14.30%, though the actual dollar figure associated with that percentage grows to \$207.1 million. For FY 2024, the Reserve target decreases to 13.58% and, based on the FY 2023 Mid-Year Budget Monitoring Report projections for General Fund operating revenue, is estimated to be \$213.9 million.

Reserve Funding Status

As a result of declining revenues due to the COVID-19 pandemic, neither the FY 2021 nor FY 2022 Adopted Budgets included a General Fund Reserve contribution. Thus, the FY 2022 Reserve level remained at the FY 2020 balance of \$205.6 million, as reflected in the table below. The FY 2023 Adopted Budget included a one-time contribution of \$1.5 million to the Emergency Reserve, bringing the total General Fund Reserve balance to \$207.1 million, or 14.3% of operating revenues, consistent with the updated Reserve Policy.

The FY 2024 Proposed Budget includes a General Fund Reserve contribution of \$6.8 million to meet the FY 2024 reserve target of 13.58% per the updated Reserve Policy.³

Excess Equity

Excess Equity, as defined in the City Reserve Policy, “is Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation.” It is the surplus fund balance after projected activity for the current year, and beyond satisfaction of the current year’s Reserve target.

In the FY2023 Mid-Year Budget Monitoring Report, Excess Equity was projected to be \$103.9 million. The Department of Finance has indicated that Excess Equity is now estimated to be \$121.2 million, a \$17.3 million increase from the Mid-Year Budget Monitoring Report; however, this projection will be refined with updated revenue and expenditure projections in the FY 2023 Third-Quarter Budget Monitoring Report. The FY 2024 Proposed Budget includes the use of \$68.6 million in Excess Equity to address revenue shortfalls and fund critical expenditures, including \$6.8 million for the General Fund Reserve contribution. This use leaves \$52.6 in currently estimated Excess Equity for FY 2025.

General Fund Reserve Policy vs Reserve Balance (\$ in millions)			
	FY 2022	FY 2023	FY 2024
Reserve Policy Target Percent	14.90%	14.30%	13.58%
Reserve Policy Target ¹	\$ 205.6	\$ 207.1	\$ 213.9
Reserve Balance (FY 2022) / Reserve Projection (FY 2023 and FY 2024)	\$ 205.6	\$ 207.1	\$ 213.9
Difference: Amount Reserve Balance Is Below the Policy Target	\$ -	\$ -	\$ -
Reserve Balance as Percent of Operating Revenues	14.90%	14.30%	13.58%

Note: Table may not total due to rounding.

¹The Reserve Policy targets are based on the average of the prior three years' operating revenues.

³ The mechanism for the General Fund Reserve contribution has changed for FY 2024, as there is not a *budgeted expenditure* amount for this contribution. Per the Proposed Budget’s Citywide Budget Overview section: “The Fiscal Year 2024 Proposed Budget does not appropriate the \$6.8 million reserve contribution as it will not be an expenditure to the General Fund. Instead, the reserve contribution will be earmarked as a component of fund balance. Authority to increase reserves will be included in the Budget Resolution and Appropriation Ordinance which will be approved by the City Council in June 2023.”

Public Liability Funds

The Public Liability (PL) Funds support costs to the City related to claims against the General Fund. The PL Funds are therefore supported entirely by General Fund contributions, specifically from the Citywide Program Expenditures budget. PL Funds will be discussed in the PL Operating Fund and PL Reserve Fund sections below.

PL Operating Fund

FY 2023 Estimates

The PL Operating Fund's expenses, claims payouts, and insurance for FY 2023 are anticipated to be covered by the following estimated resources, totaling \$57.1 million:

- \$47.3 million in FY 2023 Adopted Budget transfers from the General Fund
- \$9.7 million in beginning cash balance

It is important to note that the PL Operating fund can be very volatile and needs to be continually monitored throughout the year. There is uncertainty as to the ultimate costs and timing for resolution of various claims cases, and the Risk Management Department monitors PL operating projections throughout the year. The FY 2023 Third Quarter Budget Monitoring Report will provide updated projections to those included in the FY 2023 Mid-Year Budget Monitoring Report (Mid-Year Report).

FY 2024 Mayor's Proposed Budget

The FY 2024 Proposed Budget includes transfers to the PL Operating Fund for insurance costs of \$30.6 million and claims payouts and operating costs of \$26.4 million. These Proposed Budget transfers total \$57.0 million – up \$9.7 million from the \$47.3 million in the FY 2023 Adopted Budget. This increase includes \$8.9 million for higher insurance

premiums, which is based on premium estimates that incorporate loss development trends in the insurance market. The increase also includes \$833,000 related to increased claims estimates for FY 2024.

Again, the timing and ultimate costs of various claims cases is uncertain, making budgeting for PL claims difficult. The estimates included in the FY 2024 Proposed Budget are based on the information available at this time.

PL 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 2020 through FY 2022).

This 50% Reserve policy goal equates to a \$38.8 million target for FY 2023. The FY 2023 Mid-Year Report projects this target will be met with a \$5.0 million contribution in FY 2023 to cover the current Reserve deficit. Note that the FY 2024 Reserve target will not be known until the FY 2023 PL valuation is completed in the fall of 2023. Since there is no projected increase to the FY 2024 PL Reserve target, there is no FY 2024 budgeted contribution to the PL Reserve.

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, categorized as fringe benefits expenditures, and subsequently transferred to the WC Fund during the year.

Citywide Budget

The FY 2024 Proposed Budget for citywide fringe payments to the WC Fund is \$37.6 million, an increase of \$2.1 million, or 5.9%, from the \$35.5 million included in the FY 2023 Adopted Budget. The \$2.1 million increase is comprised of an approximate \$1.2 million contribution to the WC Reserve and approximately \$900,000 to cover increased operational costs.

With the latest information regarding WC claims costs, the Risk Management Department is currently evaluating whether a further budget increase is needed for FY 2024. If it is determined that such an increase is needed, an adjustment would be requested in the May Revision. The Department's analysis will be completed in the next couple weeks, in conjunction with the FY 2023 Third Quarter Budget Monitoring Report projections.

General Fund Budget

The General Fund portion of the WC fringe expenditures budget is increasing by \$1.4 million, from \$29.6 million to \$31.0 million. This General Fund portion is 82.4% of the citywide WC fringe budget for FY 2024 – down from 83.2% in FY 2023.

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 2020 through FY 2022). This 12% Reserve policy target equates to \$34.2 million for FY 2023, which the FY 2023 Mid-Year Budget Monitoring Report projects will be met.

The FY 2024 WC Reserve target is projected to be \$35.4 million, \$1.2 million higher than the FY 2023 target. As noted, the FY 2024 Proposed Budget includes a \$1.2 million contribution to the WC Reserve to bring it to the estimated target. As mentioned, Risk Management is currently evaluating its projections for WC costs. The analysis will determine whether there is a budget increase needed to achieve the FY 2024 Reserve target estimate. If so, a May Revision adjustment will be requested. Note that the actual FY 2024 Reserve target will not be known until the FY 2023 WC valuation is completed in the fall of 2023.

Reserves: Long-Term Disability Fund

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 LTD costs are distributed accordingly in the budget system, categorized as fringe benefit expenditures, and subsequently transferred to the LTD Fund during the year.

FY 2024 budgeted contribution to the LTD Reserve.

Citywide Budget

The FY 2024 Proposed Budget for citywide fringe payments to be used for estimated LTD operating costs is \$4.1 million, an increase of \$794,000, or 24.0%, from the \$3.3 million included in the FY 2023 Adopted Budget. There is no estimated contribution for the LTD Reserve.

General Fund Budget

The General Fund portion of the LTD fringe expenditures budget is \$2.7 million. The General Fund portion is 66.5% of the citywide LTD fringe budget for FY 2024.

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 2020 through FY 2022).

This 100% Reserve policy target equates to \$4.9 million for FY 2023; and the FY 2023 Mid-Year Budget Monitoring Report projects the LTD Reserve balance will be \$4.9 million at year-end. Note that the actual FY 2024 Reserve target will not be known until the FY 2023 LTD valuation is completed in the fall of 2023. Since there is no projected increase to the FY 2024 LTD Reserve target, there is no

Pension Payment Stabilization Reserve (PPSR)

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 Reserve Policy (Council Policy 100-20) in April 2016.

This section discusses only the General Fund portion of the PPSR.

Background / History

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

The FY 2019 and FY 2020 Budget amounts for the General Fund PPSR were \$3.6 million and \$4.3 million – for a total of \$7.9 million. However, as a result of declining revenues due to the COVID-19 pandemic, no contributions to the General Fund PPSR were funded in either the FY 2021 or FY 2022 Adopted Budgets.

The FY 2023 Adopted Budget includes the use of \$7.9 million from the PPSR to cover costs associated with unwinding Proposition B. This use depletes the General Fund portion of PPSR. See the *Pension* section of this report under *Key Citywide Issues* for further information on the unwinding of Proposition B.

FY 2024 Proposed Budget

The City’s Reserve Policy was amended and approved by the City Council in December 2022. The City will fund the PPSR up to 8% of the most recent three-year average of the ADC as reported in the most recent actuarial valuation reports. However, the amended Reserve Policy prioritizes funding the General Fund Reserve to its 16.7% target before funding and maintaining the PPSR. The revised Reserve Policy recognizes that PPSR is more restricted than the General Fund Reserve, which could also be used to support cost increases in the ADC.

Given the City will not meet the 16.7% General Fund Reserve target for several years, the FY 2024 Proposed Budget does not include a contribution to the PPSR.

Key Citywide Issues: Pension

Pension

This section includes the following topics:

- Defined benefit (DB) pension overview
- FY 2023 to FY 2024 budget increase for the DB Actuarially Determined Contribution (ADC)
- Future ADC considerations
- Unwinding Proposition B

DB Pension – Overview

The FY 2024 Proposed Budget includes \$448.1 million for the ADC, which is the City’s DB pension contribution requirement. This is an increase of \$63.8 million from the FY 2023 Adopted Budget amount of \$384.3 million.

The General Fund portion of the FY 2024 budgeted payment is \$324.9 million – an increase of \$41.1 million from the FY 2023 Adopted Budget of \$283.8 million. The General Fund portion represents 72.5% of the FY 2024 citywide budgeted payment.

The FY 2024 ADC is based on the FY 2022 actuarial valuation. The valuation shows that the pension system’s Unfunded Actuarial Liability (UAL) totals \$2.84 billion as of June 30, 2022 – down from \$2.95 billion the prior year.

The City’s pension system liability as of June 30, 2022 is funded at a rate of 76.0% – an increase from the 74.3% funding ratio at June 30, 2021. The ADC is 8.7% of total FY 2024 budgeted expenditures for the City and is 15.9% of budgeted expenditures for the

General Fund.

Increase to the DB ADC

As mentioned previously, the FY 2024 ADC budget of \$448.1 million is \$63.8 million higher than the FY 2023 ADC budget. Changes to the ADC are generally related to two types of factors:

- Changes to actuarial assumptions (note – there were no assumption changes in the FY 2022 valuation that would affect the FY 2024 ADC.)
- “Experience gains and losses” (differences between FY 2022 actual results and what was assumed in the FY 2021 valuation)

Additionally, impacts from the City’s unwinding of Proposition B (discussed later in this section) *also* affect the FY 2024 ADC. The *net \$63.8 million increase to the ADC* includes the following components:

- *\$47.6 million ADC increase* related to Proposition B unwinding including:
 - \$36.8 million related to the FY 2024 normal cost¹ for active employees reinstated into the DB pension system (SDCERS²)
 - \$10.8 million related to the amortization of the shortfall (unfunded liability) associated with active employees reinstated into SDCERS
- *\$19.2 million ADC increase* related to asset experience loss, primarily related to investment returns (The actual FY 2022 investment return was determined to be a

¹Normal cost is defined as the actuarial present value of retirement system benefits allocated to the current year by the actuarial funding method. In other words, it is the contribution amount associated with the pension benefits earned in the current year.

² SDCERS is the San Diego City Employees’ Retirement System.

Key Citywide Issues: Pension

loss of 1.7%. This is 8.2% lower than the 6.5% return that was assumed in the FY 2021 valuation.)

- **\$16.4 million ADC increase** related to a net liability experience loss, largely due to salary increases that were higher than anticipated in the FY 2021 valuation
- An offsetting **\$19.4 million ADC decrease** related to the phasing-in of prior years' investment experience that was not fully included in prior ADCs (The City's valuation utilizes a smoothing method, where asset gains and losses are not recognized immediately, but rather are phased-in to mitigate ADC volatility.)

Future ADC Considerations

There are a couple of potential future impacts that could affect future ADCs.

- Experience gains or losses – for instance, if the FY 2023 actual investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2022 valuation, there will be an investment experience gain or loss – which would be a factor that decreases or increases the FY 2025 ADC, accordingly.

More specifically, although SDCERS maintains that its diversified portfolio may mitigate a market correction's impact, a significant stock market decline as of June 30, 2023 could have an increasing effect on the FY 2025 ADC, which was most recently projected by SDCERS' actuary to be \$436.6 million citywide. This amount does not include the amortization of the shortfall associated with active Proposition B employees reinstated into SDCERS, which is \$10.8 million for the FY 2024 ADC. The impact of actual investment return for FY 2023 will likely be

known by December 2023 or January 2024.

- Assumption changes – economic and demographic assumptions are anticipated to be reviewed by the actuary and SDCERS Board every three years through an “experience study”.³

Assumption changes resulting from the most recently completed experience study (that included the FY 2019 actuarial valuation) were implemented in the FY 2020 valuation. The next experience study (which includes the FY 2022 valuation) is expected to be completed in the summer of 2023. Any resulting recommendations from the study would impact the FY 2023 valuation, which determines the FY 2025 ADC payment.

Because of the complexity of the pension system variables, the total of *all* impacts to the FY 2025 ADC will not be known until the FY 2023 valuation has been completed.

Unwinding Proposition B

A description of the unwinding of Proposition B is included in the FY 2024 Proposed Budget. The discussion (titled Proposition B Status) begins on page 57 (pdf page 31) of the Citywide Budget Overview section, which can be found using the following link: https://www.sandiego.gov/sites/default/files/pb_v1cbo.pdf. This discussion includes a brief summary of litigation that resulted in Proposition B's unwinding; a basic description of agreements with five of the City's six Recognized Employee Organizations (REOs) which prescribed the terms under which active Proposition B employees were to be reinstated into SDCERS; and the related unwinding costs, including one-time

³ An experience study involves historical analysis of pension plan assumptions and a consideration of future expectations and trends, including the rate of investment return, salary inflation, and retirement and mortality rates. The plan experience study is the basis for the actuary's recommended changes to the plan's actuarial assumptions.

Key Citywide Issues: Pension

costs and impacts to the ADC.

The Proposition B Status section also mentions additional cost impacts to the City related to affected employees who are no longer employed with the City, as well as for members of the City's sixth REO, the San Diego Police Officers Association (POA). These cost impacts will not be known until (1) agreements regarding the unwinding of Proposition B for affected employees who are no longer employed with the City are implemented and (2) negotiations with the POA over its affected members are completed and the resulting agreement is implemented.

Annual Retirement Cost Impacts

Under Proposition B, employees hired on or after July 20, 2012 and before July 10, 2021, except new sworn police officers, were not eligible to participate in the DB pension plan. Instead, new employees were offered a defined contribution (DC) plan.⁴ Following voter approval of Proposition B in 2012, retirement plan provisions were negotiated with the City's REOs, and agreement for an Interim DC Plan was reached. The Interim DC Plan was incorporated in the Supplemental Pension Savings Plan H (SPSP-H), which was previously for hourly employees but was modified to include these new participants.

Now that most active employees affected by Proposition B have been transferred from SPSP-H into SDCERS, the FY 2024 proposed SPSP-H budget for Proposition B employees

has been reduced. The FY 2023 Adopted Budget (citywide) included \$29.4 million; the FY 2024 Proposed Budget has reduced this amount by \$25.3 million, to \$4.1 million. For the General Fund, the FY 2023 Adopted Budget included \$17.5 million; in the FY 2024 Proposed Budget this amount decreased by \$15.0 million, to \$2.4 million. The remaining SPSP-H budget supports unrepresented, MEA, and AFSCME Local 127 employees⁵ who chose to remain in SPSP-H rather than being reinstated into SDCERS⁶, as well as police recruits.

Offsetting the reduction in SPSP-H cost (\$25.3 million citywide, \$15.0 million for the General Fund) is the increase to the normal cost portion of the ADC. The normal cost is the contribution amount associated with the pension benefits earned in the current year. The FY 2024 normal cost for active employees reinstated into SDCERS is \$36.8 million, of which about \$22.4 million is for the General Fund.

Since the increase in normal cost is higher than the decrease in SPSP-H cost, the result of the transfer of these employees to SDCERS is a higher annual cost to the City. Additionally, the City will incur costs related to its 401(a) Plan⁷ for which the transferred General Member employees are now eligible as part of the Proposition B unwinding. Combining these two cost increases yields a total cost increase to the City of roughly \$16.0 million citywide

⁴ New hires on or after July 10, 2021 are eligible to participate in the DB pension plan, except police recruits, who are still entering the DC plan.

⁵ MEA is the San Diego Municipal Employees Association, and AFSCME Local 127 is the American Federation of State, County & Municipal Employees, Local 127.

⁶ MEA and AFSCME Local 127 were the only REOs with an agreement that allowed members to have an irrevocable option to remain in SPSP-H, rather than be reinstated into SDCERS. This option was extended to unrepresented employees.

⁷ General Member employees hired on or after July 1, 2009 participate in a 401(a) Plan and contribute 1% of their salary on a mandatory basis, which is matched by City contributions.

Key Citywide Issues: Pension

and \$10.0 million for the General Fund. Further, for the next 20 years the City must pay SDCERS for the amortization of the shortfall that is associated with the active employees who were reinstated into SDCERS. This amount will be included with the ADC and is \$10.8 million citywide (\$6.6 million for the General Fund) for FY 2024, the first year of payment.

Homelessness and Housing

Homelessness

As of the region's Point-in-Time Count in January 2022, there were a total of 4,801 sheltered and unsheltered homeless individuals. This represents a decrease of 1% from the count in 2020. (A complete Point-in-Time Count was not conducted in 2021 due to the COVID-19 pandemic.) Results from the 2023 count should be available later this spring.

In October 2019, the City Council approved the Community Action Plan on Homelessness (Action Plan), resulting in momentum for systematically addressing homelessness. The Action Plan includes three goals that can be achieved in three years, recommended actions, and key strategies. Goals include decreasing unsheltered homelessness by 50% and ending veteran and youth homelessness. The Action Plan is currently being updated to reflect changes since the COVID-19 pandemic.

Looking forward to FY 2024, momentum for addressing homelessness remains steady as it is a top priority for both the Mayor and City Council. It will be important to understand changes in the updated Action Plan, track progress on implementing the updated Action Plan, and reporting out on program outcomes and trends to ensure what the City is doing is working. Both the Homelessness Strategies and Solutions Department and the San Diego Housing Commission have made progress in making information on homeless program outcomes publicly available in recent years. Our Office looks forward to deeper discussions on what programs are working and how the City's investment of scarce resources can be most impactful. Our department review of

the Homelessness Strategies and Solutions Department includes additional detail on FY 2024 investments in addressing homelessness.

Housing

In 2020, the City of San Diego's Regional Housing Needs Allocation goals were updated to add 108,000 new units by 2029. Of this total, only 5,033 new units were built in 2022 or 4.7% of the total needed, according to the City's 2022 Housing Inventory Report. In recent years, the City has made significant efforts to address the housing affordability crisis with a number of proposals as well as investments in affordable housing. For instance, on January 11, 2023, the Mayor signed Executive Order 2023-1 intended to streamline the permitting and approval process for projects that are 100% affordable housing, setting a 30-day requirement to complete all project reviews, along with other specified actions.

That noted, housing *affordability* remains an issue. As outlined in Volume 1 of the Proposed Budget, the City of San Diego's 12-month median home price has increased by 11.2%, from \$758,917 for the period of February 2021 to January 2022 to \$843,938 for February 2022 to January 2023. In calendar year 2022, the number of home sales declined by 32.6% from 19,587 homes sold in calendar year 2021 to 13,198 homes sold in calendar year 2022. Due to a series of interest rate increases enacted by the U.S. Federal Reserve starting in March 2022, average mortgage interest rates have increased, resulting in a slowdown in home sales.¹ Higher interest rates and somewhat stable median home prices have led to potential homebuyers being unable to afford to purchase new homes (i.e. being priced

¹ Federal Reserve Economic Data (FRED), 30-Year Fixed Rate Mortgage Average in the United States, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/graph/?g=NUh>, Accessed April 24, 2023.

Key Citywide Issues: Homelessness and Housing

out of the housing market), and deterred potential sellers who might have to lower the selling price on their current home and then face higher interest rates when looking to buy a new home – overall slowing down the City’s housing market and negatively impacting access to affordable housing.

Key Citywide Issues: Climate Action Plan

Climate Action Plan

In August 2022, the City adopted a new Climate Action Plan (CAP) known as CAP 2.0 (the 2022 CAP). CAP 2.0 was the result of an enormous City effort to review and make changes to the City's prior CAP, and to establish new and more aggressive CAP targets while also considering the experiences of the Sustainability and Mobility Department (SuMo) in implementing the first CAP.

In this section, we review the original CAP and the changes that were implemented through the adoption of CAP 2.0. We also cover additional efforts undertaken prior to the release of the Proposed Budget, including the Climate Action Implementation Plan (CAIP) and the new Council Policy on Climate Action Implementation Prioritization, as well as budget allocations related to the CAP, including the Climate Equity and Energy Independence funds.

CAP 1.0 Strategies, Goals, and the Final Report

The City Council adopted [the first CAP](#) in December 2015 (CAP 1.0, or the 2015 CAP). CAP 1.0 was an organized plan with defined strategies, goals, actions, and targets. CAP 1.0 established GHG reduction goals of 15% by 2020, 40% by 2030, and 50% by 2035, as compared to 2010 baseline amounts. CAP 1.0 sought to leverage existing City programs (street/sidewalk repair, energy efficient streetlights, Free Tree Program) and to develop/implement new plans and programs (Pure Water Program, implementation of Advanced Metering Infrastructure, Mobility Action Plan, Climate Resiliency). While GHG reduction was a primary goal, CAP 1.0 also aspired to create well-paying green/clean jobs, address social equity, and achieve environmental sustainability. CAP 1.0 included the following strategies and associated goals:

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, such as compressed natural gas (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.

Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage.

Following the adoption of CAP 2.0, SuMo worked on creating a [Final Report on CAP 1.0](#). Based on that report, the City *did* meet its 2020 Interim Target for GHG emissions.

However, the City did not meet many of the targets that were produced for specific measures and actions in CAP 1.0. We provide a table on the following page with the GHG inventories, as well as the actions, 2010 baselines, 2020 interim targets, 2021 actuals, and 2035 targets from the Final Report.

The City's success in meeting many of these initial targets was mixed. While progress was made on many important measures, many of the specific targets for 2020 were missed.

Key Citywide Issues: Climate Action Plan

CAP 1.0: Final Report GHG Emission and Actions Measurements & Targets				
Overall GHG Emissions	2010 Baseline	2020 Target	2021 Actual	2035 Target
Communitywide greenhouse gas emission (MT CO ₂ e)*	12.9	9.9	9.2	6.5
Strategy 1	2010 Baseline	2020 Target	2021 Actual	2035 Target
Reduce residential energy use	5,000 kW, 300 therms	15% energy use reduction from baseline in 20% of units	4.30% reduction from baseline in all units	15% energy use reduction from baseline in 50% of units
Reduce municipal energy use	205 million kW, 3 million therms	15% reduction from baseline	13% reduction from baseline	25% reduction from 2020 goal
Reduce per capita water use	128 gallons per capita per day (GPCD)	117 GPCD	105 GPCD	105 GPCD
Strategy 2	2010 Baseline	2020 Target	2021 Actual	2035 Target
Achieve 100% renewable energy citywide	11% renewable content	31% (SDG&E)	44.5% SDG&E 54.9% SDCP	100% renewable content
Increase municipal zero-emission vehicles (ZEV)	0% ZEV	50% ZEV	2.7% ZEV	90% ZEV
Convert to CNG waste trucks	0% CNG	N/A	69.5% CNG	100% CNG
Strategy 3	2010 Baseline	2020 Target	2021 Actual	2035 Target
Increase use of mass transit	4% commuter modeshare	12%	8%	25%
Increase commuter walking opportunities	3.5% commuter modeshare	4%	3%	7%
Increase commuter bicycling opportunities	2% commuter modeshare	6%	2%	18%
Retime traffic signals and install roundabouts	40 traffic signals per year, 0 roundabouts	200 signals per year, 15 roundabouts installed	60 signals per year, 9 roundabouts	35 roundabouts
Reduce vehicle miles traveled	25 miles per day commute	N/A	20 miles per day	23 miles per day
Strategy 4	2010 Baseline	2020 Target	2021 Actual	2035 Target
Divert solid waste	52% diversion rate	75%	67%	90%
Methane capture from the landfill	75% of gas captured	80%	75%	90%
Methane capture from wastewater treatment	71% of gas captured	N/A	99.9%	98%
Strategy 5	2010 Baseline	2020 Target	2021 Actual	2035 Target
Increase urban tree canopy	7% cover citywide	15%	13%	35%

*MT CO₂e - Million metric tons of carbon dioxide equivalent, a standard unit of measurements for greenhouse gas emissions.
Measurements from the Final Report

Key Citywide Issues: Climate Action Plan

CAP 2.0

Over the last several years, SuMo’s work included development of a new CAP, known as CAP 2.0. [CAP 2.0](#) was approved by Council in August 2022 and contained many notable changes from CAP 1.0. One of the largest changes is a new goal for GHG reduction. Whereas the original CAP proposed to reduce GHG by 50% in 2035, the new CAP’s goal is for net zero GHG emissions by 2035, in effect doubling the CAP 1.0 GHG goal.

CAP 2.0 also contains the following six strategies:

Strategy 1: Decarbonization of the Built Environment

This strategy addresses natural gas consumption in all buildings, including both new and existing development, and proposes aggressive phase out targets for natural gas.

Strategy 2: Access to Clean & Renewable Energy

This strategy maintains the existing goal of obtaining 100% renewable energy through San Diego Community Power by 2035, while also proposing targets for zero emission vehicles for both the City fleet and the general public.

Strategy 3: Mobility & Land Use

This strategy focuses on emissions from transportation and establishes actions that support mode shift through mobility and land use action policies.

Strategy 4: Circular Economy & Clean Communities

This strategy will expand on the City’s current zero waste goals and maintain gas capture measures, while also focusing on the City landfill and implementation of mandatory organics recycling under SB 1383.

Strategy 5: Resilient Infrastructure & Healthy Ecosystems

This strategy will help the City thrive in the face of the impacts of climate change through a greater focus on greening the City, including

a particular focus on Communities of Concern.

Strategy 6: Emerging Climate Actions

This new strategy acknowledges that even if the previous strategies are fully implemented, the City may still not reach its net zero goal by 2035. As such, this strategy focuses on emerging technologies and new opportunities that may arise to help the City meet its overarching goal.

More information on the changes between the two plans, as well as recommendations for implementation and further refinement of the CAP, can be found in [IBA Report 22-19 Climate Action Plan 2.0: Analysis of Changes Proposed and Recommendations for Improved Implementation Planning](#).

Climate Action Implementation Plan

In response to a recommendation in the City Auditor’s [audit of CAP 1.0](#), staff from SuMo, working with other departments, began work on numerous implementation plans. These included Annual Department Workplans, as well as an overarching [Climate Action Implementation Plan](#) (CAIP). A draft of this plan was released at the end of February 2022, and was presented as an informational item to the Environment Committee in March.

The CAIP provides additional information on each of the actions contained in CAP 2.0, including responsible departments, current status, identified measures of success for each strategy and measure, and a five-year cost estimate for new or expanded programs. Additionally, the CAIP identifies actions that can be done in conjunction with others, as well as actions that either need or could benefit from partnerships with other entities. The CAIP is still considered a draft, and it will be updated based upon the outcomes of the new Council Policy on Climate Action Implementation Prioritization.

Key Citywide Issues: Climate Action Plan

Council Policy on Climate Action Implementation Prioritization

In conjunction with the CAIP, our Office, in collaboration with SuMo and following outreach with Council, stakeholders and other interested groups, developed a Council Policy to guide prioritization of CAP 2.0's implementation actions. This policy, [Council Policy 900-22](#), was adopted by Council in April.

Specific requests and actions that were considered high priority items by the Council Policy are highlighted throughout this report, in this section and in various appropriate *Departmental Reviews*.

CAP and the FY 2024 Proposed Budget

The [Citywide Budget Overview section in Volume One of the Proposed Budget](#) contains information on budget adjustments that either directly or indirectly address one of the strategies of the CAP. However, that section inadvertently included dollar amounts associated with *all* CAP-related budget requests made by departments, regardless of whether those requests were actually funded in the Proposed Budget.

The Department of Finance and SuMo are aware of this error and are working to adjust that section to accurately reflect *funded*

additions when it is eventually included in the FY 2024 Adopted Budget.

That noted, given information presented in the Proposed Budget, it is possible to discern which CAP 2.0 related requests were funded in the Proposed Budget and which were not. The tables on this page and the next page show these amounts. Note that these only include *operating* funds as the information presented did not include CIP funding information.

In total, \$15.1 million was included in the Proposed Budget for CAP related activities, with most of the funding consisting of direct CAP support. Environmental Services had the highest level of funding at \$5.5 million, followed by Public Utilities at \$2.3 million.

As far as CAP 2.0 strategies, Strategy 3 – Mobility & Land Use has the highest level of funding in the Proposed Budget at \$5.4 million, which includes funded requests for Hot Spot Crews in Environmental Services (\$1.4 million), new facilities staff in Parks & Recreation for the Riviera Del Sol Neighborhood Park (\$0.7 million), and additional funding for 4,000 mobile hotspots in the Public Library Lending Program (\$0.6 million). The second-most funded strategy is Strategy 5 – Resilient Infrastructure & Healthy Ecosystems at \$3.9 million. This includes additions for renewable

FY 2024 Proposed Budget CAP Funding by Department (\$ in millions)			
Department	Funded Requests	Unfunded Requests	Total Requests
Environmental Services	\$5.5	\$5.7	\$11.2
Public Utilities	\$2.3	\$0.0	\$2.3
Parks & Recreation	\$2.2	\$15.0	\$17.2
Sustainability & Mobility	\$1.9	\$0.9	\$2.8
Department of IT	\$1.3	\$0.8	\$2.1
Transportation	\$1.1	\$10.4	\$11.5
General Services	\$0.7	\$29.2	\$29.9
Stormwater	\$0.0	\$30.8	\$30.8
Various Departments*	\$0.1	\$1.3	\$1.4
Total	\$15.1	\$94.1	\$109.2

*Includes Library, Real Estate and Airport Management, Citywide Program Expenditures, Compliance, Development Services, Engineering & Capital Projects, Performance and Analytics, Planning, and Finance

Key Citywide Issues: Climate Action Plan

natural gas for Pump Station 2 within Public Utilities (\$1.3 million), Urban Forestry positions as part of the Air Pollution Control District Settlement (\$1.1 million) and additional Pure Water positions (\$0.7 million). The reduction shown as funded for Overarching Implementation is a result of the transfer of franchise fees to the Energy Independence Fund being a revenue transfer in FY 2024 rather than a budget transfer from the General Fund. However, the Energy Independence Fund, as explained below, continues to receive the amount of funding called for in the resolution which established the fund.

Unfunded requests related to the CAP totaled \$94.1 million. Strategy 5 in particular had the largest amount of unfunded requests at \$34.4 million. A majority of this is related to unfunded requests for the Stormwater Department. Strategy 3 had \$25.8 million in unfunded requests, mainly related to unfunded requests for the Transportation Department. Finally, Strategy 2 – Access to Clean & Renewable Energy, had \$25.1 million in unfunded requests, most of which was requested by the Department of General Services, Fleet Division for the Development and Expansion of EV and Electrical Infrastructure. More information about these requests can be found in the respective *Departmental Review* sections.

Additional CAP Related Funds

Climate Equity Fund

The City Council established the Climate Equity Fund (CEF) in March 2021 via resolution, to provide targeted infrastructure and other CAP related improvements to communities of concern, including those identified in the Climate Equity Index. The resolution requires that the Mayor and Council, at a minimum, provide funding equal to 10% of the General Fund distribution of franchise fees from the gas and electric franchise agreements, and 1% of the total annual revenue received through each of the TransNet and Gas Tax distributions. FY 2022 was the first year of funding for the Climate Equity Fund.

Consistent with past practice, the Proposed Budget only includes the revenue appropriation for the CEF based upon the 10% of franchise fees allocation. Funding related to TransNet and Gas Tax distributions remains in those funds due to auditing and legal compliance concerns. For FY 2024, the Proposed Budget contains contributions to the CEF totaling \$9.2 million, consisting of \$7.7 million which is tied to the budgeted projections for gas and electric franchise fees, as well as \$1.5 million from SDG&E which is provided as part of the franchise agreement above and beyond the base franchise fees. This is \$1.8 million more than what was provided in FY 2023.

All of the prior year funding has been allocated to specific CIP projects. For FY 2024, in

FY 2024 Proposed Budget by Cap Funding Strategy (\$ in millions)						
Strategy	Funded Requests			Unfunded Requests		
	Direct*	Indirect	Total	Direct*	Indirect	Total
Strategy 1 - Decarbonization of the Built Environment	\$0.7	\$0.5	\$1.2	\$5.9	\$0.0	\$5.9
Strategy 2 - Access to Clean & Renewable Energy	\$1.0	\$0.3	\$1.3	\$25.1	\$0.0	\$25.1
Strategy 1 & 2	\$0.1	\$0.0	\$0.1	\$1.8	\$0.0	\$1.8
Strategy 3 - Mobility & Land Use	\$3.7	\$1.7	\$5.4	\$23.4	\$2.4	\$25.8
Strategy 4 - Circular Economy & Clean Communities	\$3.2	\$0.5	\$3.7	\$0.5	\$0.4	\$0.9
Strategy 5 - Resilient Infrastructure & Healthy Ecosystems	\$3.6	\$0.3	\$3.9	\$21.4	\$13.0	\$34.4
Overarching Implementation	\$0.0	(\$0.5)	(\$0.5)	\$0.0	\$0.2	\$0.2
Total	\$12.3	\$2.8	\$15.1	\$78.1	\$16.0	\$94.1

*Includes funding counted as Direct & Indirect

Key Citywide Issues: Climate Action Plan

line with recent practices, no allocations have been made in the Proposed Budget, as project allocations for FY 2024 will be made as part of the May Revision.

Energy Independence Fund

The Energy Independence Fund (EIF) was established by resolution in April 2022. The resolution requires the Mayor and Council to consider putting into the fund 20% of any minimum bid proceeds received by the City above and beyond the 3% gas and electric franchise fees. This fund may be used for three purposes:

1. To pay for any refunds of franchise fee bid payments in the event that the electric franchise with SDG&E is terminated before the end of the full 20 years of the agreement.
2. To retain professional services to study possible municipalization of gas and electric transmission systems.
3. To pay for development costs of municipal renewable energy projects, including microgrids, distributed generation, or energy storage projects.

The FY 2023 Adopted Budget included \$2.2 million in revenue for the EIF, and the FY 2024 Proposed Budget includes an additional \$2.2 million in revenue, both of which equal 20% of the General Fund proceeds from minimum bid payments. No expenditures were appropriated in FY 2023, but \$1.0 million is proposed as an expenditure from the fund in FY 2024 for the Public Power Feasibility Study. With this expenditure, the EIF is projected to have a fund balance of \$3.4 million at the end of the fiscal year.

Community Choice Aggregation

The City's 100% renewable energy goal is a critical component of the City's CAP. In pursuit of this goal, the City along with other cities, including Chula Vista, Imperial Beach, La Mesa, and Encinitas formed a Joint Powers Authority (JPA) called San Diego Community

Power (SDCP) in September 2019. SDCP is a Community Choice Aggregation (CCA) program. CCAs are entities authorized by the State that allow cities to procure energy for their jurisdictions from the wholesale market, thus giving cities the ability to control their sources of energy and potentially bring down energy costs.

After finalizing all appropriate plans and receiving authorization from the California Public Utilities Commission, SDCP began serving municipal accounts in March 2021, and numerous commercial and industrial accounts in June 2021. SDCP spent the majority of last year rolling out residential service to the initial five cities, beginning with Imperial Beach in February 2022, La Mesa in March 2022, Encinitas in April 2022, and the City of San Diego and Chula Vista in May 2022.

SDCP currently offers two products, known as PowerOn and Power100. PowerOn is estimated to contain 50% renewable plus 5% greenhouse gas free electricity and is the base product that is provided to all residents unless they opt to stay with SDG&E or opt up to the Power100 product. Power100, in comparison, offers 100% renewable and 100% carbon-free electricity. SDG&E's base electric product offers approximately 44.5% renewable energy by comparison. Presently, the PowerON product is projected to cost slightly less than staying with SDG&E, while Power100 is projected to cost slightly more. The City has already opted into the Power100 product for municipal accounts.

SDCP has also expanded from the initial five cities to now include National City and the unincorporated areas of San Diego County. These jurisdictions are projected to be served by the JPA sometime in April 2023.

Infrastructure Funding Needs

The [FY 2024-28 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#) projects that capital infrastructure needs will exceed available funding by \$5.2 billion over the next five years. This represents a 20% increase, the largest year-over-year increase in the funding gap since the report was first created. Compared with the first [FY 2016-20 CIP Outlook](#), the funding gap represents a dramatic increase of 202% from \$1.71 billion to \$5.2 billion. The funding gap has essentially tripled since 2015.

The City has faced tight financial constraints for many years and has limited dedicated funding sources and resources to fund many competing priorities, which has resulted in continued underinvestment in infrastructure. Deferral of projects has led to deterioration of existing assets, increased costs and liability, and the inefficient allocation of resources towards addressing emergency repairs. To address this growing backlog of unfunded needs, the City will ultimately need a large-scale and holistic financing strategy, including new revenue sources. It will also require a well-developed and viable plan to execute projects that includes Asset Management practices, such as conducting condition assessments and using Asset Management systems, to provide the data and strategies needed to support wise infrastructure investments.¹

Budget Requests to Support Asset Management

Over the past decade, the City has taken positive steps by implementing Asset Management practices and the Enterprise Asset

Management (EAM) System, developing a [Strategic Asset Management Plan \(SAMP\)](#) in 2018, and establishing the EAM Steering Committee in November 2022 to provide leadership critical to the success of the City's Asset Management program.

As we concluded in our [Review of Citywide Asset Management Practices and the Use of the EAM System](#), significant challenges remain, especially for General Fund departments, as the full resources needed to support both Asset Management practices and the EAM system have thus far not been invested. Providing the resources needed to support effective Asset Management now can ultimately help to reduce asset lifecycle costs in the future, and can yield a positive return on investment. Several departments requested Asset Management-related items that were not funded in the Proposed Budget. Additional details on unfunded requests is included in various Department Reviews. Some examples of unfunded requests are noted here.

General Services Department/Facilities Services requested the following in one-time non-personnel expenditures:

- \$150,000 for consultant services to support the EAM Program Coordinator in assessing Facilities Services' needs to fully utilize the EAM System.
- \$2.2 million to update the facilities condition assessments which were last conducted in 2014-2016 and are recommended to be conducted every five years.² The condition assessment was intended to include an assessment of Zero Emissions

¹ Asset Management is a best practice for sustainably and cost-effectively maintaining, repairing, and replacing infrastructure assets over assets' lifecycle.

² The proposed Citywide Program Expenditures budget includes \$500,000 for citywide Space Planning and Condition Assessments. According to the Department of Finance, this funding will support departments with space planning needs citywide and condition assessments for General Fund facilities and service yards. Facilities Services was not aware of this funding or the extent to which it will be used for an updated citywide assessment.

Key Citywide Issues: Infrastructure Funding Needs

Municipal Buildings & Operations Policy (ZEMBOP) requirements in these facilities, as well.

- \$330,000 for a condition assessment for roughly 60 remaining General Fund facilities that were not assessed between FY 2014 - FY 2016.

Transportation Department requested the following ongoing FTE position and related expenditures to support use of the EAM System:

- 1.00 Program Coordinator (\$164,000) to serve as the Department's SAP Business Process Coordinator (BPC) to work with the Department of Information Technology (IT) regarding EAM changes and enhancements.
- 1.00 Principal Utility Supervisor (\$93,000) to review and analyze incoming service requests; efficiently plan, prioritize, and schedule work for field crews; and close out projects in a timely manner.
- 1.00 Principal Utility Supervisor (\$93,000) to utilize the City's EAM capital planning tool to develop various Asset Management strategies for Transportation assets (streets, sidewalks, streetlights, and traffic signals) to better inform the Department when certain assets need repair or replacement.

We recognize that the City faces significant resource constraints, and that the Proposed Budget contains significant structural imbalances. Even so, it is important that Asset Management and EAM-related budget requests be vetted and discussed given the benefits they may have in reducing lifecycle costs over the long term, including reducing the need for emergency repairs, and more efficient spending of City resources. The longer the City delays investments in critical infrastructure and Asset Management, the higher eventual costs for that infrastructure will be.

Prioritizing Funding for Facilities Maintenance and Capital Projects

During our Office's [Review of the FY 2024-28 CIP Outlook](#), we concluded that maintenance of existing facilities has been chronically underfunded and deferred so much that the City no longer has accurate data on needs of existing City facilities. However, it is clear that the unfunded backlog for existing facilities is significant and growing, and the City needs to prioritize maintenance and capital projects for existing facilities.

General Services Department/Facilities Services' officials told us the department does not have sufficient manpower or funding to support appropriate levels of preventive maintenance. Preventive maintenance constitutes about 20% of its work on various building systems, components, and equipment, with 80% of work being put towards reactive repairs. This is not in line with industry standards which recommend at least 70% for preventive maintenance. Achieving the correct balance between these activities is a key factor in an effective and efficient maintenance program and can help manage costs by minimizing expensive emergency repairs and unplanned shutdowns.

Recommendations

To support progress with infrastructure funding needs, we believe it's important to:

- Fully consider budget requests to support Asset Management practices and the EAM System. This is vital to ensure the City's investments in critical infrastructure are both cost effective and optimized, especially given limited resources.
- Prioritize facilities maintenance and capital projects in future outlooks and budgets. This is important not just for City administration buildings occupied by employees, but includes maintenance, repair, and rehabilitation of public facilities for libraries, parks, police, fire and lifeguards.

Key Citywide Issues: Infrastructure Funding Needs

- Continue to proactively pursue state and federal grant funding opportunities for infrastructure, energy, and climate-related projects, such as the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA).
- Determine which remaining assets need funding and develop a long-range plan to include new revenue sources. Given the magnitude of the City's infrastructure needs, revenue options outside of General Fund financing should be considered, and could include a ballot measure for additional ongoing revenue or a General Obligations (GO) bond program.³

³ GO bonds offer the City a possible alternative to the use of lease revenue bonds. GO bonds are secured by the city's promise to levy additional property tax sufficient to pay annual principal and interest on the bonds. Since GO bonds require an increase in property tax, they must achieve two-thirds voter approval. They are also typically the least expensive type of debt available to municipalities and can reduce financing costs for CIP projects.

Departmental Vacancies

A high level of vacancies has been a chronic problem across City departments for many years. This was exacerbated during the COVID-19 Pandemic. The impact of vacancies is far-reaching, including impaired quality of services to residents, limited departmental capacity to execute projects, and increased stress and workload on existing employees. Departments continue to face challenges both with filling vacant positions with qualified candidates and with retaining staff. However, some progress has been made with departments' hiring efforts in certain areas over the past year. This section discusses challenges and progress towards addressing the City's vacancy issues. More information is covered in the *Department Review* sections of this report.

Progress on Filling Vacant Positions

Special Wage Adjustments and Other Compensation Programs

Special wage adjustments have been implemented to address compensation deficits across a large number of targeted positions. Departments can request special wage adjustments to help fill critical vacant positions. The Department of Human Resources, Department of Finance and City management have been considering such requests Citywide in an attempt to address the City's most urgent needs. Given the City's limited resources and competing priorities, the City has been unable to increase compensation for all positions to desired levels at once. The endeavor to increase compensation to competitive levels is a multi-year effort that continues today.

Some departments have used other compensation programs to attract qualified candidates. For example, the Environmental Services Department previously experienced high levels of vacancies within Sanitation Drivers classifications, but was able to secure approval of a Recruitment Incentive Program and a Sanitation Driver Sign-on Bonus Program that has allowed the Department to fully staff this classification. These programs allowed the Department to offer additional bonuses to new hires, and in particular attract lateral hires from other waste haulers in the region.

Hiring Process Improvements

Various process improvements at the department level have also helped streamline the hiring process, and closer collaboration with the Personnel Department has provided some departments additional recruitment support. For instance, DSD filled over 110 vacant positions in its Enterprise Fund over the past six months. The Department attributed this to several active recruiting efforts that include simultaneously conducting recruitment tasks wherever possible, instead of treating them in a linear manner; centralizing all logistical tasks to allow hiring managers to focus on ideal candidate selection; keeping in constant communication with Personnel regarding timing strategy and timely adjustments to positions on certifications lists; and adhering to targeted timelines with candidates.

Recent Career Fair

The City recently held a Citywide career fair on March 22, 2023 at the Balboa Park Club. The career fair attracted thousands of job-seekers. City management and City department representatives spoke directly with the public about employment opportunities with

Key Citywide Issues: Departmental Vacancies

the City. The career fair also provided on-site computers for candidates to fill out applications, and some qualified candidates were invited to be interviewed on the spot: over the two-day career fair, City departments conducted approximately 1,300 interviews for entry-level positions and received nearly 2,300 applications. Departments also expect to utilize interview results and applications received during the career fair to fill future vacancies. Several departments reported particularly positive results from the career fair:

- The Library Department was able to hire 44 individuals during the career fair. These new hires are currently undergoing background checks and are anticipated to start their positions before the end of FY 2023.
- The City Attorney's Office is filling 13 vacant positions with candidates from the career fair.
- The General Services Department identified potential candidates to fill vacant custodial positions and they are looking forward to more of these recruiting events in the future.

We do note that the recent career fair was focused on entry level positions. Departments with hiring needs for positions that have various additional requirements, were able to use the career fair to build a bridge between departments and job-seekers, but other challenges for higher level positions continue to exist, as discussed below.

Challenges with Hiring and Retention

Lengthy Hiring Process

Several departments note that the lengthy recruitment and hiring process contributes to challenges filling vacant positions, with candidates accepting other job offers before the hiring process is completed. A City working group (including management, the Personnel Department, Human Resources, Performance and Analytics, the Office of Race and Equity, and the Independent Budget Analyst's Office) is currently studying various aspects of the recruitment and hiring process, and is working towards improvements on an ongoing basis. The group has made notable progress, and we recommend a report be provided to Council in the next several months detailing that progress.¹ The City Auditor's Office is also working on an audit of the hiring process, which is anticipated to be released in July 2023.

Additionally, a Request for Proposals (RFP) for an outside consultant to review the hiring process has gone through a lengthy vetting process with various stakeholders, and is expected to be issued by the end of the current fiscal year. After selection of a consultant, work is anticipated to begin in the fall, with the resulting report and recommendations anticipated to be delivered in an iterative manner that allows the City the ability to quickly consider and implement recommendations.

Finally, twelve positions were added to the Personnel Department's budget in FY 2023, including positions needed to reinstate the Recruiting Section and the Outstation section. More details on the additional positions and several examples of their work are included in

¹ On January 23, 2023 the Personnel Department presented information to the City Council in its [Personnel Department Action Plan](#), including certain current activities, as well as potential and ongoing process improvements.

Key Citywide Issues: Departmental Vacancies

the *Department Review - Personnel* section of this report.

Addressing Compensation Deficits

From FY 2010 to FY 2018, the City negotiated agreements with its recognized employee organizations (REOs) that resulted in nine years of citywide freezes on general wage increases, excluding individual promotions and merit increases. There were also several reductions to retirement benefits, including pension and retiree healthcare plans. The general wage freezes from FY 2010 through FY 2013 were implemented in conjunction with an approximate 6% reduction in employee compensation.

In light of the City's recruitment and retention issues and high vacancy levels, the City has been negotiating with its REOs over the last several years to achieve more competitive compensations level. These efforts have resulted in several years of general wage increases and special salary adjustments for a large number of positions. Recently approved contracts with the City's public-safety REOs have resulted in increased compensation across a number of public safety positions, and recent and ongoing negotiations with the City's non-public safety REOs are expected to result in additional compensation increases for non-public safety employees in FY 2024. For a brief background on these recent negotiations, see the *General Fund Expenditures Overview* section of this report, under "Personnel Expenditures (PE)". For more details on the history of compensation issues and recent compensation increases, see IBA Report 23-01, [FY 2024 Labor Negotiations Over Compensation Increases](#).

In January 2022, the City Council adopted the City's [Compensation Philosophy](#), which states that the City endeavors to pay at least the market median compensation for

comparably situated public employees. Further, the Compensation Philosophy states that the "City's goal is to move toward the market median for all classifications that are currently under the market median." The City plans to expand its research related to special wage adjustments, as it addresses recruitment and retention issues and moves toward the goal of being an employer of choice.

Recently completed total compensation surveys have shown improvements in overall City compensation, but the City's salary levels for many employees are still lower than median levels for surveyed California public agencies (including comparable cities in California and the County of San Diego). It will be important to monitor whether recently approved and pending compensation increases and REO contracts are effective in increasing City employee compensation relative to other comparable agencies.

Key Citywide Issues: Equity

Equity

Equity occurs when we eliminate institutional racism and system disparities, providing everyone with equitable access to opportunity and resources to thrive, no matter where they live or how they identify.

The Mayor and the City Council are working to ensure that consideration of equity, as defined above, is incorporated into all levels of the City's operations and decision-making. The FY 2024 Proposed Budget represents the first time the City has used a process to incorporate equity as a core consideration in budget development. This was an enormous undertaking by all City departments and represents a significant shift in the way the City approaches the allocation of its resources.

The first steps of this process, referred to as an Equity Commitment Model, have been established and have focused on educating departments and helping them create Tactical Equity Plans that set goals for providing services and identify actions departments can take to eliminate equity gaps. Additionally, a Budget Equity Framework was created to help guide departments through a set of equity lens questions when evaluating their resources and needs. This has informed the decision-making process used to determine what received funding in the Proposed Budget.

As departments carry out their approved budgets, some of which include equity-related budget adjustments, the City should expect to see incremental progress made on closing equity gaps. According to the City's [Budget Equity Guide](#), departments will use a data-driven approach to track and measure how their work impacts equity gaps with support from the Department of Race & Equity and the

Performance & Analytics Department. With coaching from the Department of Race & Equity, departments will be expected to report outcomes in Tactical Equity Plans and update their Key Performance Indicators to track this progress. We note that several of these elements are continuing to be developed. Over time, it is expected that departments will refine their plans, strategies, and outcomes.

This is only the first year of this approach, and the Equity Commitment Model continues to be built out, so it is important to keep in mind that this will be an iterative, multi-year process.

The Government Finance Officer's Association (GFOA) also offers insights on budget equity, including key strategies such as focusing on metrics when defining equity, and identifying transparent reporting methods to determine the success of strategies implemented. Another key suggestion is using preexisting data to define disparities quickly and clearly, while concurrently undertaking more resource intensive data-collection efforts. As an example of a potential metric, Arlington County, Virginia identified disparities in life expectancy across neighborhoods, and continues to use high quality, readily available data from the Census in a publicly available data dashboard to monitor long-term progress towards eliminating disparities.

Key Citywide Issues: Equity

Analysis of Equity Investments in the Proposed Budget

The inclusion of Budget Equity Impact Statements for each department in Volume 2 of the budget is a positive way to communicate to the public how the budget may or may not be being used to address disparities. It is apparent through these statements that departments across the City have dedicated significant and genuine thought to their operations and how they relate to disparities within underserved communities and within the City workforce.

Departments Describe a Wide Range of Equity Impacts

In our analysis of departmental budgets, we observed a wide range of equity impacts described by departments, in both base budgets and budget adjustments. Budget Equity Impact Statements described addressing disparities both directly (e.g. conducting voter education in historically low voter turnout communities) and indirectly (e.g. hiring needed support staff in a department that has programs that address disparities). Disparities themselves ranged in scope. Some departments described addressing very specific disparities (e.g. additional tree planting resources for communities of concern) and others addressed more broadly-defined disparities (e.g. a service provided to a vulnerable population in general).

Some budget requests stood out as having a particularly clear nexus to equity. Some highlights include:

- \$9.2 million in Climate Equity Funds to support capital improvement projects responding to climate change impacts in communities of concern.

- 8.00 FTEs and \$2.5 million for Public Utilities Department Customer Support and Engagement to reduce the need for customer-support phone calls and thereby freeing up customer service representative capacity and reducing long hold times for those who do have to call in.
- 4.00 FTEs and \$1.2 million to support the SD Access 4 All Digital Equity Program which addresses community-level disparities through programs such as open public Wi-Fi, Digital Navigation and literacy services, and a hotspot and Chromebook lending program.
- 3.00 FTEs and \$1.1 million for planting trees in historically disadvantaged communities in line with a legal settlement with the Air Pollution Control District.
- 3.00 FTEs and \$740,000 for a Human Resources recruitment program which will endeavor to promote diversity in the City's workforce by broadcasting recruitments to a diverse candidate pool. Targeted outreach to historically underrepresented populations is a part of this overall strategy.
- 2.00 FTEs and \$216,000 for Community Planning Group reforms intended to increase the City Planning Department's capacity to equitably engage with City residents and ensure equitable representation and participation in the Community Planning Group process. We note that this adjustment is offset by a reduction of one position and \$102,000.
- \$239,000 for the Department of IT to support GIS mapping tools and aerial imagery services needed to identify specific

Key Citywide Issues: Equity

neighborhoods with the greatest need.

- Implementation of the recently amended Council Policy 800-14, the City's Capital Improvements Program (CIP) Prioritization policy, which places a larger focus on equity when scoring projects to consider for funding.

Some base budget items include:

- The expected use of \$1.5 million in Community Equity Funds in FY 2024 to support grants to organizations that address disparities.
- The Human Resources Department runs the Employ and Empower Internship which supports paid internships for approximately 1,000 youth and has a focus on providing opportunities to communities of concern within the City.
- Developing work plans to implement recommendations from regional committees on prioritized homeless populations, such as the Ad Hoc Committee on Homelessness Addressing Homelessness Among Black San Diegans.
- Collaborating with the Registrar of Voters and the Office of Child and Youth success to conduct voter education and civic engagement by working collaboratively in the historically low voter turnout communities.
- Litigation regarding Tijuana River clean-up to protect the neighborhoods and water quality for South Bay residents.

It is worth noting that not all budget requests that included equity components were funded. Several unfunded requests include:

- 13.00 FTEs and \$4.3 million for the Stormwater Department to install trash capture devices with a focus on disadvantaged communities.
- 12.00 FTEs and \$3.8 million for the Stormwater Department to increase street sweeping with routes focused within Districts 8 and 9.
- 8.00 FTEs and \$659,000 for the Environmental Services Department to increase staff capacity and allow drivers additional time to check city email.
- 3.00 FTEs and \$339,000 for the City Planning Department to support equitable public input on the City's capital improvement projects, with a focus on structurally underserved communities.
- \$200,000 for the Communications Department to promote programs and services through paid advertising and printing that could reach beyond the digital divide and the relatively narrow audience that follows the City on social media.

Issues for Council Consideration

This first year of incorporating equity in the budget process is a positive first step. There will be much to learn from this year, and adaptations will be made over time as this process continues to be built out and as departments continue to refine their goals and plans to address disparities. Our Office offers several observations and issues for Council to consider as it reflects on how it would like to see equity implemented in the budget.

- *Not every request needs to have an equity component.* The City's efforts on equity

Key Citywide Issues: Equity

could be diluted if what is considered an equity investment is overly broad.

- *Being specific in defining disparities and desired outcomes can improve the City's ability to measure progress when resources are dedicated to addressing them.* We understand that departments will refine goals, strategies, and outcomes over time. San Antonio adopted a similar methodology as the City of San Diego and has gradually defined populations and issues more clearly over the years. City departments may benefit from specific guidance about data-driven resources, such as Census data, currently available for identifying and prioritizing disparities with high community impacts.
- *Establishing clear desired equity outcomes before allocating resources can allow for a more targeted approach rather than fitting a desired expenditure into a broader equity narrative.* An example from the Race & Social Justice Initiative includes: "Increase transit and pedestrian mobility options in communities of color."
- *Focus should also be placed on evaluating the effect of equity investments through meaningful metrics.* It will be important to measure the impact of equity investments in addressing disparities in the City, and the actual impact of these investments will ultimately be as or more important to measure as the total dollar amount of those investments. Clearly defined metrics will help in this evaluation.
- *Consider making the Tactical Equity Plans publicly available.* This would increase accountability and transparency, as

these plans state departments' goals for providing services, ways that disparities can be reduced, and outcomes related to those actions.

We recognize the tremendous work across the City that went into developing the first Proposed Budget that incorporates equity as a core consideration. We look forward to this process developing in future years, as well as receiving public feedback during this budget process.

Opioid Settlement Fund

In 2021, the first round of nationwide settlements were reached to resolve opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors—McKesson, Cardinal Health, and AmerisourceBergen (Distributors)—and against manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (collectively, J&J). These 2021 National Settlements have been finalized, and payments have already begun. In all, the Distributors will pay up to \$21 billion over 18 years, and J&J will pay up to an additional \$5 billion over no more than nine years.

The City Attorney’s Office estimates that the City should expect to receive approximately \$40 million over 18 years. Funding that the City receives from the Opioid Settlements will be held and accounted for in a special “Opioid Settlement Fund” apart from the General Fund. To date, the City has received \$4.4 million; no additional funding is anticipated before the end of FY 2024.

Mayor’s Proposed Expenditure of Opioid Settlement Funds

In the Proposed Budget, the Mayor has proposed to expend the revenue that has been collected from the settlement to date. Of \$4.4 million, \$1.8 million is proposed to be expended directly out of the Opioid Settlement Fund, and \$2.7 million are proposed to be reimbursed to the General Fund eligible expenditures. The proposed expenditures are discussed below.

Emergency Harm Reduction Shelter and the Safe Haven Shelter Operating Costs

The most significant proposed expenditure is a transfer of \$2.7 million from Opioid Settlement Funds to the Homelessness Strategies and Solutions Department’s (HSSD) General Fund budget cover operating costs for the

Emergency Harm Reduction Shelter and the Safe Haven Shelter. Both are low-barrier shelters that provide case management, mental health services, and substance use disorder counseling and treatment for individuals experiencing homelessness with co-occurring mental health and substance use disorders.

In FY 2023, the operating costs for these two shelters totaled \$2.6 million, which the City funded largely through General Fund. ***The Budget’s proposed allocation would support the existing levels of service at the two shelters.***

Resource Access Program (RAP) Vehicles

Approximately \$776,000 is proposed to be expended directly from the Opioid Settlement Fund to support the Fire-Rescue Department’s Resource Access Program (RAP).

RAP was implemented in 2008 within the Emergency Medical Services (EMS) division of the Fire-Rescue Department. RAP uses real-time data analytics to identify high 911 utilizers experiencing chronic homelessness, mental illness, substance abuse disorders, or other difficult social or medical situations. Once identified, individuals are targeted by specialized staff for intervention and service navigation.

The Fire-Rescue Department anticipates utilizing \$590,000 for four additional vehicles that would provide physician assistants with greater mobility to provide treatment for addiction and for substance abuse interventions by paramedics. The remaining \$160,000 is for point of care equipment and to improve data analytics. ***The proposed funds would represent an increase in resources for RAP which is expected to enhance current efforts toward combating the opioid/fentanyl crisis.***

PLEADS Program

Approximately \$762,000 is proposed to be expended directly from the Opioid Settlement

Key Citywide Issues: Opioid Settlement Fund

Fund to cover approximately two years of the City's portion of costs associated with the Prosecution and Law Enforcement Assisted Diversion Services (PLEADS) program.

PLEADS is a collaboration between the City Attorney's Office, SDPD, and the County, which began in November 2019. PLEADS is a voluntary diversion pathway for individuals to avoid prosecution and jail time by agreeing to accept addiction treatment and other support services. Individuals suspected of being under the influence of a controlled substance in public can be referred by SDPD to the program. Services are provided by the McAlister Institute at their Recovery and Bridge Center, where individuals can then be connected to existing services in the County, such as withdrawal management or medicated-assisted treatment.

The City has a cost-sharing agreement with the County to split the costs associated with the PLEADS program. In FY 2023, the City funded its portion of PLEADS costs, through a combination of state grant funds (\$207,000) and City General Fund through HSSD (\$228,572). ***The proposed funds would support the existing levels of service.***

Police Department Training and Equipment

Approximately \$208,000 is proposed to be expended directly from the Opioid Settlement Fund for fentanyl related training and equipment for the Police Department.

The training will include education via training courses and conferences on current drug usage trends, drug trafficking techniques and law enforcement tactics to effectively address the fentanyl crisis. Additionally, training will include education on the risks of fentanyl exposure to first responders and the best practices on life-saving measures, including the use of Narcan, when responding to fentanyl overdose emergencies.

The equipment primarily consists of portable and desktop fentanyl detectors/spectrometers.

According to the Police Department, the instruments will allow for rapid and reliable identification of a variety of street drugs, including fentanyl. Additionally, officer safety is enhanced because analysis can occur through the packaging which minimizes the potential exposure to fentanyl. The desktop spectrometer provides accurate identification of drugs in more complex samples, including mixtures, and can more effectively discriminate between fentanyl analog isomers if necessary for court proceedings. ***The proposed funds would represent an increase in resources for the Police Department which is expected to enhance current efforts toward combating the opioid/fentanyl crisis.***

Issues for Council Consideration

On March 22, 2023, our Office released IBA Report 23-06 titled "[*Response to Request for Options to Combat the Illicit Fentanyl Crisis*](#)" which included several key considerations for the City Council when evaluating proposed uses of Opioid Settlement funding. One notable consideration is with respect to tradeoffs associated with offsetting existing costs. As we state in the report, enhanced levels of service (i.e., new programs, expanded existing programs, etc.) are needed to combat the ongoing fentanyl crisis. Using opioid settlement funds to offset costs for existing services is likely to have a limited impact on addressing the opioid/fentanyl crisis.

Two of the Mayor's proposed uses of the opioid settlement funds, representing nearly 80% of the overall funding available for FY 2024, would simply support *existing* service levels rather than enhancing current efforts towards combating the opioid/fentanyl crisis. While we believe that these existing efforts are important, using settlement dollars to supplant existing funding sources will not derive an impact beyond the status quo.

It should be noted that no other funding

Key Citywide Issues: Opioid Settlement Fund

sources are identified in FY 2024 for the Emergency Harm Reduction and Safe Haven Shelters, or the City portion of the PLEADS Program, besides the Opioid Settlement Funds. ***Should the Council wish to utilize these funds only for new or expanded services and programs, another funding source totaling approximately \$3.5 million will need to be identified to continue these programs.***

Program Review: Capital Improvements Program

Capital Improvements Program

Multi-Year CIP			
Prior Years	FY 2024 Proposed	Future Years	Total
\$5,910,652,543	\$647,635,343	\$12,925,527,176	\$19,483,815,062

The Capital Improvements Program (CIP) Budget (included as Volume III in the annual Budget release) allocates available revenue to capital projects to rehabilitate, enhance, or expand existing infrastructure such as replacement of aging water pipelines, as well as to build new public assets such as a new or expanded libraries.

The City separates the CIP budget from the operating budget because capital infrastructure projects are generally large and expensive, take multiple years to complete, and are supported by financing sources outside of the City's General Fund (the main funding source for core City functions and services included in the operating budget). Because capital projects take multiple years to complete, the CIP is a rolling budget, meaning it includes funding from previous years, the current year budget, and funds needed for future years.

The City's CIP needs far outweigh available resources as evidenced by the \$5.2 billion funding gap in the [FY 2024-28 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#). The City is limited by the amount of resources available; therefore, the CIP budget aids officials in determining which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact in the community.

Impacts of Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed CIP Budget allocates \$647.6 million of existing funds and

anticipated revenues to both new and continuing projects in the City's \$19.5 billion multi-year CIP, as shown in the table above. City Council previously approved \$5.9 billion towards capital projects continuing from prior fiscal years. An estimated \$13.0 billion of additional funding will be needed in future years to complete the projects currently in the CIP and fund annual ongoing capital expenditures, such as major road resurfacing and pipe replacements.

The CIP budget includes a compilation of 1,304 projects, some of which are standalone projects and others which are grouped together into annual allocations.¹ This budget publishes 261 projects, and adds funding for 73 projects (including 4 new projects and 69 continuing projects).

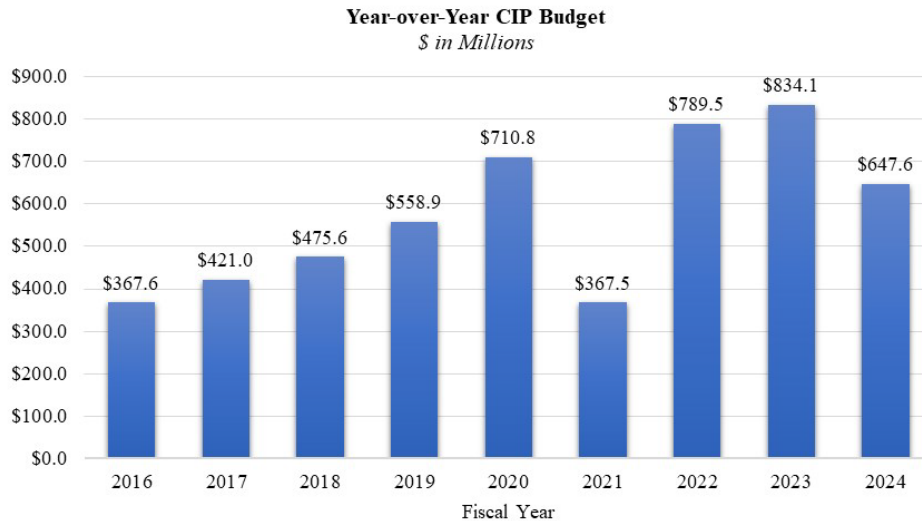
An additional \$326.1 million of funding, which is not included in the Proposed Budget, is anticipated to be budgeted during Fiscal Year 2024 and will require additional City Council approval. Anticipated funding includes a variety of sources, such as donations, grants, debt financing, developer funding, Development Impact Fees (DIF), and Facilities Benefit Assessments (FBA).

Reprioritizing Projects

The FY 2024 Proposed Budget represents the first time that the revised [Council Prioritization Policy: 800-14](#) is being used to rescore projects, which increased weighted factors related to Climate Action Plan and Equity goals. Engineering & Capital Project Department (E&CP) officials told us that the rescoring of

¹ Projects are grouped into "annual allocations" are generally composed of smaller projects that provide ongoing repair and replacements of certain asset types, such as streets and traffic signals.

Program Review: Capital Improvements Program



Note: This table compares Adopted CIP Budgets, except for the Proposed Budget in FY 2024. It does not reflect budget added throughout the fiscal year.

projects went smoothly and generally observed that projects contributing to CAP goals and/or and located within communities of concern generally scored highly.

Comparison with Prior-Year Budgets

The size of the City’s annual CIP portfolio has grown over previous years, as shown in the figure above.² However, the City’s CIP budget has decreased by 22.0% from \$834.1 million in the FY 2023 Adopted Budget to

\$647.6 million in the FY 2024 Proposed Budget. The decrease is primarily due to Phase 1 of the Pure Water project nearing completion and Phase 2 only being in early planning stages. Pure Water is funded by the Public Utilities Department Water and Sewer Enterprise Funds (which generally receive revenues from rates charged to customers, debt financing, and grants). As shown in the table below, in the FY 2024 Proposed Budget,

CIP CHANGES BY DEPARTMENT			
Asset-Owning Department	FY 2023 Adopted Budget	FY 2024 Proposed Budget	Change
Airports	\$ 700,000	\$ 10,061,981	\$ 9,361,981
Citywide	1,000,000	-	(1,000,000)
Department of Information Technology	6,409,288	6,831,563	422,275
Environmental Services	9,300,000	10,400,000	1,100,000
Fire-Rescue	2,350,000	-	(2,350,000)
General Services	6,245,784	4,687,819	(1,557,965)
Library	1,500,000	-	(1,500,000)
Parks & Recreation	37,768,526	38,605,201	836,675
Police	-	-	-
Public Utilities	682,505,622	410,182,672	(272,322,950)
Storm Water	28,060,976	23,298,510	(4,762,466)
Sustainability & Mobility	2,547,500	-	(2,547,500)
Transportation	55,690,595	143,567,597	87,877,002
Total	\$ 834,078,291	\$ 647,635,343	\$ (186,442,948)

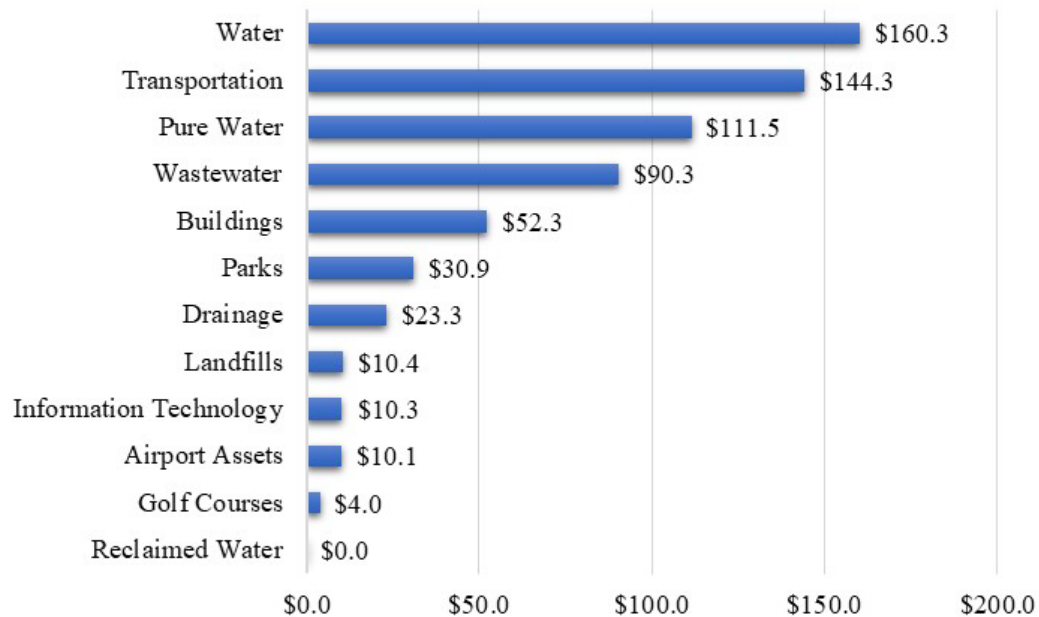
Note: Totals may not add due to rounding.

² The CIP budget decreased by 49.5% from FY 2020 to FY 2021, primarily due to delays with the Pure Water Project which added no additional funding in FY 2020, which were since resolved.

Program Review: Capital Improvements Program

FY 2024 Proposed CIP Budget by Asset Type

\$ in Millions



Public Utilities CIP budget decreased by \$272.3 million from the prior year. The Pure Water project decreased significantly to \$111.5 million in the Proposed Budget from \$349.0 million in FY 2023 Adopted Budget.

Proposed CIP Budget by Asset Type

We discuss several key asset types proposed to be funded in FY 2024 in the following sections. These are summarized in the figure above.

Water and Sewer

The largest funding allocation in the FY 2024 Proposed CIP Budget is \$160.3 million or 25.0% of total funding and expenses. This amount is for water assets, as shown in the figure above. Wastewater projects account for \$90.3 million or 14.0% of the total CIP budget. Outside of Pure Water, water and wastewater projects largely are designed to meet the requirements of the Clean Water Act and to replace and/or rehabilitate aging water and sewer system infrastructure. This includes projects for water and sewer main

replacements and large diameter water transmission pipelines.

Significant Public Utilities projects proposed to receive funding include:

- Water (\$99.4 million) and Sewer (\$48.7 million) Main Replacements,
- Montezuma/Mid-City Pipeline Phase 2 (\$20.0 million),
- Alvarado 2nd Extension Pipeline (\$18.0 million), and
- Harbor Drive Trunk Sewer (\$17.7 million).

Transportation

The next largest portion of the FY 2024 Proposed CIP Budget is for Transportation projects, with \$144.3 million, or 22.3%, of the total Proposed CIP Budget. This is a significant increase of 139.7% over the FY 2023 Adopted Budget of \$60.2 million. This significant increase is due to the City's proposal to allocate approximately \$83.4 million from a planned lease revenue bond issuance to fund street resurfacing and construction projects.

Program Review: Capital Improvements Program

This increase in funding is important for the City, given that Transportation’s backlog of capital projects has grown to \$2.1 billion in the [FY 2024-2028 CIP Outlook](#), surpassing Stormwater as the largest funding gap.

Transportation projects include street repaving and modifications, traffic signals, sidewalks, bridges, and bicycle facilities. These projects are proposed to be funded with Gas Tax (\$4.7 million), Infrastructure Fund (\$4.1 million), TransNet Funds (\$27.3 million), and the Trenchcut/Excavation Fee Fund (\$2.0 million).

Since street repaving is an activity that spans both the CIP and operating budget (overlay within the CIP, and slurry seal within the operating), as well as numerous funds, our Office has compiled a summary of the street repaving budget and changes between the FY 2023 Adopted Budget and the FY 2024 Proposed Budget, which is included in the *Transportation Department Review* section later in this report.

Transportation Projects are also discussed in more detail later in this section under *Council Infrastructure Budget Priorities*.

Buildings

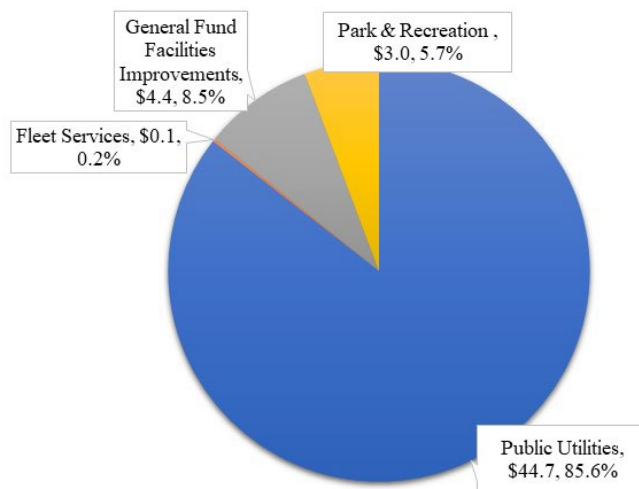
The FY 2024 Proposed CIP Budget includes \$52.3 million for buildings. This is about

8.1% of the total proposed CIP budget. Of this amount, \$44.7 million, or 85.6%, is for improvements to Public Utilities’ buildings, as shown in the figure below. These projects are funded by the Water and Sewer funds. The remaining buildings projects include:

- \$110,000 or 0.2% for Fleet Services funded from Fleet Services CIP Fund.
- \$3.0 million or 5.7% for Park & Recreation funded from the San Diego Regional Park Improvements Fund.
- \$4.4 million, or 8.5%, for General Fund building improvements funded by the Infrastructure Fund.

This small amount of funding for General Fund department buildings is concerning given the City has chronically underfunded General Fund Buildings projects, especially in recent years. In our [Review of the FY 2024-28 CIP Outlook](#), we noted that it was not clear what the deferred capital backlog is for facilities, as staff reported that the building condition assessment (conducted 2014-16) is out of date and a robust analysis needs to be conducted to provide more accurate projections. Facilities Services requested an update as part of the FY 2024 Proposed Budget process, but this request was not funded. This and related

FY 2024 Proposed CIP Budget - Buildings



Program Review: Capital Improvements Program

issues are discussed in the *Infrastructure Funding* section of *Key Citywide Issues* earlier in this report.

Parks

The FY 2024 Proposed CIP Budget includes \$30.9 million for Parks projects. This is a decrease from the FY 2023 Adopted CIP Budget, which included \$37.8 million for these projects. We note that this falls significantly short of the \$146.3 million in FY 2024 Parks capital needs identified in the CIP Outlook, which were based on recent condition assessments.

Key proposed Parks projects include:

- \$12.9 million for Mission Bay Improvements.
- \$6.3 million for San Diego Regional Park Improvements.
- \$6.7 million from the Infrastructure Fund for various Parks projects:
 - \$6.2 million for Park Improvements
 - \$533,000 for Olive Street Park Acquisition and Development improvements

Drainage Projects (Stormwater)

The FY 2024 Proposed CIP Budget includes \$23.3 million for Stormwater drainage projects. This is proposed to be funded with lease revenue bond financing (\$20.0 million), San Diego Regional Parks Improvement Funds (\$1.1 million) and the Infrastructure Fund (\$1.4 million). While Council recently authorized the use of Water Infrastructure Finance Innovation Act (WIFIA) Loans for stormwater projects, the small level of funding included in the Proposed Budget is concerning given significant unfunded Stormwater needs.³

Stormwater needs for FY 2024 identified in

the [FY 2024-28 CIP Outlook](#) are \$1.2 billion. Total capital needs for Stormwater have grown to \$2.1 billion, and the funding gap is \$1.6 billion (the second highest funding gap over the five-year period). This extremely high level of need is driven by much of the City's stormwater infrastructure being beyond its useful life and the chronic underfunding of maintenance and capital projects for the storm drain system, as well as projects required to come into compliance with water quality targets mandated by various state and federal regulations.

Underfunding of existing infrastructure has resulted in high rates of failure of that infrastructure, which has resulted in about \$65.5 million in emergency repairs for FY 2020 through FY 2022. These issues are discussed in more detail in the *Stormwater Department Review* section later in this report.

CIP Funding for General Fund Departments Has Increased

The CIP budget is driven by available funding and by assessing changes in funding sources that support Enterprise Fund and General Fund departments. As shown in the table on the next page, the FY 2024 Proposed CIP Budget appropriates \$204.0 million for projects that support General Fund capital infrastructure, including transportation, safety and mobility projects, parks, and buildings. However, to address all capital infrastructure needs for General Fund departments that were identified in the CIP Outlook for FY 2024, the City would need to budget \$1.9 billion. While this year's proposed funding falls short of FY 2024 needs, it is an increase in funding from FY 2023 of \$73.4 million.

Infrastructure Fund – The Infrastructure Fund contribution is \$21.5 million in the FY

³ On March 15, 2022, Council authorized the City to implement Water Infrastructure Finance Innovation Act (WIFIA) Loans for Stormwater projects. This action will result in \$733 million in financing for stormwater projects (of which \$359 million will be provided by a low-interest loan from the federal government and \$374 million from other City sources).

Program Review: Capital Improvements Program

CIP CHANGES BY FUNDING SOURCES			
Funding Source	FY 2023 Adopted Budget	FY 2024 Proposed Budget	Change
Supporting Enterprise-Fund Departments			
Airport Funds	\$ 700,000	\$ 10,061,981	\$ 9,361,981
Antenna Lease Fund	-	-	-
Fleet Services Internal Service Fund	-	2,028,631	2,028,631
Golf Course Enterprise Fund	2,000,000	4,000,000	2,000,000
Parking Meter Districts	-	-	-
Recycling Fund	6,200,000	10,000,000	3,800,000
Refuse Disposal Fund	3,100,000	400,000	(2,700,000)
Sewer Funds	270,615,618	136,411,094	(134,204,524)
Water Fund	420,846,792	280,753,141	(140,093,651)
Subtotal Enterprise-Fund Departments	\$ 703,462,410	\$ 443,654,847	\$ (259,807,563)
Supporting Non-Enterprise Fund Departments			
Bond Financing	-	103,381,689	103,381,689
Capital Outlay - Land Sales	425,000	-	(425,000)
Climate Equity Fund	7,404,246	-	(7,404,246)
Development Impact Fees	471,119	6,400,000	5,928,881
Enhanced Infrastructure Financing District Fund	-	-	-
Facilities Benefit Assessments	205,851	19,666,376	19,460,525
Gas Tax Fund	6,993,631	4,742,656	(2,250,975)
General Fund	40,198,276	-	(40,198,276)
Infrastructure Fund	28,444,223	19,990,288	(8,453,935)
Maintenance Assessment Districts	-	-	-
Mission Bay Park Improvement Fund	7,566,612	12,869,721	5,303,109
Other Funding	-	1,275,291	1,275,291
Proposition 42 Replacement - Transportation Relief Fund	-	-	-
Regional Transportation Congestion Improvement Program	-	-	-
San Diego Regional Parks Improvement Fund	4,074,329	6,329,850	2,255,521
Sunset Cliffs Natural Park Fund	-	-	-
TransNet Funds	27,832,594	27,324,625	(507,969)
Trench Cut/Excavation Fee Fund	2,000,000	2,000,000	-
Utilities Undergrounding Program Fund	5,000,000	-	(5,000,000)
Subtotal	\$ 130,615,881	\$ 203,980,496	\$ 73,364,615
Total	\$ 834,078,291	\$ 647,635,343	\$ (186,442,948)

2024 Proposed Budget, a decrease from the FY 2023 Adopted Budget of \$28.4. This flexible funding source is proposed to fund \$20.0 million for parks, facilities, sidewalk repair, drainage, and street resurfacing projects. The remaining \$1.6 million is budgeted in the operating budget to support repairs and tenant improvements for Police facilities.

Funding Not Included in the Proposed CIP Budget

Note that several anticipated funding sources for General Fund projects will be proposed for

appropriation in the May Revision to the Mayor's Proposed Budget, such as additional Development Impact Fees and Facilities Benefits Assessments. This is because year-end funding availability is not known when the Proposed Budget is developed. Alternatively, the funds can be appropriated during the Year-End Consolidated action instead of the May Revise.

The FY 2024 Proposed Budget also includes funding for key Mayoral and Council initiatives, but funding is not appropriated for

Program Review: Capital Improvements Program

specific projects in the Proposed CIP Budget. For example, the FY 2024 Proposed Budget includes \$9.2 million in contributions to the Climate Equity Fund (CEF). Project allocations for this amount will be made as part of the May Revision. For more information on the CEF, see the *Climate Action Plan* section in *Key Citywide Issues* earlier in this report.

Funding from federal and state sources such as the Infrastructure and Innovation and Jobs Act (IIJA) and Inflation Reduction Act (IRA) is only included if grant funding has been awarded. Funding received from federal and state sources for projects will likely be appropriated via standalone Council actions. IIJA and IRA is discussed in more detail in the *Infrastructure* section of *Key Citywide Issues* earlier in this report.

Updates on Expenditures for Debt Financed Projects

Department of Finance officials told us that updates on the spend down of debt financing for CIP projects, including Commercial Paper and Lease Revenue bonds, will be provided in the FY 2023 Year-End CIP Budget Monitoring Report.

Council Infrastructure Budget Priorities

As discussed in our Office’s report on the [FY 2024 City Council Budget Priorities](#), Councilmembers expressed strong support for a wide range of infrastructure needs. All nine Council members were unanimous in prioritizing transportation and mobility safety, streets, sidewalks, and stormwater maintenance and capital projects, as well as Fire-Rescue, Library, and Parks & Recreation facilities. The table to the right includes the infrastructure priorities supported by a majority of Councilmembers, along with the funding that was included in the FY 2024 Proposed CIP Budget. Funding has been included specifically for Library facilities, but \$4.4 million was included for General Fund facilities capital improvements.

If the proposed budget does not adequately address Council priorities, Council could consider reallocating funds in the proposed budget to better align with its infrastructure priorities. To the extent Council would like to make different investments in the CIP than those proposed, it is important to consider the funding sources available and their restrictions. Flexible funding sources like the Infrastructure Fund can be used for any General Fund asset. TransNet funds can be used in the public right-of-way and to reduce traffic congestion. The remaining funding sources have more restrictions and can only be used for narrow purposes.

Issues for Council Consideration

- We discuss the significant capital funding gap of \$5.2 billion for General Fund departments and the chronic underfunding of General Fund facilities and the need for an updated condition assessment in the *Infrastructure Funding Needs* section in *Key Citywide Issues* earlier in this report.
- We discuss the capacity to deliver the CIP in the *Engineering & Capital Projects Department Review* later in this report.

Asset Type (\$ in Millions)	FY 2024 Proposed Budget
Transportation and Mobility Safety	
Pedestrian and Bicycle Safety	\$ 12.2
Traffic Calming	0.2
Traffic Signals	4.3
Streetlights	-
Streets - Modifications	
Modifications	4.6
Pavement	104.3
Sidewalks	3.1
Stormwater	23.3
Facilities	
Fire-Rescue ^a	0.2
Library	-
Park & Recreation	3.0
Police ^a	1.6
Total	\$ 156.8

^a Included in the operating budget for repairs and improvements.

Department Review: City Attorney

City Attorney

The City Attorney’s Office serves as the chief legal counsel to the City, including the Mayor, City Council, and all City departments. The City Attorney is also tasked with prosecuting cases and defending the City, and prosecuting violations of State and local laws.

Impacts of the Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the City Attorney totals approximately \$82.5 million in General Funds, which is a \$7.5 million, or a 10.1%, increase from the FY 2023 Adopted Budget. FTEs in the Proposed Budget for the Office total 405.73, which is an increase of 2.00 FTEs from FY 2023. Revenue is projected to be \$4.1 million, an increase of \$373,000, or 10.0%. The Office receives revenue largely from charges for services provided to other City departments, litigation settlements, code enforcement penalty assessments, forfeitures, grants, and restitution payments.

Significant Budget Adjustments

The Proposed Budget includes the following addition in the City Attorney’s Office:

\$391,000, 2.00 FTEs – Civil Advisory to Support Pure Water

The Proposed Budget adds two Deputy City Attorneys to support the Pure Water Program. These are vacant, unbudgeted supplemental positions added in FY 2023, and would be

paid for by charging work performed to the Pure Water capital improvement project.

Issues for Council Consideration

Unfunded Requests

A number of additional requests for the City Attorney’s Office were made but not included in the Proposed Budget. In total, there are 10.00 FTE supplemental positions requested to be added to the budget and a new 0.50 FTE position, as shown in the following table. The asterisk indicates positions supported by sources other than the General Fund, such as grants or charges to enterprise departments or capital improvement projects. Other supplemental positions are being absorbed by the Office.

Unfunded Positions
2.00 Deputy City Atty - Engineering & Capital Projects*
1.00 City Atty Investigator - Civil Litigation Division*
1.00 City Atty Investigator - Criminal Division
1.00 Deputy City Atty - Domestic Violence
1.00 Deputy City Atty - Gun Violence Restraining Order*
1.00 Victim Svcs Coordinator - Domestic Violence*
1.00 Victim Svcs Coordinator - Gun Violence Restraining Order
1.00 Victim Svcs Coordinator - Family Justice Center
1.00 Court Support Clerk 2 - Criminal Division
0.5 Program Coordinator - Administration Division

For additional context, 14.00 FTE positions were added to the City Attorney’s budget in FY 2023, not including these additional supplemental positions.

Finally, the City Attorney’s Office requested, but did not receive, an IT discretionary

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	403.73	\$ 68,441,444	\$ 6,464,486	\$ 74,905,930	\$ 3,748,965
Programmatic Changes					
<i>2 Deputy City Attorneys to Support Pure Water</i>	2.00	381,672	9,000	390,672	373,382
Other Changes					
<i>Salary Adjustments</i>	-	4,154,115	-	4,154,115	-
<i>Fringe Benefits</i>	-	2,564,208	-	2,564,208	-
<i>Budgeted Personnel Expenditure Savings</i>	-	1,018,654	-	1,018,654	-
<i>Other Adjustments</i>	-	-	(582,967)	(582,967)	-
FY 2024 Proposed Budget	405.73	\$ 76,560,093	\$ 5,890,519	\$ 82,450,612	\$ 4,122,347
Difference from 2023 to 2024	2.00	\$ 8,118,649	\$ (573,967)	\$ 7,544,682	\$ 373,382

Department Review: City Attorney

adjustment of \$155,000 to upgrade network infrastructure at Your Safe Place – a Family Justice Center.

The City Attorney's Office indicates in its Budget Equity Lens Summary that virtually all the unfunded requests above are tied to existing programs and activities funded in its base budget that address disparities. Disparities relate to the vulnerable population served by Your Safe Place, a Family Justice Center, as well as the Office's civil and criminal activities related to domestic violence, environmental justice (e.g. hazardous waste audits), and gun violence restraining orders.

Council Priorities

We note that not included in the Proposed Budget is additional staff and outreach support for the Compliance Department's Office of Labor Standards Enforcement. This was a priority in Councilmember priority memoranda, and several Councilmembers noted additional attorney staffing should be in the City Attorney's Office.

Department Review: City Auditor

City Auditor

The Office of the City Auditor conducts performance audits, financial audits, and special investigations to advance its mission of improving the efficiency, effectiveness, and equity of City government. The Office is an independent office that reports to the City Council’s Audit Committee.

Impacts of Mayor’s FY 2024 Budget Proposal

As shown in the table below, the FY 2024 Proposed Budget for the Office of the City Auditor is approximately \$5.0 million, an increase of \$467,000, or 10.2%, from the FY 2023 Adopted Budget. There are no programmatic changes to the City Auditor’s budget. The number of positions remains unchanged from FY 2023, at 22.00 FTEs, and the Office has no budgeted revenue.

Significant Budget Adjustments

The Proposed Budget includes a \$497,000 increase for Proposed Salaried Wages to fund a 14% salary increase for Office staff. The proposed salary increase accounts for the major adjustments in the Proposed Budget, relative to the FY 2023 Adopted Budget.

Recently, the City Auditor’s Office conducted a survey that found audit staff salaries are significantly lower than comparable organizations in other cities, as well as other offices within the City. The City Auditor attributed challenges attracting and retaining qualified

audit staff to the lack of competitive salaries. As a result of these concerns, on January 12, 2023, the City Auditor submitted a budget request to the City Council for funding to provide an average 14% salary increase for staff. Additionally, the City Auditor requested 3.00 new FTE positions to support the Office, including 2.00 FTE positions for Performance Auditors and 1.00 FTE position for an administrative position. This request received majority support from Councilmembers in the updated budget priorities memoranda from January 2023. While increases for salaries and wages were included in the Proposed Budget, the additional positions were not, as is discussed below.

Issues for Consideration

Unfunded Requests

The second component of the City Auditor’s budget request - the addition of 3.00 new FTE positions - was not included in the Proposed Budget. The City Auditor notes that staffing constraints have led to delaying audits of certain high-risk topics, and that the addition of two Performance Auditor positions would allow the Office to pursue audits on high-risk topics in a timely manner. Additionally, the City Auditor notes that the requested one Administrative Aide position would alleviate some administrative workload that was assigned to audit and management staff after the

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	22.00	\$ 3,923,808	\$ 638,525	\$ 4,562,333	\$ -
Budget Changes					
<i>Salaried Wages Increase</i>	-	497,148	-	497,148	-
<i>Other Wages and Benefit Adjustments</i>	-	(34,047)	-	(34,047)	-
<i>Non-Discretionary Adjustments</i>	-	-	4,175	4,175	-
FY 2024 Proposed Budget	22.00	\$ 4,386,909	\$ 642,700	\$ 5,029,609	\$ -
Difference from 2023 to 2024	-	\$ 463,101	\$ 4,175	\$ 467,276	\$ -

Office of the Independent Budget Analyst
April 2023

Department Review: City Auditor

Office converted an existing administrative position to focus on quality control and communications a few years ago.

The additional 3.00 FTE positions that were requested also include \$201,000 for Personnel Expenditures and \$21,000 for Non-Personnel Expenditures in FY 2024. The Personnel Expenditures requested in FY 2024 assume the positions would only be filled for six months in the first year, due to time needed for the recruitment and hiring process. If the request were funded, Personnel Expenditures for the 3.00 FTE positions would be \$393,000 ongoing after FY 2024.

City Auditor's Budget Process

City Charter section 39.1 requires that the Audit Committee recommend the City Auditor's budget to the City Council each year. The City Auditor brought forth his proposed budget to the Audit Committee on January 25, 2023. The Audit Committee voted unanimously to recommend to the City Council the addition of 3.00 FTE to increase audit coverage and a staff salary increase to make the Office more competitive.

If the Audit Committee recommends any adjustments to the Mayor's Proposed Budget, the City Auditor will bring those recommended adjustments to the City Council's attention so Council can consider them as part of its final budget approval in June.

Department Review: City Clerk

City Clerk

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 facilitates hybrid City Council meetings, operates a passport program that allows US citizens to apply for passports, and preserves and digitizes historical City records and materials.

Impacts of the Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the City Clerk totals \$7.2 million in General Funds, which is a \$218,000, or 3.1%, increase from the FY 2023 Adopted Budget. FTEs in the Proposed Budget total 50.32, which is unchanged from FY 2023. Revenues are projected to be \$209,000, an increase of \$50,000, or 31.5%. This increase is driven by an increase seen in passport applications processed by the Clerk’s Office.

Significant Budget Adjustments

The Proposed Budget includes the following significant budget additions:

\$44,000 – Acquire Records Management Software

This increase includes implementation (\$38,000 one-time) and support (\$5,600 ongoing) for a Records Retention Schedule Management software system. Currently the City

uses a paper-based Master Retention Schedule. To comply with laws governing management of government records, the Master Retention Schedule categorizes various records into series which departments use to develop how they will store or destroy records consistent with their Department Retention File Plan.

Moving from a paper-based system to a software system is anticipated to make the City’s records management process significantly simpler and more user-friendly which will lead to increased compliance with records management related state and federal laws. A few benefits of the system are expected to include automated alerts to inform staff of documents that have reached the time for disposal, the ability to keep the Master Retention Schedule current as laws change, and the ability to connect to other City systems that house potential records.

\$20,000 – Upgrade Code Hosting Platform

This increase will support an updated code hosting platform that is anticipated to improve the ability to search the City Charter, the San Diego Municipal Code, and Council policies. The upgrade is intended to also include historical document links, cross-referencing links to code, maps, and history tables.

In our Office’s report, “[Response to Request for Analysis on Improving Housing Affordability](#)” (IBA Report 22-30), we recommended

SUMMARY OF THE CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	50.32	\$ 5,781,720	\$ 1,169,964	\$ 6,951,684	\$ 158,934
Programmatic Changes					
<i>Update Retention Schedule Management Software</i>	-	-	43,650	43,650	-
<i>Update Code Hosting Platform</i>	-	-	20,000	20,000	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	11,645	-	11,645	-
<i>Increased Costs for E-Filing System Contract</i>	-	-	6,000	6,000	-
<i>Other Adjustments</i>	-	-	136,733	136,733	50,000
FY 2024 Proposed Budget	50.32	\$ 5,793,365	\$ 1,376,347	\$ 7,169,712	\$ 208,934
Difference from 2023 to 2024	-	\$ 11,645	\$ 206,383	\$ 218,028	\$ 50,000

Office of the Independent Budget Analyst
April 2023

Department Review: City Clerk

that Council consider updating the City's code library system as one of the ways to potentially speed up the permit review process. Improving staff's ability to search through the City's past and present laws and regulations to identify applicable rules for permit applications can have a significant impact on reducing staff time needed in the review process.

According to the Clerk's Office, the \$20,000 budget adjustment is consistent with average costs to set up and host other municipal code software systems. The Clerk's Office plans to issue a Request for Information and Request for Proposal prior to coming to Council with a multi-year contract. The Development Services Department and Planning Department are anticipated to be included in the vendor selection process.

Other adjustments to the City Clerk's budget are largely non-discretionary in nature.

Other Issues

We note that the Clerk's Office intends to request an increase to its revenue projections by \$50,000 for the May Revision, which would bring anticipated revenues for the department to about \$259,000. A shift in passport operations – requiring appointments and only allowing walk-ins one day per week – allows for the Office to better predict revenues. According to the Office, it also anticipates submitting a \$200,000 request to replace dilapidated cubicles in order to consolidate staff's primary working locations to the second floor of the City Administration Building to create a safer working environment that would promote operational efficiencies between divisions and sections.

Department Review: City Council

City Council

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for City Council Offices is approximately \$19.2 million, an increase of \$4.0 million or 26.3% from the FY 2023 Adopted Budget.¹

Each Council Office has 15.00 budgeted FTE positions for a total of 135.00 positions, unchanged from the FY 2023 Adopted Budget. The total operating budget for each Council office is comprised of salaries/personnel expense (PE), associated fringe benefit expense (Fringe) and non-personnel expense (NPE).

Significant Budget Adjustments

Nearly all increases to Council Office budgets are associated with a 24.1% increase in Personnel Expenditures (PE) budgets (excluding fringe costs), which is equal to a \$224,000 increase in each office’s total PE allocation over amounts in the FY 2023 Adopted Budget. This increase is anticipated to cover additional salaries for Council office staff, as well as the increase in Councilmember salaries that went into effect in December 2022 pursuant to Charter Section 12.1.²

It is worth noting that during adoption of the FY 2023 Budget, the Council made a number of adjustments to each Council Office budget, including the addition of 5.00 ‘unfunded’ FTE positions to each office. Because each Council Office’s PE budget was set to an equal amount, this addition of FTEs was intended to give Council Offices additional discretion over the composition of their offices, with the expectation that Council Offices would be responsible for remaining at or under their adopted budget expenditure amounts.

This approach has carried forward to the FY 2024 Proposed Budget, and each Council Office will be expected to use its own discretion on how to use budgeted PE allocation for office wages and salaries.

Issues for Consideration

Equalized Council Office Budgets

Historically each Council Office received the same number of budgeted FTE positions, but expenditure allocations for each offices varied significantly based on several factors, including employee compensation, staffing levels, staff experience, and differing NPE needs.

AGGREGATE SUMMARY OF CITY COUNCIL OFFICE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	CPPS
FY 2023 Adopted Budget	135.00	\$ 13,465,281	\$ 1,709,650	\$ 15,174,931	\$ 1,683,767
Programmatic Changes					
<i>Adjust CPPS to Prior-Year Savings</i>	-	-	-	-	(662,373)
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	\$ 4,147,491	\$ -	\$ 4,147,491	\$ -
<i>Equity Adjustments to Normalize Council Office Budgets</i>	-	(259,905)	-	(259,905)	-
<i>Pay-in-Lieu Adjustments</i>	-	(2,014)		(2,014)	-
<i>Non-Discretionary & IT Adjustments</i>	-	-	106,321	106,321	-
FY 2024 Proposed Budget	135.00	\$17,350,853	\$ 1,815,971	\$ 19,166,824	\$ 1,021,394
Difference from 2023 to 2024	-	\$ 3,885,572	\$ 106,321	\$ 3,991,893	\$ (662,373)

¹ Note – for the purposes of clarity in this review, the budgets for City Council offices and Council Administration are presented separately. Summary tables in Volume 2 of the Proposed Budget include expenses for all Council Offices, Council Administration, and CPPS together, with additional detail provided per Council Office.

² Charter Section 12.1 was amended with the passage of Measure L in November 2018, and specifies that effective December 10, 2022 Councilmember salaries are to be equal to 75% of the salary of California Superior Court judges. This was the equivalent of a 25% increase over salaries that were prescribed prior to December 10, 2022.

Department Review: City Council

PROPOSED FY 2024 BUDGET FOR EACH COUNCIL OFFICE							
Council District	FTE	PE (Excluding Fringe)	NPE	Total Budget (Excluding Fringe)	Fringe	Total Budget (With Fringe)	CPPS
Council District 1	15.00	\$ 1,150,000	\$ 195,504	\$ 1,345,504	\$ 802,863	\$ 2,148,367	\$ 110,488
Council District 2	15.00	1,150,000	201,023	1,351,023	869,161	2,220,184	89,872
Council District 3	15.00	1,150,000	200,408	1,350,408	846,541	2,196,949	29,522
Council District 4	15.00	1,150,000	206,158	1,356,158	735,666	2,091,824	117,244
Council District 5	15.00	1,150,000	197,929	1,347,929	883,525	2,231,454	173,356
Council District 6	15.00	1,150,000	197,058	1,347,058	626,469	1,973,527	41,792
Council District 7	15.00	1,150,000	195,115	1,345,115	775,392	2,120,507	142,275
Council District 8	15.00	1,150,000	215,180	1,365,180	912,681	2,277,861	243,525
Council District 9	15.00	1,150,000	207,596	1,357,596	548,555	1,906,151	73,320
Total Proposed Budget	135.00	\$ 10,350,000	\$ 1,815,971	\$ 12,165,971	\$ 7,000,853	\$ 19,166,824	\$ 1,021,394

Last year, however, the FY 2023 Adopted Budget normalized Council Office budgets so that Salaries and NPE across each Council Office were largely equalized. This approach ensures that each Council Office is budgeted the same discretionary operating resources as other Council Offices, and the Proposed Budget continues this approach by making additions and reductions to the discretionary portions of each Council Office budget to ensure that they are equalized.

The Proposed Budget for each individual Council Office is displayed in the table above; PE expenditures are exactly equal among all Council Offices, and NPE allocations are all close to an average of \$202,000. Fringe costs – those costs associated with employee benefits – have a much wider variance among Offices.

Our Office continues to feel that that this approach is both fair and appropriate, as the cost of benefits packages will vary based on factors outside of a Council Office’s control, such as whether an employee’s benefits cover just that employee, or that employee and that employee’s spouse or children.

CPPS Funding Disparities

Council Policy 100-06 allows Councilmembers to award Community Projects, Programs and Services (CPPS) funding to public agencies or non-profit organizations or a variety of community serving purposes including capital improvements, materials, equipment, maintenance or repair. CPPS funds may also be

awarded for one-time community, social, environmental, cultural, or recreational needs, so long as it serves a lawful public purpose.

Prior to FY 2021, and in keeping with Council Policy 100-06, the annual CPPS allocation for each Council Office equaled the amount of budget savings realized by that Council Office the prior fiscal year. Council Offices that finished the year under-budget would be provided with discretionary CPPS funding in the next fiscal year to support worthwhile community organizations and events.

In FY 2021, no CPPS allocations were made due to the severe revenue shortfalls brought about by the COVID-19 pandemic. The FY 2022 Budget, however, restored CPPS funding, by allocating an equal \$100,000 in CPPS funds to each District. The FY 2023 Proposed Budget went back to the practice of allocating CPPS based on prior-year (i.e. FY 2022) Council Office budgetary savings, but given that FY 2022 Council Office budgets varied significantly, as normalization of those budgets only began in FY 2023, initially proposed CPPS allocations had significant disparities among Council Offices, with amounts allocated ranging from \$316,000 to no allocation at all.

During its adoption of the FY 2023 Budget, Council amended the Proposed Budget to establish a minimum CPPS allocation per district of \$150,000. That minimum is not reflected in the FY 2024 Proposed Budget. Instead, the Proposed Budget uses the traditional practice of allocating CPPS based on

Department Review: City Council

Council Office estimated budgetary savings for the prior year (FY 2023). Potential updates to Council Policy 100-06 were discussed in the City Council’s Rules Committee earlier this month; one of many adjustments discussed included an amendment that would establish CPPS as a stand-alone expenditure distributed equally among all Council Offices in future Proposed Budgets, and allowing Council offices to supplement their allocation with estimated non-personnel savings within the current year.

ordinance, that platform is still pending review from the City's Privacy Advisory Board; if the Board does not approve that platform before the end of the fiscal year, one-time funding from FY 2023 may have to be carried forward to FY 2024 for that purpose.

To align with that pending policy amendment, Council may wish to consider amending the Proposed Budget to equalize CPPS distribution amounts. For reference, setting a minimum floor of \$150,000 per district would require an additional \$446,000 over amounts included in the Proposed Budget.

Council Administration

The Council Administration Department provides general office management and critical support services for the City Council. The FY 2024 Proposed Budget for Council Administration totals \$2.7 million, which is a decrease of \$95,000 or 3.4% from the FY 2023 Adopted Budget. FTEs in the Department remain unchanged at 14.00. As shown in the table below, there are no programmatic changes to the Council Administration Budget, with all changes being non-discretionary in nature.

Issues for Consideration

The FY 2023 Adopted Budget included funding for an updated constituent relations management platform. Per the City's surveillance

SUMMARY OF COUNCIL ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	14.00	\$ 2,310,924	\$ 501,781	\$ 2,812,705	\$ -
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	(172,058)	-	(172,058)	-
<i>Non-Discretionary Adjustment & IT Support</i>	-	-	76,715	76,715	-
FY 2024 Proposed Budget	14.00	\$ 2,138,866	\$ 578,496	\$ 2,717,362	\$ -
<i>Difference from 2023 to 2024</i>	-	\$ (172,058)	\$ 76,715	\$ (95,343)	\$ -

Department Review: City Planning

City Planning

The City Planning Department (City Planning) is responsible for the City’s land use planning and policies. The Department develops plans, policies, and regulations that accelerate the creation of more homes and good jobs, further the City’s climate goals, protect the environment, improve public spaces, and advance social equity. The Department’s initiatives are generally considered the first step in comprehensively and strategically planning for safe, enjoyable, healthy, and thriving communities in the City.

Impacts of the Mayor’s FY 2024 Budget Proposal

Planning is organized in three divisions based upon their specialties and technical disciplines. These divisions are:

- Community Planning & Housing
- Environmental Policy & Public Spaces
- Community Engagement, Work Culture & Operations

Due to varied work functions and multiple funding sources in the Department, the following analysis is organized by funding source.

The FY 2024 Proposed Budget for the Planning Department totals approximately \$20.3 million, an increase of approximately \$2.2 million (12.4%) from the FY 2023 Adopted Budget. FTEs are budgeted at 85.09, which is an increase of 6.34 FTE positions.

General Fund

The General Fund budget for City Planning is approximately \$11.4 million, which is a \$1.5 million (15.6%) increase over the FY 2023 Adopted Budget. FTEs budgeted in the General Fund are 66.09, which is an increase of 6.34, or 10.6%. General Fund revenues in the Proposed Budget are projected to total approximately \$3.5 million, an increase of approximately \$348,000 (11.0%) from the FY 2023 Adopted Budget. This revenue increase is attributable to the anticipated transfer of Historical Resources Preservation Program into City Planning, as discussed below.

Significant Budget Adjustments

Historical Resources Preservation Program Transfer

The Proposed Budget includes the transfer of the Historical Resources Program from the Development Services Department’s Development Services Fund to City Planning’s General Fund. This includes the transfer of 5.00 FTEs, \$709,000 in personnel expenditures, and \$348,000 in revenues. Since revenue generated by these positions is currently not sufficient to fully recover the costs, the net impact on the General Fund is approximately \$360,000 in increased expenditures.

This transfer will restore the historical preservation program as a single unified program under City Planning and facilitate long-range planning and implementation of the City’s historical preservation efforts. The transfer will support and improve City Planning’s ability to implement comprehensive historic

SUMMARY OF CITY PLANNING DEPARTMENT BUDGET CHANGES						
Fund	FY 2023 FTEs	FY 2024 FTEs	Change	FY 2023 Expense	FY 2024 Expense	Change
General Fund	59.75	66.09	6.34	9,882,949	11,421,879	1,538,930
General Plan Maintenance Fund	-	-	-	4,660,000	4,866,000	206,000
Facilities Financing Fund	19.00	19.00	-	3,517,783	4,006,163	488,380
Total Combined	78.75	85.09	6.34	\$ 18,060,732	\$ 20,294,042	\$ 2,233,310

Department Review: City Planning

preservation program reforms, as recommended by the Mayor’s Middle-Income Housing Working Group.

2.00 FTEs for Community Planning Group Reform (offset by the reduction of 1.00 FTE)

The Proposed Budget includes the addition of 2.00 Program Coordinator positions to support the Community Planning Group (CPG) reform framework recently adopted in Council Policy 600-24 - Standard Operating Procedures and Responsibilities of Recognized Community Planning Groups. One Program Coordinator will oversee the implementation of the Council Policy and ensure CPGs are accessible and inclusive. The second Program Coordinator will oversee the procurement, development, testing, and implementation of systems and applications needed to track, analyze, and report on CPG applications and other relevant records. It will also support the overall data analysis and mapping in City Planning.

We note these two positions were added supplementally and subsequently filled in FY 2023 following the revisions to Council Policy 600-24.

The addition of these positions is partially offset by the reduction of 1.00 Systems Analyst 2 position, resulting in a net increase of 1.00 FTE and approximately \$216,000 in personnel budget. The Systems Analyst 2 position has been vacant since September 2022. According to City Planning, the reduction of this

position would have minimal operational impacts as the responsibilities of this position can be absorbed by one of the proposed Program Coordinator positions.

Issues for Council Consideration

Unfunded Requests

Development Impact Fee Program Transfer

City Planning requested to transfer 19.00 FTEs, \$3.0 million in expenditures, and \$3.2 million in revenue associated with the Development Impact Fee (DIF) Program from the Facilities Financing Fund to the General Fund. The transfer would consolidate all of City Planning’s FTEs in General Fund.

Under the current structure with 19.00 FTEs budgeted in the Facilities Financing Fund and 66.09 FTEs budgeted in the General Fund, City Planning reports being constrained in its ability to adjust staff and resources to accommodate emerging priorities, with staff’s opportunities and exposure to projects and work initiatives being constrained due to different accounting requirements created by the use of the Facilities Financing Fund.

It is important to note that the overhead rates of Facilities Financing Fund staff are significantly higher than those of General Fund staff even within the same classification. The overhead rate disparities prevent City Planning from assigning Facilities Financing Fund staff to projects that do not generate revenue from

SUMMARY OF CITY PLANNING DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	59.75	\$ 8,785,895	\$ 1,097,054	\$ 9,882,949	\$ 3,172,181
Programmatic Changes					
<i>Historical Resources Preservation Program (Transfer from DSD to City Planning)</i>	5.00	708,612	-	708,612	348,269
<i>Community Planning Group Reform (addition of two Program Coordinators offset by reduction of one FTE)</i>	1.00	215,986	-	215,986	-
Other Changes					
<i>Senior Management Analyst - Hourly</i>	0.34	34,145	-	34,145	-
<i>Salary and Benefit Adjustments</i>	-	535,780	-	535,780	-
<i>Information Technology Adjustments</i>	-	-	20,445	20,445	-
<i>Other Adjustments</i>	-	-	23,962	23,962	-
FY 2024 Proposed Budget	66.09	\$ 10,280,418	\$ 1,141,461	\$ 11,421,879	\$ 3,520,450
Difference from 2023 to 2024	6.34	\$ 1,494,523	\$ 44,407	\$ 1,538,930	\$ 348,269

Department Review: City Planning

DIF, and from assigning General Fund staff to DIF funded projects.

We note that this transfer would be expected to be cost neutral to the General Fund. The Department has sufficient work volume to generate the revenue from DIF needed to cover the costs of the staff and associated non-personnel costs that would be transferred to the General Fund. According to City Planning, the Department has needed to limit the number of hours charged to DIF to achieve a balance of revenues and expenditures in the Facilities Financing Fund under the current structure. **Council may wish to ask about the operational impacts and potential staffing inefficiencies associated with not including this request in the FY 2024 Budget.**

3.00 FTEs to Support Equitable Public Engagement

City Planning requested 3.00 FTEs (one Senior Planner, one Associate Planner, and one Associate Civil Engineer) and approximately \$339,000 to support the Equitable Public Engagement Program for the City's Capital Improvements Program (CIP). This request is driven by recently updated Council Policy 800-14 regarding prioritizing CIP projects, and Council Policy 000-32 regarding neighborhood input on infrastructure needs and priorities. The updated Council Policies task City Planning with leading the public engagement activities to gather feedback to guide the City's Five-year Capital Infrastructure Planning Outlook (CIP Outlook) in partnership with the Engineering and Capital Projects Department (E&CP).

The two Planner positions would support

equitable engagement with the City's residents and focus on structurally excluded communities. This would include hosting surveys and in-person engagement meetings to gather public input on infrastructure prioritization, working with asset-owning departments to identify funding, and working with E&CP to guide development of the CIP Outlook. The Associate Civil Engineer position would further conduct feasibility analysis on Quick-Build¹ projects, focusing on the delivery of community-desired investments in traditionally underserved communities. Absent these positions, City Planning's ability to ensure public input is truly representative of the demographics of the City's population could be constrained, and the City might lack the capacity to fully leverage grant opportunities for Quick-Build projects.

3.00 FTEs to Support the Historical Resources Preservation Program

City Planning requested 1.00 Program Manager position and 1.00 Associate Planner position to develop and implement historical preservation program reforms. One of the goals of the reforms would be to correct the inefficient use of program resources by shifting to a comprehensive preservation planning approach to provide greater clarity, certainty, and a streamlined review of project applications. City Planning currently has 2.00 FTEs supporting the historical preservation program, in addition to the 5.00 FTEs being transferred from DSD discussed previously. These positions support work items associated with the historical preservation program, including Community Plan updates, and have limited bandwidth to support historical preservation

¹ Quick-build projects are small interventions and incremental projects that are a result of community input and feedback and aim to make a meaningful difference quickly to community members. Examples of quick-build projects include converting an underutilized parking spot to a public space for kids in areas that lack parks and other opportunities for play, and painting the street to clearly label it for walking, biking, or rolling.

Grant opportunities to support quick-build projects exist as well. One such grant opportunity is the Racial and Ethnic Approaches to Community Health (REACH, CDC-RFA-DP-23-0014). According to City Planning, the County of San Diego would like to partner with City Planning to pilot quick-build projects and is requesting approximately \$1.3 million per year for the next five years.

Department Review: City Planning

reforms. Not funding the additional positions requested may delay reforms which could more effectively identify and preserve significant historical resources and streamline the project review process.

City Planning also requested 1.00 Legislative Recorder 1 position to support Historic Resources Board and Historic Preservation Planning Team. The Legislative Recorder 1 would serve as Secretary to the Historic Resources Board (HRB) and provide administrative support. The functions of this position are currently carried out by a Legislative Recorder 2 position in DSD. In light of this unfunded request, DSD has agreed to continue to support the HRB with its Legislative Recorder 2 position; though DSD operations and the level of support provided to HRB could be impacted if this position remains unfunded in the long term.

Other Unfunded Requests

Other unfunded requests include:

- 2.00 FTEs and approximately \$217,000 for Climate Resilient SD implementation, including supporting climate resiliency projects, micro-grant implementation, open space acquisition, and plan file reviews.
- \$200,000 to fund non-profit support for CPGs, including formation and ongoing trainings, as well as to fund an IT platform procurement for CPGs and other equitable public engagement operations.
- 1.00 FTE and approximately \$120,000 to implement a cultural heritage preservation and storytelling program and to promote the cultural resources important to underrepresented and marginalized communities.
- 1.00 FTE and \$102,000 in associated expenditures and revenues to support Land Development Code trainings and coordination.

- \$60,000 to facilitate California Coastal Commission review of City Planning initiatives.
- \$50,000 to support staff development and training.

Tactical Equity Plan

City Planning strives to advance equity as a principle for planning, and to engage community members in diverse neighborhoods, as reflected in the Department's Mission Statement and Tactical Equity Plan. All seven goals of its Tactical Equity Plan are outcome-oriented; four goals specifically emphasize a commitment to address priorities related to housing, mobility, public space, and the environment in traditionally underserved communities, or to advance anti-racist policies.

The Proposed Budget includes staffing and resources for City Planning's equity goals. For instance, the addition of 2 Program Coordinators for CPG Reform is expected to increase the Department's capacity to equitably engage with City residents and ensure equitable representation and participation in the CPG process. Additionally, as will be discussed in the General Plan Maintenance Fund section, \$1.2 million in additional funding for the Department's Work Program initiatives is fundamentally focused on achieving equity through equitable public engagement and the equitable development of policies that plan for future growth. Key initiatives include the Housing Action Package, various Community Plan Updates, and Equity Forward initiatives.

We note that City Planning submitted several requests intended to support equity goals that were not funded in the Proposed Budget. For instance, staffing and resources requested to support Equitable Public Engagement for implementation of Council Policies 800-14 and 000-32 were unfunded; if funded, those additions could help the Department conduct equitable engagement with the City's residents to identify infrastructure needs and priorities, and build trust with structurally excluded

Department Review: City Planning

communities to facilitate more meaningful and engaging input.

Community Plan Updates

City Planning’s current work plan can be found on [the Department’s website](#). The table below shows the target completion dates of community plan updates the Department is currently working on.

COMMUNITY PLAN UPDATES SCHEDULE	
Community Plan Updates Schedule	Target Completion
University	Dec-23
Hillcrest Focused Plan Amendment	Sep-24
College Area	Oct-24
Clairmont	Nov-24
Mid-City Communities	Dec-26

General Plan Maintenance Fund

The FY 2024 Proposed Budget for the General Plan Maintenance Fund (GPMF) includes \$4.9 million in expenditures, which is an increase of \$206,000 from the FY 2023 Adopted Budget. The increase in expenditures is associated with City Planning Work Program initiatives scheduled for FY 2024. FY 2024 revenues for GPMF are budgeted at \$4.2 million, an increase of approximately \$576,000. According to City Planning, a May Revision adjustment will be submitted to account for revised permit application projections and the new FY 2024 GPMF rate.

Facilities Financing Fund

The vast majority of revenues in the Facilities Financing Fund are generated by staff charges to development impact fee accounts to support the administration of the program.

The FY 2024 Proposed Budget for the Facilities Financing Fund totals approximately \$4.0 million, which represents an increase of approximately \$488,000 (13.9%) from FY 2023, mainly driven by salary and benefits

adjustments. FTEs supported by the Facilities Financing Fund remain flat at 19.00. FY 2024 revenues for the Facilities Financing Fund also remain flat at \$3.5 million. The objective for the Facilities Financing Fund is for revenues to cover expenditures. Any expenditures not covered by revenues will be made up by the use of carry forward fund balance.

City Planning submitted a request to transfer 19.00 FTEs, \$3.0 million in expenditures, and \$3.2 million in revenue associated with the Development Impact Fee (DIF) Program from the Facilities Financing Fund to the General Fund, as discussed in detail in the General Fund section above.

Department Review: City Treasurer

City Treasurer

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the City Treasurer includes the General Fund and Parking Meter Operations Fund.

Budgeted expenditures across all funds in the FY 2024 Proposed Budget for the City Treasurer are approximately \$30.3 million, which is an increase of \$1.5 million from the FY 2023 Adopted Budget. The Proposed Budget includes 134.00 FTE positions for the City Treasurer, which is an increase of 1.00 FTE from FY 2023. The City Treasurer currently has 28 vacancies and of those, six have conditional job offers and are pending background checks.

Budgeted revenue across all funds totals \$51.5 million, which represents a decrease of \$10.1 million from the FY 2023 Adopted Budget. Parking Meter Revenues are expected to remain the same as FY 2023, meaning all the revenue declines stem from the General Fund.

General Fund

The General Fund component of the Proposed Budget for the City Treasurer is \$21.4 million which is an increase of \$806,000 from the FY

2023 Adopted Budget. It includes 124.25 FTE positions (an increase of 1.25 FTE positions from FY 2023) and budgeted revenue of \$42.5 million (a decrease of \$10.1 million from FY 2023).

Significant Budget Adjustments

The FY 2024 Proposed Budget includes the following revenue adjustments:

Short-Term Residential Occupancy (STRO) Program

The FY 2024 Proposed Budget shows a decrease in revenue of \$7.5 million from STRO license applications. These licenses are valid for two years, so this revenue is considered one-time; the City Treasurer expects to receive the majority of revenues every other year.

For FY 2024, STRO revenue is anticipated to be \$645,000 for Tier 1, 2, and 3 application and license fees in the coming year. As the majority of STRO revenue is received every other year, and FY 2023 was the starting year, a significant decline in STRO license revenue was anticipated.

For two types of STRO licenses, Tier 3 and Tier 4, there is a cap on the number of available licenses. As of April 2023, the license cap has not been met for Tier 3. As such, the FY 2023 projection of \$8.3 million in STRO

SUMMARY OF OFFICE OF CITY TREASURER GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	123.00	\$ 15,048,438	\$ 5,512,230	\$ 20,560,668	\$ 52,560,219
Programmatic Changes					
<i>STRO License</i>	-	-	-	-	(7,468,121)
<i>Cannabis Business Tax</i>	-	-	-	-	(4,447,200)
<i>TOT Transfer for eligible services</i>	-	-	-	-	1,000,000
<i>Revenue Audit Program</i>	1.00	108,166	-	108,166	250,000
<i>Revised Collection Referral Revenue</i>	-	-	-	-	560,064
<i>Position Reallocation</i>	0.25	21,286	-	21,286	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	741,056	-	741,056	-
<i>Other Non-Personnel Expenditure Adjustments</i>	-	-	(64,565)	(64,565)	-
FY 2024 Proposed Budget	124.25	\$ 15,918,946	\$ 5,447,665	\$ 21,366,611	\$ 42,454,962
Difference from 2023 to 2024	1.25	\$ 870,508	\$ (64,565)	\$ 805,943	\$ (10,105,257)

Office of the Independent Budget Analyst
April 2023

Department Review: City Treasurer

revenues has been decreased to \$5.7 million. The shortfall is mainly due to licenses for Tier 3 being lower than anticipated. As of April 2023, there were still approximately 1,900 licenses still available in this Tier. Absent increases in STRO license applications, lower revenues would be expected in FY 2025 as well.

Cannabis Business Tax (CBT)

The FY 2024 Proposed Budget shows a decrease of \$4.5 million in revenue that was anticipated to be generated from Cannabis sales. The decline in CBT revenue is understood to be a result of a reduction in gross receipts reported by permitted outlets which is mainly due to increased competition from neighboring municipalities and illegal delivery services, as well as a decrease in the sales price of cannabis products due to an oversupply of goods. Additional detail on CBT revenue is included in our overview of General Fund revenues.

Reimbursements from TOT

In FY 2024, reimbursements from the TOT fund include an allocation of \$1 million. This reflects a partial reinstatement of the reimbursements to the Department for administrative costs as provided in San Diego Municipal Code section 35.0128; this is used for reimbursement for TOT administration and audit services.

Revenue Audit Program

The FY 2024 Proposed Budget includes the addition of 1.00 Accountant 3 position in the Revenue Audit program. This position will be

responsible for conducting complex franchise audits and take the lead on TOT compliance audits. The position is needed to assist the program in meeting its three-year audit cycle goal and will be reimbursed by the TOT fund.

Revised Collection Referral Revenue

The Proposed Budget includes \$560,000 in additional revenues related to a fee assessed when delinquent accounts are referred for collection.

Position Reallocation

For FY 2024, there is a reallocation of 0.25 Public Information Clerk from the Parking Meter Operations Fund to the General Fund to meet the forecasted needs of the Department.

Parking Meter Fund

The Parking Meter component of the FY 2024 Proposed Budget includes \$8.9 million of expenditures, which is \$693,000 or 8.4% more than the FY 2023 Adopted Budget. The Department's Revenue Collection Personnel reallocated .25 FTE from the Parking Meter Fund to General Fund operations.

The FY 2024 Proposed Budget shows no anticipated change in parking meter revenue from FY 2023.

Parking Meter revenue has not returned to pre-pandemic levels due to various factors, one of which is the Spaces as Place program which has reduced the number of metered parking spaces available in certain areas of the

SUMMARY OF CITY TREASURER PARKING METER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	10.00	1,302,224	\$ 6,924,906	\$ 8,227,130	\$ 9,000,000
Programmatic Changes					
<i>Transfer to Community Parking District Funds</i>	-	-	781,458	781,458	-
<i>Position Reallocation</i>	(0.25)	(21,286)	0	(21,286)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	22,016	-	22,016	-
<i>Information Technology Costs</i>	-	-	(7,085)	(7,085)	-
<i>Non-Discretionary Adjustment</i>	-	-	(82,556)	(82,556)	-
FY 2024 Proposed Budget	9.75	\$ 1,302,954	\$ 7,616,723	\$ 8,919,677	\$ 9,000,000
Difference from 2023 to 2024	(0.25)	\$ 730	\$ 691,817	\$ 692,547	\$ -

Department Review: City Treasurer

City. Other known factors include various CIP projects such as 4th and 5th Avenue bike lane installation which impacted hundreds of meters for the length of the project. While projects are temporary, they can have a significant impact on revenue as they can take many months to complete. There is a significant amount of CIP construction going on in the City in metered areas. Lastly, as businesses deal with the changes after COVID and more people telework, that reduces overall traffic into metered areas.

Significant Budget Adjustments

The FY 2024 Proposed Budget includes the following adjustments to the Parking Meter Fund:

Community Parking District Fund

The FY 2024 Proposed Budget includes an adjustment to increase the transfer to Community Parking District Funds. This increase is related to an increase in **anticipated net revenue generated by the Parking Meter Fund**. In accordance with City Council Policy 100-18, 55% of this net revenue goes to the City's General Fund and 45% to the Community Parking District Program to address parking-related needs in the City.

Citywide Program Expenditures

Impacts of Mayor’s FY 2024 Budget Proposal

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

Citywide’s FY 2024 Proposed Budget totals approximately \$196.6 million, a decrease of \$62.0 million, or 24.0%, from the FY 2023 Adopted Budget. Some of the significant budget areas of this Department are discussed in this section.

Payments for Contracts and Services Corporate Master Lease Rent

The City leases various facilities, such as office space and warehouses, from private parties to house some City employees and to support the daily operations of the City. The amount budgeted for these costs totals \$13.3 million, a reduction of \$8.9 million from FY 2023. The reduction is mainly driven by savings from 101 Ash Street and Civic Center Plaza rent, totaling \$10.3 million. The savings are partially offset by an increase of \$1.3 million, largely related to annual rent increases at various locations and additional office space at 525 B Street for Fire-Rescue and the Commission on Police Practices.

SUMMARY OF "CITYWIDE PROGRAM EXPENDITURES" BUDGET CHANGES			
Budget Changes (dollars in millions)	FY 2023 Adopted	FY 2024 Proposed	Proposed Change
Payments for Contracts and Services			
<i>Corporate Master Lease Rent/Lease-to-Own</i>	\$ 22,242,939	\$ 13,305,531	\$ (8,937,408)
<i>Special Consulting Services</i>	45,530,428	9,200,792	(36,329,636)
<i>Citywide Elections</i>	2,287,305	4,212,979	1,925,674
Transfers to Public Liability Funds			
<i>Transfer to Public Liability Operating Fund for Insurance</i>	21,733,589	30,619,671	8,886,082
<i>Transfer to Public Liability Operating Fund for Claims</i>	25,566,991	26,400,000	833,009
Other Significant Expenditures			
<i>Capital Infrastructure Debt Service</i>	27,867,100	39,856,865	11,989,765
<i>Transfer to Infrastructure Fund</i>	28,444,223	21,545,888	(6,898,335)
<i>Transfer to Parks Improvement Funds</i>	11,763,380	19,799,571	8,036,191
<i>Climate Equity Fund Contribution</i>	7,004,246	7,688,396	684,150
<i>Transfer to Bridge to Home</i>	5,847,660	5,847,660	-
<i>Transfer to Capital Improvements Program</i>	40,198,276	-	(40,198,276)
<i>Energy Independence Fund Contribution</i>	1,580,000	-	(1,580,000)
<i>Other Expenditures</i> ¹	18,548,679	18,124,884	(423,795)
TOTAL	\$ 258,614,816	\$ 196,602,237	\$ (62,012,579)

¹ The largest FY 2024 Proposed Budget amounts in the "Other Expenditures" line include:

- \$4.8 million for property tax administration expense to San Diego County
- \$4.4 million for insurance
- \$2.2 million to reimburse E&CP for SDG&E right-of-way inspections
- \$1.5 million for the Supplemental COLA pension benefit payments
- \$1.5 million for Preservation of Benefits (POB) pension payments
- \$1.4 million for Public Use Leases
- \$1.2 million for assessments to public property (including Vector Control and MAD and PBID assessments for City-owned property)
- \$1.1 million for memberships (including those with SANDAG, SD County Local Agency Formation Commission, League of CA Cities)

Department Review: Citywide Program Expenditures

Special Consulting Services

The Special Consulting Services budget totals \$9.2 million, a decrease of \$36.3 million from FY 2023, as shown in the table below.

The largest decrease is \$28.0 million related to the removal of costs associated with unwinding Proposition B. Most active employees affected by Proposition B have been reinstated into SDCERS¹ – see the *Pension* section of this report for additional discussion on Proposition B unwinding.

The second largest decrease is \$9.0 million associated with estimated FY 2024 compensation increases that are not distributed among City departments. The \$7.2 million undistributed amount is \$9.0 million lower than the \$16.2 million that was undistributed in the FY 2023 Adopted Budget. These cost estimates are related to compensation increases resulting from negotiations with the City’s Recognized Employee Organizations (REOs) – for FY 2023, with the City’s public safety REOs, and for FY 2024 with the City’s non-public safety REOs.

For FY 2024, there is approximately \$23.8 million in additional compensation increases for the non-public safety REOs that is already distributed among City departments, yielding about \$31.0 million in *total* estimated compensation increases for the non-public safety

REOs in the Proposed Budget. For additional discussion on the status of negotiations, see the *General Fund Expenditures Overview* section of this report. Additionally, for more information on labor negotiations and compensation issues, see IBA Report 23-01, [FY 2024 Labor Negotiations Over Compensation Increases](#).

The largest increase in Special Consulting Services is \$500,000 for Citywide Space Planning and Condition Assessments. According to the Department of Finance, this funding will support departments with space planning needs Citywide (for instance, Stormwater and DSD) and condition assessments for General Fund facilities and service yards.

Citywide Elections

The FY 2024 Proposed Budget for Citywide elections is increasing by \$1.9 million, from \$2.3 million to \$4.2 million. The Citywide elections budget covers estimated costs associated with the June 2024 Primary Election. The Primary Election races will include Council Districts 1, 3, 5, 7, and 9, the Mayor and City Attorney elections, and potential ballot measures.

The FY 2024 Citywide elections budget is developed based on actual costs from the 2020 Primary Election incurred per Council District and per ballot measure, using the average

SPECIAL CONSULTING SERVICES			
Budget Changes	FY 2023 Adopted	FY 2024 Proposed	Change
Estimated Compensation Increases - Pending Negotiations	16,215,208	7,174,232	(9,040,976)
Sales Tax Consulting	500,000	590,000	90,000
Energy-related Costs (Ash St/Golden Hall/Concourse)	424,426	586,560	162,134
Citywide Space Planning and Condition Assessments	-	500,000	500,000
Actuarial Services	250,000	250,000	-
Specialized Consultants - Development Project Analysis	-	100,000	100,000
Proposition B Unwinding Costs	27,990,794	-	(27,990,794)
Zuniga Jetty	50,000	-	(50,000)
Free4Me Pilot Program	100,000	-	(100,000)
TOTAL	\$ 45,530,428	\$ 9,200,792	\$ (36,329,636)

¹ SDCERS is the San Diego City Employees Retirement System.

Department Review: Citywide Program Expenditures

number of ballot measures in prior elections. It assumes no special election will be held.

Actual election costs can vary significantly, depending on several factors including: the number of participating jurisdictions; the number of candidates for all jurisdictions; the number of registered voters and voter participation rate; the availability of conditional voter registration at polling sites; and the number of vote-by-mail ballots mailed to voters.

Transfers to Public Liability Funds

The FY 2024 Proposed Budget includes \$30.6 million and \$26.4 million to support the Public Liability (PL) Operating Fund's insurance and claims payments, respectively.

- The \$30.6 million insurance payment budget for FY 2024 has increased by about \$8.9 million, based on premium estimates that incorporate loss development trends in the insurance market.
- The \$26.4 million claims funding transfer has increased by \$833,000 compared to the FY 2023 Adopted Budget due to increased claims estimates.

There is no budget in FY 2024 for a transfer to the Public Liability Reserve, as it is currently projected to be funded to its target level. See the *Public Liability Funds* section of this report (under *Reserves*) for more information on the PL Funds.

Other Significant Expenditures

Capital Infrastructure Debt Service

The FY 2024 Proposed Budget for capital infrastructure debt service includes debt service on bonds (\$38.7 million), as well as loan interest and fees on commercial paper (\$1.1 million). Thus, the total debt service budget is \$39.9 million, an increase of \$12.0 million from the \$27.9 million included in the FY 2023 Adopted Budget.

The primary driver of the Proposed Budget debt service increase is \$11.6 million for the 2023A bond issuance; however, the principal amount of the actual 2023A bond issuance is \$60.0 million lower than anticipated. As a result, the actual debt service amount for the 2023A bond issuance is \$7.2 million, \$4.4 million lower than the \$11.6 million included in the Proposed Budget, and the total bond debt service payments amount is \$34.4 million. However, there will be additional Commercial Paper issuances to keep up with Capital Improvements Program and equipment spending, resulting in estimated \$1.2 million for Commercial Paper debt service interest. Therefore, the total estimated increase in FY 2024 debt service is \$8.8 million. ***The \$3.2 million difference between \$8.8 million estimated increase in debt service and \$12.0 million Proposed Budget increase amount is anticipated to be reflected in May Revision.***

For reference, \$34.4 million in FY 2024 bond debt service payments are as follows:

- \$6.7 million for the \$103 million 2018A refunding issuance
- \$4.2 million for the \$75 million 2012A and 2020A partial refunding issuance
- \$2.2 million for the \$35 million 2013A issuance
- \$6.9 million for the \$120 million 2015 A&B issuance
- \$7.2 million for the \$145 million 2021A issuance
- \$7.2 million for the \$126.8 million 2023A issuance

Transfer to Infrastructure Fund

The Infrastructure Fund was established in accordance with Charter Section 77.1, which was approved by the voters in June 2016 as the Proposition H ballot measure. Allowable

Department Review: Citywide Program Expenditures

uses of these funds include: acquisition of real property, construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure.

The required transfer for FY 2024, based on applicable revenues from the FY 2024 Proposed Budget, is \$21.5 million. The Mayor is proposing to allocate \$20.0 million of this amount to the Capital Improvements Program (CIP) for City facilities, transportation projects, stormwater projects, and Parks and Recreation Department projects. The remaining \$1.5 million will support repairs and tenant improvements for Police facilities.

In FY 2023, \$28.4 million was transferred to the Infrastructure Fund to support CIP projects.

Transfer to the Parks Improvement Funds

The City Charter sets a threshold of Mission Bay rents and concession revenues that can be placed into the General Fund for any municipal purpose at \$20.0 million. Any rent and concession revenue greater than that amount is to 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 \$19.8 million, up from \$11.8 million in FY 2023. The \$8.0 million increase is largely related to recovery of revenues that had previously declined during the COVID-19 pandemic. Revenue from Mission Bay Park rents and concessions is budgeted in the Department of Real Estate and Airport Management.

Climate Equity Fund Contribution

The FY 2024 Proposed Budget includes a \$7.7 million contribution to the Climate Equity Fund, up from \$7.0 million in FY 2023. This funding is for infrastructure projects within

underserved communities to help them respond to the impacts of climate change, and is discussed further in the Franchise Fees section of our review of Major General Fund Revenues.

We note that outside the Citywide Program Expenditures budget another \$1.5 million in franchise fee revenue is being allocated to the Climate Equity Fund for a total contribution of \$9.2 million.

Transfer to Bridge to Home

The FY 2024 Proposed Budget includes \$5.8 million to support the Bridge to Home program. This one-time funding is associated with the sale of the Tailgate Park property. It was anticipated that this sale would close in FY 2023, and \$5.8 million was budgeted in the FY 2023 Adopted Budget. However, due to unresolved litigation and challenges regarding the transaction, Council voted to amend the sale contract and extend the original escrow closing date beyond the prior December 23, 2022 deadline. The sale of the Tailgate Park is now anticipated to close in FY 2024.

While proceeds from the sale are considered one-time unrestricted General Fund property tax revenue, the City Council approved the sale of Tailgate Park with the condition that City proceeds be transferred and appropriated into the Low and Moderate Income Housing Asset Fund to support affordable housing development through the Bridge to Home program. As such, the FY 2024 Citywide Program Expenditures Proposed Budget includes the transfer of \$5.8 million to the Low and Moderate Income Housing Asset Fund. For our review of this fund, please refer to the *Low and Moderate Income Housing Asset Fund* section of this report.

Department Review: Citywide Program Expenditures

Transfer to Capital Improvements Program

Transfer to the Capital Improvements Program, when budgeted, is included in the Citywide Program Expenditures Department. The FY 2024 Proposed Budget does not include any transfers to Capital Improvements Program, which represents a \$40.2 million decrease from the FY 2023 Adopted Budget. See the *Capital Improvements Program (CIP)* section of this report for more information.

Energy Independence Fund Contribution

The FY 2024 Citywide Program Expenditures budget includes an adjustment to reduce the ongoing Energy Independence Fund (EIF) budget by \$1.6 million. This adjustment is associated with the reclassification of franchise fees transfers to the EIF. Starting FY 2022, the first year of funding for EIF, the required franchise fees contribution to EIF were transferred from General Fund to EIF. However, due to legal concerns, the transfer will now be deposited directly into EIF, instead of passing through General Fund. See the *Climate Action Plan* section of this report for more details on this fund.

Other Expenditures

The following are additional expenditure items which are included in the Citywide Program Expenditures budget. Since budget amounts or changes for these expenditure items are smaller than previous areas discussed, these additional expenditures are listed in the footnote to the table on the first page of this section.

- *Preservation of Benefits (POB) Pension Payments*

The City makes additional payments to SDCERS² to fund any pension payments in excess of IRS limits. The FY 2024 amount for POB is \$1.5 million,

unchanged from FY 2023.

- *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 2024 Citywide Program Expenditures amount for this benefit is unchanged from FY 2023, at \$1.5 million.

- *Public Use Leases*

The FY 2024 Proposed Budget for the public use leases is unchanged from FY 2023, at \$1.4 million, for the use of parking lots in Las Americas and Imperial Marketplace. Following the Proposed Budget release, City staff reported that the final payment for Imperial Marketplace would occur in FY 2023. Therefore, a budget adjustment to reduce the public use leases budget by \$137,000 is expected in May Revision.

General Fund Reserve

The FY 2024 Proposed Budget includes a contribution of \$6.8 million to General Fund Reserves to meet the FY 2024 Reserve target per the updated Reserve Policy. Notably, the Proposed Budget does not appropriate the \$6.8 million Reserve contribution, but instead it will be earmarked as a component of fund balance instead of as an expenditure to the

² SDCERS is the San Diego City Employees Retirement System.

Department Review: Citywide Program Expenditures

General Fund. For more about this Reserve, see the *General Fund Reserve* section of this report.

Pension Payment Stabilization Reserve

Contributions to the Pension Payment Stabilization Reserve (PPSR), if budgeted, are also included in Citywide Program Expenditures. Based on the updated Reserve Policy, the City will fund and maintain the PPSR after the 16.7% General Fund Reserve target is met. Given the City will not meet the General Fund Reserve target for several years, there is no contribution included in the FY 2024 Proposed Budget to PPSR. For additional information on the PPSR, see the *Pension Payment Stabilization Reserve* section of this report.

Commission on Police Practices

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Office of the Commission on Police Practices (OCP) is approximately \$2.2 million, a reduction of \$347,000 or 13.6% from the FY 2023 Adopted Budget. The FY 2024 Proposed Budgeted includes 12.00 FTEs which is an increase of 0.50 FTEs from FY 2023.

Significant Budget Adjustments

The Proposed Budget includes the addition of 0.50 FTEs and \$96,000 in non-personnel expenditures to reinstate the OCP’s internal General Counsel position to a full 1.00 FTE. The timeframe for when the OCP expects to fill the General Counsel position depends on when Commission members are formally appointed. According to the OCP’s Interim Executive Director, the hiring could occur in January 2024, assuming Commissioners are successfully appointed in the June/July 2023 timeframe. Budgeted Personnel Expenditure Savings have been increased to account for the General Counsel’s assumed six-month vacancy.

In the FY 2023 Adopted Budget, \$180,000 was funded on a one-time basis for outside legal services. This funding was not continued in the FY 2024 Proposed Budget, which will leave the OCP with a remaining budget for contracted legal services totaling \$25,000.

This funding level is likely insufficient. For context, the OCP expended approximately \$82,000 of its \$205,000 legal services budget, or approximately \$8,200 per month, through the first ten months of FY 2023. At this spending rate, the OCP would deplete its \$25,000 legal services budget in approximately three months. **The Council may wish to ask the OCP what its anticipated needs are for contracted legal services, both before and after the General Counsel position is filled, to determine whether a budget increase is warranted.**

Issues for Council Consideration

Staffing Update

Of the 11.50 FTEs budgeted in FY 2023, only 3.00 FTEs, including the Interim Executive Director, Community Engagement Coordinator, and Executive Assistant, are currently filled. The OCP is currently recruiting for the Deputy Executive Director and Supervising Investigator positions and expects these to be filled in early FY 2024. They hope to fill the remaining 7.00 FTEs, including the General Counsel position, over the course of FY 2024.

SUMMARY OF COMMISSION ON POLICE PRACTICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	11.50	\$ 1,693,262	\$ 857,090	\$ 2,550,352	\$ -
Programmatic Changes					
<i>Legal Services</i>	0.50	95,598	-	95,598	-
Other Changes					
<i>Other Salaries and Wages</i>	-	85,445	-	85,445	-
<i>Reduction of Start-up Operating Costs</i>	-	-	(186,140)	(186,140)	-
<i>One-time Additions and Annualizations</i>	-	(70,212)	(280,000)	(350,212)	-
<i>Non-Discretionary Adjustments</i>	-	-	8,072	8,072	-
FY 2024 Proposed Budget	12.00	\$ 1,804,093	\$ 399,022	\$ 2,203,115	\$ -
Difference from 2023 to 2024	0.50	\$ 110,831	\$ (458,068)	\$ (347,237)	\$ -

Department Review: Communications

Communications

The Communications Department provides information to educate and engage the public through media and community outreach, video production, graphic design, and live coverage of public meetings.

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Communications Department is approximately \$8.5 million, an increase of \$2.4 million over the FY 2023 Adopted Budget. This notable increase is primarily due to transferring in the Publishing Services Fund from the Purchasing and Contracting Department with \$2.0 million in total expenditures and \$1.6 million in fund revenue, as well as 9.50 FTE positions. Including the transfer of the Publishing Services Fund, the Department has a total of 47.50 FTE.

The Department projects an additional revenue increase of \$100,000 relative to the FY 2023 Adopted Budget to align with historical revenue trends. In recent years, the Department has seen increases in revenue beyond budgeted levels due to communication requests from departments funded by the Enterprise Fund to increase outreach efforts, without corresponding changes to the

Department’s revenue budget. Since FY 2020, actual revenue has surpassed budgeted revenue by an average of \$120,000 each year. This revenue increase brings total projected Department revenue to \$2.1 million for FY 2024.

According to the Department, the work of Publishing Services more closely aligns with that of the Communications Department than the Purchasing and Contracting Department. For instance, Publishing Services includes graphic design, web design, electronic publishing, poster and banner printing, and high-volume quick printing. The transfer also allows for the consolidation of all graphic designer positions under one department.

General Fund

The FY 2024 Proposed Budget includes several minor budget adjustments, including the following:

- \$526,000 increase in salary, wages, and fringe benefit costs
- \$65,000 ongoing increase for annual licenses for the City’s NextRequest Portal, which is a record request management and document portal that facilitates Public Records Act requests

SUMMARY OF COMMUNICATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	38.00	\$ 5,374,972	\$ 643,936	\$ 6,018,908	\$ 372,107
Programmatic Changes					
<i>Transfer of Publishing Services Fund to Communications</i>	9.50	825,487	1,137,375	1,962,862	1,640,551
<i>Administrative Support Increase</i>		15,575		15,575	
<i>NextRequest Portal Contract</i>			65,340	65,340	
<i>State of the City Address Increase</i>			20,000	20,000	
<i>Removal of One-time Promotional Activities</i>			(200,000)	(200,000)	
Other Changes					
<i>Other Wage and Benefit Adjustments</i>		525,711		525,711	
<i>Non-Discretionary Adjustments</i>			21,482	21,482	
<i>Other Adjustments</i>			25,575	25,575	
<i>Revenue Adjustment to Align with Historical Trends</i>					100,000
FY 2024 Proposed Budget	47.50	\$ 6,741,745	\$ 1,713,708	\$ 8,455,453	\$ 2,112,658
Difference from 2023 to 2024	9.50	\$ 1,366,773	\$ 1,069,772	\$ 2,436,545	\$ 1,740,551

Note – this table summarizes all department changes; changes specific to the Publishing Services Fund are detailed on the next page.

Department Review: Communications

- \$20,000 ongoing increase with the return of the in-person address for the State of the City event to cover facility rental and production costs
- \$16,000 ongoing increase for additional administrative support, to be provided by a newly requested administrative position under the Publishing Services Fund

We note as of this writing the Department has four vacancies (2.00 Public Information Officer and 2.00 Supervisor Public Information Officer) among its 38 budgeted positions. The Department is currently in the hiring process for all four vacancies.

Unfunded Request

The Department requested \$200,000 to fund citywide marketing and promotional advertising, but this amount was not included in the Proposed Budget. The Department submitted the same request last year, and it was funded on a one-time basis in the FY 2023 Adopted Budget. The Department notes potential equity concerns if promotional activities are limited to social media or earned media opportunities on the local news, due to the digital divide that disproportionately impacts low-income communities. The Department also requested \$8,000 for travel training opportunities for staff, which was not funded.

Publishing Services Fund

The FY 2024 Proposed Budget for the Publishing Services Fund is \$2.0 million with approximately \$1.7 million in revenue and 9.50 FTE positions, of which 1.50 FTE are newly proposed for FY 2024, as shown in the table below. This is an increase of \$248,000, or 14.5%, in expenditures from FY 2023 Adopted Budget. Revenue increases by \$16,000, related to administrative support reimbursements from the Communications Department, to be detailed next.

Significant Budget Additions

The FY 2024 Proposed Budget includes the addition of the following 1.50 FTE positions:

1.00 FTE - Administrative Aide 2 (\$80,000)

The Proposed Budget adds an administrative position to support Publishing Services administrative and budget functions. This position will also provide administrative support as time permits to the Communications Department, which will reimburse the Publishing Services Fund \$16,000. This personnel addition would restore an administrative position that was reduced in FY 2021. In intervening years, the Senior Publishing Specialist perform these administrative duties.

SUMMARY OF PUBLISHING SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	8.00	\$ 610,142	\$ 1,104,788	\$ 1,714,930	\$ 1,640,551
Programmatic Changes					
<i>Add: Administrative Aide 2¹</i>	1.00	79,746	-	79,746	15,575
<i>Add: Information Systems Analyst I</i>	0.50	41,548	-	41,548	-
Other Changes					
<i>Other Wage and Benefits Adjustments</i>	-	94,051	-	94,051	-
<i>Non-Discretionary Adjustments</i>	-	-	32,587	32,587	-
FY 2024 Proposed Budget	9.50	\$ 825,487	\$ 1,137,375	\$ 1,962,862	\$ 1,656,126
Difference from 2023 to 2024	1.50	\$ 215,345	\$ 32,587	\$ 247,932	\$ 15,575

¹The Communications Department will reimburse the Publishing Services Fund for administrative services provided by the Administrative Aide 2 position.

Department Review: Communications

0.50 FTE – Information Systems Analyst 1 (\$42,000)

The Proposed Budget adds a part-time Information Systems Analyst to manage the Publishing Services' print management information system.

The proposed 1.50 FTE positions help facilitate the transfer of the Publishing Services Fund to the Communications Department. Publishing Services previously received administrative and information systems support from Purchasing and Contracting Department staff. Due to the transfer to the Communications Department, which is not staffed to provide administrative or information systems support, the Department identified the need for the additional 1.50 FTE positions for Publishing Services.

Department Review: Compliance

Compliance

The Compliance Department, established in FY 2022, provides enforcement and compliance support for several areas. External enforcement activities include investigations with respect to the City’s Living Wage, Prevailing Wage, and Minimum Wage and Earned Sick Leave Ordinances. Internal City efforts include support for responses to audits and for compliance with external agency regulations, as well as an Administrative Appeals program for City departments. The Compliance Department also oversees the City’s Occupational Safety and Health (OSH) program.

Impacts of Mayor’s FY 2024 Budget Proposal

The Compliance Department’s FY 2024 Proposed Budget totals approximately \$5.6 million, an increase of approximately \$953,000, or 20.5%, from the FY 2023 Adopted Budget. Changes to the Department’s budget are shown in the table below.

Personnel Expenditures (PE) increases include the addition of the following positions:

- 1.00 Program Manager for grant, audit, and other compliance activities

This position was not included in the FY 2023 Adopted Budget but was filled as a supplemental position for part of FY 2023 – although it recently became vacant. Inclusion in the budget for FY 2024 would make this position permanent.

Areas of responsibility for this position are related to Title VI (of the Civil Rights Act of 1964) compliance, grant compliance, audit best practices, and Grand Jury processes. The position will provide central support to departments with respect to these areas and provide smaller departments with compliance assistance resources that they do not possess internally.

- 1.00 Program Coordinator for analysis of citywide workplace safety and driving data

An audit released in May 2022 by the City Auditor, [Performance Audit of Workplace Safety and Workers’ Compensation](#), examined issues related to improving workplace safety and

SUMMARY OF COMPLIANCE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	34.00	\$ 4,401,725	\$ 241,117	\$ 4,642,842	\$ 1,633,363
Programmatic Changes					
<i>1.00 Program Manager for Grant, Audit, and Other Compliance Activities</i>	1.00	186,624	-	186,624	-
<i>1.00 Program Coordinator for Analysis of Citywide Workplace Safety and Driving Data</i>	1.00	141,266	2,328	143,594	-
<i>Adjustment to Reimbursement Revenue for Monitoring Prevailing Wage Compliance for CIP Contracts</i>	-	-	-	-	(1,273,363)
Other Changes					
<i>Other Salaries & Wages</i>	-	295,495	-	295,495	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	236,625	-	236,625	-
<i>Non-Discretionary Adjustments</i>	-	-	95,181	95,181	-
<i>Other Adjustments</i>	-	-	(4,034)	(4,034)	-
FY 2024 Proposed Budget	36.00	\$ 5,261,735	\$ 334,592	\$ 5,596,327	\$ 360,000
Difference from 2023 to 2024	2.00	\$ 860,010	\$ 93,475	\$ 953,485	\$ (1,273,363)

Department Review: Compliance

minimizing workers' compensation costs. Among other areas, the audit discussed the need for related data analytics to improve workplace safety programs.

In addition to analyzing overall citywide workplace safety data, this position will be responsible for creating a process for addressing driving data produced by Fleet's Geotab program, as well as performing related monitoring and reporting functions so that identified issues can be managed.

FY 2024 Proposed Budget Revenue Reduction

In FY 2023 budgeted revenue of \$1.6 million was transferred to the Compliance Department with the transfer of E&CP's Prevailing Wage program to Compliance. This revenue was for anticipated reimbursable time for monitoring prevailing wage compliance with respect to contracts under CIP projects. The Prevailing Wage Program bills CIP projects accordingly.

However, during FY 2023, work related to monitoring *non*-CIP contracts subject to prevailing wage has also been performed by the Prevailing Wage team. This has resulted in less than anticipated time spent on CIP contracts, as the Department works to balance both workloads. Unlike CIP contract monitoring, the non-CIP workload is not reimbursable and does not produce revenue for the Compliance Department.

As such, the FY 2024 budget for reimbursement revenue related to prevailing wage compliance monitoring of CIP contracts is being reduced by \$1.3 million – from \$1.6 million to \$360,000.

Issues for Council Consideration

Unfunded Requests

The Compliance Department requested several additional positions which were not included in the Proposed Budget:

- 3.00 Associate Management Analysts and \$289,000 to assist in prevailing wage compliance monitoring (partially reimbursable)

As discussed in the previous section, the Prevailing Wage team has been balancing compliance monitoring for CIP and non-CIP contracts. The volume of CIP projects has been increasing over the past several years; and the addition of these positions would enable staff to handle a greater workload.

- 1.00 Safety Officer and \$96,000 to support departments without safety personnel

The addition of this position would facilitate the completion of Recommendations 1 and 9 of the City Auditor's Performance Audit of Workplace Safety and Workers' Compensation. These recommendations refer to the establishment and implementation of an Administrative Regulation or process narrative regarding roles and responsibilities for departments' Injury and Illness Prevention Programs, as well as the updating and use of Injury/Illness Investigation forms. This position would carry out related activities.

- 3.00 FTEs and \$330,000 for grant compliance assistance to departments (including 1.00 Program Coordinator and 2.00 Associate Management

Department Review: Compliance

Analysts)

These positions would alleviate Department of Finance involvement and be partially reimbursable.

Unfunded City Council Budget Priority

Seven Councilmembers supported staffing and resources for the Office of Labor Standards and Enforcement (OLSE) in their budget priorities memoranda – see [IBA Report 23-02 REV](#). Positions prioritized in the Councilmembers priorities memos include staff attorneys, field investigators, and community outreach representatives to expand OLSE’s capacity to enforce labor laws and educate workers of their rights. Three Councilmembers noted the additional attorney staff would be in the City Attorney’s Office. Funding to support community-based and worker-centered outreach was also supported.

Positions and support included in Councilmembers’ priorities memos are not included in the Proposed Budget. As discussed in the previous section, the Compliance Department did request 3.00 Associate Management Analysts to assist in prevailing wage compliance monitoring, but that request was also not included in the Proposed Budget.

The Compliance Department has considered its workload and created a plan for fulfilling its mission in what it believes to be an operationally efficient approach, given its budget constraints. Considering the City’s limited resources and competing priorities on a citywide basis, the Mayor’s Proposed Budget neither funds the Department’s request nor the Council’s budget priority. The Council may wish to discuss this issue further during the budget process as it also works to balance its many priorities.

Status of FY 2023 Budgeted Versus Filled Positions

As of mid-April 2023, the Compliance Department had 29.00 filled FTEs as compared to its 34.00 budgeted FTEs. These positions are all “non-hourly” positions (standard hour positions). The 5.00 unfilled FTEs translate to a 14.7% vacancy rate for the Department.

The Department anticipates filling two of the five vacant positions by the end of FY 2023. For the remaining three vacancies:

- Two positions were added to the FY 2023 Adopted Budget for administrative and budget support for the Compliance Department and two other departments (1.00 Senior Management Analyst and 1.00 Administrative Aide 2). Personnel Department classification study issues for these positions were being addressed as of mid-April 2023.
- An offer for the unfilled 1.00 Associate Engineer - Civil (Senior Contract Specialist) in the Prevailing Wage Team was made, but the candidate took another position. The Compliance Department will ask the Personnel Department to re-open the recruitment, and it will likely be several months before the position can be filled. As mentioned previously, the Prevailing Wage Team is balancing a heavy workload for both CIP and non-CIP contracts subject to prevailing wage requirements.

Department Review: Cultural Affairs

Cultural Affairs

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Cultural Affairs Department totals approximately \$2.1 million, a decrease of \$249,000 from the FY 2023 Adopted Budget. This represents a decrease of 10.8%. The FY 2024 Proposed Budget includes 7.00 FTE positions which is unchanged from the FY 2023 Adopted Budget. The Department has no current vacancies.

Cultural Affairs Department operations are primarily funded by the Transient Occupancy Tax (TOT) Fund, with TOT Fund expenditures totaling \$2.0 million in the FY 2024 Proposed Budget, as reflected in the table below.

The Department also manages the Public Art Fund which is allocated \$85,000 from the Transient Occupancy Tax Fund in the FY 2024 Proposed Budget. The Public Art fund remains below pre-pandemic funding levels (\$560,000 in FY 2020 Adopted Budget).

Significant Budget Adjustments

The expenditure reduction in the FY 2024 Proposed Budget is due to the removal of one-time funding in FY 2023. These allocations included a one-time non-personnel expenditure of \$250,000 for the development of a citywide cultural plan (discussed below) and \$55,000 for a one-time implementation cost for a new grant management system. In total,

the removal of these FY 2023 one-time expenditures amounts to a \$305,000 budget reduction.

Creative City Cultural Plan

The FY 2024 Proposed Budget includes \$100,000 in one-time non-personnel expenditures to continue the development of the City’s first Citywide cultural plan to be called “The Creative City.” In FY 2023, a one-time non-personnel expenditure of \$250,000 was allocated to begin the development of the plan. According to the Department, the plan will focus on equity and provide for a multi-year policy and planning framework to guide the City’s investments in arts and culture. This \$100,000 of one-time funding is anticipated to be the final funding necessary to complete the project. The next stage of the plan aims to ensure more comprehensive neighborhood-based engagement throughout San Diego’s nine Council Districts, with an emphasis on those traditionally less served and City facilities for cultural use.

SUMMARY OF CULTURAL AFFAIRS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	7.00	\$ 993,099	\$ 1,306,541	\$ 2,299,640	\$ 85,000
Programmatic Changes					
<i>Creative Cities Cultural Plan</i>	-	-	100,000	100,000	-
Other Changes					
<i>One-Time Additions and Annualizations</i>	-	-	(305,000)	(305,000)	-
<i>Other Non-Personnel Adjustments</i>	-	-	(98,545)	(98,545)	-
<i>Salary and Benefit Adjustments</i>	-	54,996	-	54,996	-
FY 2024 Proposed Budget	7.00	\$ 1,048,095	\$ 1,002,996	\$ 2,051,091	\$ 85,000
Difference from 2023 to 2024	-	\$ 54,996	\$ (303,545)	\$ (248,549)	-

Office of the Independent Budget Analyst
April 2023

Department Review: Department of Finance

Department of Finance

The Department of Finance provides centralized financial services to the City. It is made up of three divisions: Financial Planning, External Financial Reporting, and Debt Management & Capital Improvements Program (CIP). The department has four main areas of responsibilities: 1) oversight of the City’s operating and capital budgets, 2) accounting and financial reporting for all City funds, 3) payroll and vendor payments, and 4) financing and management of City debt obligations.

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Department of Finance is approximately \$26.5 million in General Funds, an increase of \$5.5 million, or 26.0%, over the FY 2023 Adopted Budget. The budget includes 140.00 FTE positions, reflecting an increase of 24.00 FTE positions from FY 2023. There is \$2.8 million in budgeted revenue, which is an increase of \$494,000, or 21.8%, over the FY 2023 Adopted Budget.

The Proposed Budget includes the consolidation of the former Debt Management Department, discussed further in the next section, into the Department of Finance. Without this consolidation, expenditures in the Proposed Budget for the Department of Finance

increase 12.5% over the FY 2023 Adopted Budget, and revenues decline by 5.9%. Additionally, the budget proposes to increase staffing by 7.00 FTEs, not accounting for the Debt Management consolidation.

Significant Budget Adjustments

The FY 2024 Proposed Budget provides the following significant budget adjustments:

\$2.8 million, 17.00 FTEs – Consolidate Debt Management Functions within Department of Finance

The consolidation of Debt Management functions within Department of Finance is anticipated to facilitate better coordination of capital budgeting, planning, and financing.

We note that the Proposed Budget does not include any programmatic budget adjustments for Debt Management, and the number of FTEs supporting this function remains unchanged from FY 2023, at 17.00 FTEs.

\$529,000, 4.00 FTEs – Increased Fiscal Support

The Proposed Budget includes one Program Coordinator and three Finance Analysts which are currently supplemental, unbudgeted positions to increase support for the Department and the growing demand for centralized financial services. The Department cites the

SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	116.00	\$ 19,541,096	\$ 1,501,053	\$ 21,042,149	\$ 2,264,984
Programmatic Changes					
<i>Consolidate Debt Management within Dept of Finance</i>	17.00	2,743,462	91,750	2,835,212	628,250
<i>Fiscal Support - Supplemental Positions</i>	4.00	529,391	-	529,391	-
<i>Grant Support</i>	2.00	202,564	-	202,564	-
<i>Transfer Fiscal Staff from COO to Dept of Finance</i>	1.00	100,382	-	100,382	-
<i>Reorganization and CIP Support</i>	-	(85,641)	-	(85,641)	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	1,448,640	-	1,448,640	-
<i>Other Adjustments</i>	-	-	454,361	454,361	-
<i>Accounts Payable Audit Services</i>	-	-	(10,000)	(10,000)	(50,000)
<i>Revised Revenue Projections</i>	-	-	-	-	(84,272)
FY 2024 Proposed Budget	140.00	\$ 24,479,894	\$ 2,037,164	\$ 26,517,058	\$ 2,758,962
Difference from 2023 to 2024	24.00	\$ 4,938,798	\$ 536,111	\$ 5,474,909	\$ 493,978

Department Review: Department of Finance

growing City workforce, growing operating and CIP budget, and implementation of large City initiatives, such as the Climate Action Plan and addressing homelessness, as drivers of the need for these positions.

\$203,000, 2.00 FTEs – Increased Grant Support

The Department of Finance has a Grants section made up of 6.00 FTE positions. This section is responsible for overseeing general compliance and reporting requirements to ensure the City is adhering to audit requirements for grant awards. According to the Department, the need for the additional position is supported by the growth in grants awarded to the City (25 in 2019 versus 70 in 2022) and the expectation that they will continue to grow.

\$100,000, 1.00 FTE – Transfer from Office of the Chief Operation Officer

One Associate Management Analyst is proposed to be transferred from the Office of the Chief Operating Officer (COO) to the Department of Finance. This position would continue budgetary support for the Office of the COO, along with the Office of the Mayor and the Governmental Affairs Department.

(\$86,000) – Reorganization and Capital Improvements Program Support

The Proposed Budget reduces a Department Director position associated with the consolidation of Debt Management into the Department of Finance. Partially offsetting this reduction is the addition of a Principal Accountant, a current unbudgeted supplemental position, to support the City's CIP. This change results in a net reduction of \$86,000 in expenses.

Significant Revenue Adjustments

Revenue for the Department is generated largely by charging other departments or entities for services. The projected \$84,000 decrease in department revenue is primarily

attributed to the winding down of Special Districts and associated declining billed workload. Community Financing District 1, a special tax district property owners in an area formed to fund infrastructure associated with new development, was the largest in the City and recently closed. Additionally, revenue used to oversee TransNet funds is projected to decrease in line with updated revenue projections.

Finally, there is a decrease in revenue associated with Accounts Payable Audit Services. The Department projects a decrease of \$10,000 in expenditures related to a reduction in the amount being recovered via the vendor, upon which payment terms are based. The Department no longer expects to see revenue (\$50,000) related to this contract as internal controls have improved and oftentimes the City would instead receive future credit for overcharged expenses.

Issues for Council Consideration

Staffing Levels

The Proposed Budget continues building back capacity within the Department to keep up with the City's growing operations by adding seven supplemental positions to the budget. The FY 2023 Adopted Budget included six positions which brought the Department to staffing levels close to those of 10 years ago.

Key Performance Indicators

The Department is currently reassessing its Key Performance Indicators. Three indicators will no longer be tracked since the Department indicates their outcomes are not within the Department's control:

- Percentage of annual reserves targets achieved
- Percentage of departments with actuals within 5% of projections
- Percentage of Annual Adopted and added CIP Budget expended/committed

Department Review: Department of Finance

We note that continuing to track the percentage of departments with actuals within 5% of projections may still be worthwhile given the Department's role in overseeing and working with departments to set realistic projections as well as reporting explanations of variances in quarterly budget monitoring reports.

Similarly, continuing to track the percentage of Annual Adopted and added CIP budget expended/committed may also be worthwhile, but note that this could be instead incorporated into the City's biannual State of the CIP Report, where other CIP performance measures are reported.

Department of Information Technology

The Department of Information Technology (IT) provides citywide technology strategy; operational support of applications, infrastructure, and wireless technologies; enterprise application services; and management of IT services contracts and assets. This includes providing technology services to 34 City Departments with more than 12,000 employees at over 300 locations. Key departmental goals and KPIs were revised to address budget equity issues. Goals are listed below with an asterisk denoting new or revised goals:

- Modernizing and maximizing the business values and resiliency of technology services.
- *Centralizing and modernizing City technologies to drive best practices and innovation.
- Advancing IT service delivery by enhancing City technology contracts for transparency, oversight, and operational excellence.
- Securing the City’s data and technology.
- Advancing digital equity citywide for low-income communities.
- *Training, developing, and increasing employee satisfaction and retention of Department of IT staff.

KPIs to measure achievement or progress toward these goals are shown in the table below.

Budget Equity Considerations

Key adjustments to the Proposed Budget intended to address disparity include:

- Adding 4.00 FTE positions to support the SD Access 4 All Digital Equity Program which addresses community-level disparities through programs such as open public Wi-Fi, Digital Navigation and literacy services, and a hotspot and Chromebook lending program.
- Adding \$239,000 in non-personnel expenditures to support GIS mapping tools and aerial imagery services which are crucial to identifying specific neighborhoods with the greatest need.

Department of IT Funds

Funding for the Department of IT comes from five different funds, each of which serves a distinct purpose within the department:

- General Fund
- Geographical Information Systems (GIS) Fund
- Information Technology Fund
- OneSD Support Fund
- Wireless Communications Technology

The proposed budget for each of the department’s funds are discussed separately in the following subsections.

Performance Measure	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Estimated FY 2023	Target FY 2024
Percentage availability of public safety wireless services	99.999%	99.999%	99.999%	99.999%	99.999%	99.999%
Percentage of security incidents per month per 1,000 users	0.0033	0.0014	<1.0%	<1.0%	<1.0%	<1.0%
Percentage availability for citywide network and phone systems ¹	99.90%	99.90%	99.90%	99.90%	N/A	N/A
Number of residents served through the SD Access 4 All Program	N/A	N/A	N/A	N/A	N/A	250,000
Mission critical application availability	N/A	N/A	N/A	N/A	N/A	99.90%

¹ Has been incorporated into the new KPI *Mission critical application availability*.

Department Review: Dept of Information Technology

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY BUDGET CHANGES						
Fund	FY 2023 FTE	FY 2024 FTE	Change	FY 2023 Expense	FY 2024 Expense	Change
General Fund	-	4.00	4.00	2,881,016	2,831,736	(49,280)
GIS Fund	14.00	14.00	-	5,271,628	5,010,189	(261,439)
Information Technology Fund	44.00	47.00	3.00	88,693,539	87,291,139	(1,402,400)
OneSD Support Fund	30.00	29.00	(1.00)	30,367,688	29,308,681	(1,059,007)
Wireless Communications Technology Fund	45.35	43.35	(2.00)	10,767,355	11,962,236	1,194,881
Total Combined	133.35	137.35	4.00	\$137,981,226	\$136,403,981	\$ (1,577,245)

Impacts of Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Department of IT is \$136.4 million, as shown in the table above. This is a \$1.6 million, or 1.1%, decrease from the FY 2023 Adopted Budget. Total FTE positions have increased by 4.00 from 133.35 to 137.35 in the Proposed Budget. Total department revenue is \$136.3 million, about \$6.5 million over the prior year.

Salary and benefits adjustments throughout the various IT Department funds reflect savings resulting from vacant positions, retirement contributions, retiree health contributions, and projected salary and benefits increases as a result of ongoing labor negotiations. Note that these are expected to change in the May Revision. This is discussed in more detail in the *General Fund Expenditures Overview* section of this report.

General Fund

The Department of IT General Fund budget supports the personal computer (PC) Replacement Program and SD Access 4 All - Digital

Equity Program. The FY 2024 Proposed Budget for the Department of IT's General Fund is approximately \$2.8 million. This represents a decrease of \$49,000, or 1.7%, from the FY 2023 Adopted Budget, as shown in the table below.

In prior years, the General Fund had no positions budgeted and no related revenue. The Proposed Budget adds the following 4.00 FTE positions:

- 1.00 Program Coordination to support the SD Access 4 All Digital Equity Program
- 3.00 Information Systems Analyst 1s to provide Digital Navigator Program Support

PC Replacement Program for General Fund Departments

The PC Replacement Program goal is to replace computers every 5 years (or 20% of computers each year) to align with their expected useful life. This enables the Department to update General Fund departments' computers and support mobile and telework capabilities as well as the City's security posture. The Department switched to a lease program for replacement of General Fund

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	-	\$ -	\$ 2,881,016	\$ 2,881,016	\$ 1,115,520
Programmatic Changes					
<i>Addition of 1.00 Program Coordinator to support the SDAccess4All - Digital Equity Program</i>	1.00	173,217	712,160	885,377	648,160
<i>Addition of 3.00 Information Systems Analyst 1s to provide Digital Navigator Support</i>	3.00	293,580	15,000	308,580	263,127
<i>General Fund PC Replacement Program</i>	-	-	250,000	250,000	-
Other Changes					
<i>Non-discretionary Adjustment</i>	-	-	122,283	122,283	-
<i>One-time Annualizations</i>	-	-	(1,615,520)	(1,615,520)	(1,115,520)
FY 2024 Proposed Budget	4.00	\$ 466,797	\$ 2,364,939	\$ 2,831,736	\$ 911,287
Difference from 2023 to 2024	4.00	\$ 466,797	\$ (516,077)	\$ (49,280)	\$ (204,233)

Department Review: Dept of Information Technology

personal computers in FY 2020. FY 2024 represents the fourth year of the five-year lease.¹

The FY 2024 Proposed Budget adds \$250,000 in non-personnel expenditures for a lease payment to replace an estimated 1,040 personal computers for General Fund departments.

SD Access 4 All - Digital Equity Program

In addition to the 4.00 FTE positions that were added in the Proposed Budget to support SD Access 4 All, ongoing program-related non-personnel expenses that are part of the base budget include: Public Wifi (\$261,000) and Digital Literacy & Digital Navigator Services (\$180,000).

The Public Library Hotspot Lending Program (\$1.1 million) that was included as a one-time expense in FY 2023 and funded by a federal Emergency Connectivity Funding (ECF) grant has been added in the FY 2024 Proposed Budget as an ongoing expense of \$648,000. The Department intends to pursue the same grant funding again.² The City will also receive Local Agency Technical Assistance (LATA) grant funding for the Broadband Master Plan (\$500,000) from the California Public Utilities Commission.

Items requested to support SD Access 4 All that were not funded in the Proposed Budget are discussed in *Issues for Council to Consider* at the end of this section.

GIS Fund

The GIS Fund supports spatial data analytics, workflows and provisioning geographical information systems (GIS) tools and technologies for departments across the City. The costs of these applications, plus Department of IT's staff support, are allocated to the City departments that use GIS, with approximately 33% of the costs allocated to General Fund Departments in FY 2024.

The FY 2024 Proposed Budget for the GIS Fund is approximately \$5.0 million as shown in the table below. This is about \$261,000 or 5.0% less than the FY 2023 Adopted Budget. Budgeted positions remain unchanged from FY 2023 at 14.00 FTEs. Revenue is budgeted at \$5.3 million, an increase of about \$85,000 over the prior year.

Programmatic additions include non-personnel expenditures of \$150,000 for ESRI enterprise licensing to support critical planning and maintenance of geospatial service operations.

SUMMARY OF GIS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	14.00	\$ 1,702,057	\$ 3,569,571	\$ 5,271,628	\$ 5,226,148
Programmatic Changes					
<i>Addition of non-personnel expenditures for ESRI Enterprise licensing</i>	-	-	150,000	150,000	150,000
<i>Addition of non-personnel expenditures for Regional Aerial Imagery</i>	-	-	89,000	89,000	89,000
<i>Addition of one-time non-personnel expenditures to support conversion of construction documents to GIS format</i>	-	-	10,000	10,000	10,000
Other Changes					
<i>Information Technology Adjustments</i>	-	-	(657,353)	(657,353)	-
<i>Salary & Fringe Benefit Adjustments</i>	-	150,807	-	150,807	-
<i>Non-Discretionary Adjustments</i>	-	-	(3,893)	(3,893)	-
<i>Revised Non-Discretionary Revenue</i>	-	-	-	-	(163,883)
FY 2024 Proposed Budget	14.00	\$ 1,852,864	\$ 3,157,325	\$ 5,010,189	\$ 5,311,265
Difference from 2023 to 2024	-	\$ 150,807	\$ (412,246)	\$ (261,439)	\$ 85,117

¹ Laptops were added to the replacement program beginning in FY 2022 and continue to represent a portion of the replacements.

² The \$1.1 million was an estimate when developing the FY 2023 budget. The Department of IT negotiated better rates than anticipated with AT&T, so the estimated amount for FY 2024 for the 4,000 mobile hotspots is \$648,000. This is also reflected in the budget monitoring reports as a savings in FY 2023.

Department Review: Dept of Information Technology

This also includes \$89,000 for Regional Aerial Imagery to support mapping, landcover analytics, asset management and environmental stewardship.

Information Technology Fund

The IT Fund supports a variety of information technology related activities for the City, including:

- Citywide IT Fixed Expenses
- Enterprise IT Sourcing Operations
- Enterprise Resource Planning
- Financial & Support Services
- Information Technology
- IT Contract Management
- Project Management Office

Also included in the IT Fund are Citywide information technology support contracts, technology, and licensing. All costs incurred in this fund are allocated out to City departments. The proportion allocated to the General Fund varies by service, ranging from 22-

66% in FY 2024.³

The FY 2024 Proposed Budget for the IT Fund is approximately \$87.3 million, as shown in the table below. This is a decrease of \$1.4 million, or approximately 1.6%, from the FY 2023 Adopted Budget. The IT Fund has 47.00 FTE positions, or 3.00 more than the prior year. These 3.00 FTE positions and \$54,000 in personnel expenses represent a transfer from the Wireless Communications Technology Fund and OneSD Support Fund to the IT Fund as part of a strategic reorganization to centralize financial and support services. Offsetting revenue for the IT Fund is \$87.5 million.

The FY 2024 Proposed Budget includes \$1.6 million for software licensing to address increased utilization by City staff and rising market rates. This includes: Microsoft (\$1.0 million), Smartsheets (\$65,000), Adobe (\$155,000), OKTA (\$30,000), and Salesforce (\$6,000).

The \$4.5 million decrease in one-time additions and annualizations is primarily due to the reversal of \$3.9 million in non-personnel

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	44.00	\$ 7,672,440	\$ 81,021,099	\$ 88,693,539	\$ 85,355,648
Programmatic Changes					
<i>Transfer of 3.00 FTE positions from the Wireless Communications Technology Fund and OneSD Support Fund to centralize financial and support services</i>	3.00	353,766	-	353,766	-
<i>Addition of 3.00 FTE positions and reduction of 3.00 FTE</i>	-	37,359	-	37,359	68,930
<i>Software Licensing (Adobe, Microsoft, OKTA, SmartSheets, and Salesforce)</i>	-	-	1,571,000	1,571,000	1,571,000
<i>Support for Web Security Certificates</i>	-	-	60,000	60,000	60,000
<i>Digital Productivity Tools</i>	-	-	100,000	100,000	100,000
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	594,294	-	594,294	-
<i>Pay-in Lieu of Annual Leave Adjustments</i>	-	35,614	-	35,614	-
<i>Non-Discretionary Revenue Adjustment</i>	-	-	-	-	997,848
<i>Non-Discretionary Adjustments</i>	-	-	(73,316)	(73,316)	-
<i>Public, Educational, and Governmental (PEG) Revenue Adjustment</i>	-	-	-	-	(172,724)
<i>One-Time Additions and Annualizations</i>	-	-	(4,518,602)	(4,518,602)	(500,000)
<i>Information Technology Adjustments</i>	-	-	437,485	437,485	-
FY 2024 Proposed Budget	47.00	\$ 8,693,473	\$ 78,597,666	\$ 87,291,139	\$ 87,480,702
Difference from 2023 to 2024	3.00	\$ 1,021,033	\$ (2,423,433)	\$ (1,402,400)	\$ 2,125,054

³ The amounts charged to departments are based on a blended rate of six IT fund non-discretionary (ND) accounts that provided funding for both IT operations and citywide IT Fixed expenditures. Each ND utilizes a specific allocation methodology to allocate budget/expenses.

Department Review: Dept of Information Technology

SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	30.00	\$ 5,976,726	\$ 24,390,962	\$ 30,367,688	\$ 27,787,305
Programmatic Changes					
<i>Transfer of 1.00 FTE positions from the OneSD Support Fund to the Information Technology Fund to centralize financial and support services</i>	(1.00)	(137,003)	-	(137,003)	-
<i>ESRI Enterprise Licensing Consultant</i>	-	-	400,000	400,000	400,000
<i>Inventory Scanning Software Consultant</i>	-	-	400,000	400,000	400,000
<i>Budget Module Technical Support Consultant</i>	-	-	200,000	200,000	200,000
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	380,319	-	380,319	-
<i>Pay-in Lieu of Annual Leave Adjustments</i>	-	18,514	-	18,514	-
<i>One-time Additions and Annualizations</i>	-	-	(2,000,000)	(2,000,000)	-
<i>Non-Discretionary Revenue Adjustment</i>	-	-	-	-	447,920
<i>Non-Discretionary Adjustments</i>	-	-	(277,384)	(277,384)	-
<i>Information Technology Adjustments</i>	-	-	(43,453)	(43,453)	-
FY 2024 Proposed Budget	29.00	\$ 6,238,556	\$ 23,070,125	\$ 29,308,681	\$ 29,235,225
Difference from 2023 to 2024	(1.00)	\$ 261,830	\$ (1,320,837)	\$ (1,059,007)	\$ 1,447,920

expenditures to support citywide IT fixed services. This was intended for projects in FY 2022 but was not spent due to supply chain delays. As part of the May Revise, these funds were reappropriated to FY 2023 to fund the purchases of these goods and services.

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 FTE positions in each department, and each department's budget. For FY 2024, costs are allocated roughly 40% to General Fund departments.

The FY 2024 Proposed Budget for the OneSD Support Fund is \$29.3 million. This is a decrease of approximately \$1.1 million, or 3.5%, from the FY 2023 Adopted Budget. The OneSD Support Fund has 29.00 FTE positions in the Proposed Budget, 1.00 FTE less than the prior year, as one position is being transferred to the IT Fund to centralize financial and support services. Revenue has also been increased in the Proposed Budget to \$29.2 million, by approximately \$1.4 million. These

adjustments are summarized in the table above.

The FY 2024 Proposed Budget also includes \$1.0 million in non-personnel expenditures for consultant support:

- ESRI Enterprise Licensing Consultant – \$400,000
- Inventory Scanning Software Consultant – \$400,000
- Budget Module Technical Support Consultant – \$200,000

Wireless Communications Technology Fund

The Wireless Communications Technology Fund supports service delivery of public safety wireless radio communications technologies. Costs are allocated to City departments that utilize the public safety radio system, with about 82% allocated to General Fund Departments in FY 2024.

The Proposed Budget for this fund is approximately \$12.0 million, an increase of \$1.2 million, or 11.1% from the FY 2023 Adopted Budget. As part of the centralization of financial and support services into the IT Fund, 2.00 FTE positions and \$217,000 in personnel expenditures have been transferred from the

Department Review: Dept of Information Technology

SUMMARY OF WIRELESS COMMUNICATIONS TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	45.35	\$ 5,877,864	\$ 4,889,491	\$ 10,767,355	\$ 10,252,941
Programmatic Changes					
<i>Public Safety Radio Modernization Project</i>	-	-	1,185,607	1,185,607	1,185,607
<i>Transfer of 2.00 FTE positions from the Wireless Communications Technology Fund to the Information Technology Fund to centralize financial and support services.</i>	(2.00)	(216,763)	-	(216,763)	-
<i>Dispatch Maintenance Support</i>	-	-	7,639	7,639	7,639
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	541,379	-	541,379	-
<i>Information Technology Adjustments</i>	-	-	(52,288)	(52,288)	-
<i>Pay-in Lieu of Annual Leave Adjustments</i>	-	19,070	-	19,070	-
<i>Non-Discretionary Revenue Adjustment</i>	-	-	-	-	1,886,206
<i>One-Time Additions and Annualizations</i>	-	-	(364,610)	(364,610)	(39,063)
<i>Non-standard Personnel Funding</i>	-	10,486	-	10,486	49,394
<i>Non-Discretionary Adjustment</i>	-	-	64,361	64,361	-
FY 2024 Proposed Budget	43.35	\$ 6,232,036	\$ 5,730,200	\$ 11,962,236	\$ 13,342,724
Difference from 2023 to 2024	(2.00)	\$ 354,172	\$ 840,709	\$ 1,194,881	\$ 3,089,783

Wireless Communications Technology Fund. The Fund has 43.35 FTE positions budgeted. The FY 2024 Proposed Budget also includes offsetting revenue of \$13.3 million, an increase of approximately \$3.1 million or 11.0%. The changes are summarized in the table above.

Public Safety Radio Modernization Project

The FY 2024 Proposed Budget includes approximately \$1.2 million in one-time non-personnel expenditures associated with maintenance and support costs for the Public Safety Radio Modernization Project Phases 1 and 2. This project is 64% completed with 2,800 out of 4,366 radios deployed. Phase 1 deployed portable, handheld radios to Police, Lifeguard, and Fire-Rescue operational support teams and end users. Phase 2 to deploy mobile vehicle radios is currently ongoing and expected to be completed by December 2023.

Issues for Council Consideration

Unfunded Requests for SD Access 4 All - Digital Equity Program

Several items requested by the Department of IT to support SD Access 4 All were not funded in the Proposed Budget. These are discussed below. Department officials noted that having full or partial funding of these requests would

enable the program to expand and support more residents.

- Addition of 3.00 Information Systems Analysts (\$294,000) to support the City's Digital Navigator program. The Department requested 6.00 FTE positions, of which 3.00 are included in the Proposed Budget. Additional positions would enable the program to expand to all library branches in Communities of Concern/Digital Equity Priority Communities (which have requested this service). Department officials told us this item may be eligible to be funded by the City's Employ and Empower internship program.
- Addition of 1.00 Program Coordinator (\$169,000) to provide education and outreach to residents. And to interface with community organizations and small businesses to coordinate, promote, and implement SD Access 4 All services and federal and state funding opportunities.
- Addition of one-time non-personnel expenditures in the amount of \$92,000 and \$45,000 in ongoing funding for the replacement of damaged/lost/stolen laptops and associated accessories in the Mobile Hotspot and Chromebook Public Library Lending Program.

Departmental Vacancies

The IT industry is experiencing challenges

Department Review: Dept of Information Technology

with high demand for limited qualified staff. Department officials told us that this is negatively impacting City recruitment and retention efforts, making it challenging to compete for qualified staff given current salaries and benefits. The Department has 24.00 FTE positions that are currently vacant. The table below shows vacant positions by job classification.

SUMMARY OF VACANCIES - APRIL 2023	
Job Classification	Vacancies
Administrative Aide 2	1.00
Associate Communications Engineer	1.00
Communications Technician	7.00
Program Coordinator	4.00
Program Manager	4.00
Geographic Information Systems Analyst 2	5.00
Geographic Information Systems Analyst 3	2.00
Total	24.00

Challenges and solutions vary by job classification. For example, the Wireless Communications Division is having challenges filling the Communications Technician positions because the current salary is lower than the market average. Several classifications in the Communications Technician series are being considered for a special wage adjustment and the resulting determination is anticipated before the end of this fiscal year. Recruitment efforts will resume subsequently, according to Department of IT officials. To reduce the negative impacts of these vacancies on operations, the Wireless Communications Division has reprioritized project timelines and utilized overtime to maintain operations.

The GIS Division is having similar challenges filling vacant GIS Analyst positions. In the most recent recruitment (January 2023), ten candidates were interviewed but only one candidate was selected, and that candidate declined the offer. The Department requested an Special Salary Adjustment (SSA) in 2022, which was denied. The GIS Division is currently developing a marketing plan to advertise the vacant positions. Department officials told us they will make another request for an

SSA for the GIS series in FY 2024.

Filling vacancies is a challenge for several departments. For more information, see the *Vacancies* section in *Key Citywide Issues* earlier in this report.

Department officials also noted that limited qualified IT staff industrywide is also challenging the Department's IT service providers and vendors to provide sufficient and timely resources.

Pandemic-Related Issues

IT goods and services are still being impacted by pandemic-related supply chain and inflation issues, however these issues have improved since FY 2023. The Department anticipates that it may be able to complete continued modernization without having to delay projects into the next fiscal year due to supply chain delays.

Department officials also indicated they are seeing price increases due to inflation across both goods (e.g., hardware) and services (like Microsoft, ESRI, and other subscription-based technology services).

Cybersecurity

Cyberattacks against the City have increased almost 2,000% in the past four years. Threats range from phishing, malware, criminal attacks, cryptocurrency mining malware, nation-state attacks, ransomware, supply chain attacks and critical infrastructure. Department of IT officials noted that defending against these increasing cyberattacks continues to be one of their key priorities. All Department budget requests for Cybersecurity were funded in the FY 2024 Proposed Budget. The City continues to remain vigilant and works with regional and federal partners for best practices, threat intelligence and information sharing.

Department of Race and Equity

The Department of Race and Equity was created with the adoption of the FY 2021 Budget. The Department will play a pivotal role in operationalizing equity in policies, programs, and budget allocations, among other things. In partnership with other City departments, the Department will work to reduce and eliminate systemic racism, inequity, and barriers to the fair and just distribution of resources, access, and opportunity.

The Department of Race and Equity has four primary focus areas:

1. **Learning and Development** which include trainings for City departments.
2. **Equity-Centered Coaching** to City departments to execute Tactical Equity Plans.
3. **Inclusive Community Engagement** by working with other departments and allocating Community Equity Funds to organizations.
4. **Creating Equitable Outcomes** to measure progress of defined equitable goals and strategies.

Impacts of the Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Department totals \$3.0 million, which is a \$268,000, or a 9.6%, increase from the FY 2023 Adopted Budget. About 8% out of the 9.6% increase is from eliminating Budgeted Personnel Expenditure Savings resulting in increased expenditures as full staffing of the Department’s seven positions is assumed during the fiscal year.

For context, the Department Director was hired July 2021 (FY 2022) and had two other positions for support. The FY 2023 budget added four positions, for a total of seven, and the Department is currently close to filling all positions.

The FY 2024 Proposed Budget does not include any programmatic or staffing budget adjustments for the Department.

Update on Community Equity Fund

The Community Equity Fund was established along with the creation of the Department with a \$3.0 million General Fund contribution to a new Community Equity Fund (CEF). These funds are intended to be allocated to community-based organizations to build and sustain capacity to deliver equitable outcomes to structurally excluded communities.

With the hiring of the Department Director in FY 2022 and the subsequent buildup of Department staff, this program is expected to begin in FY 2024. The Department is projecting to release a competitive application for funds at the end of FY 2023.

The FY 2023 Adopted Budget included \$1.5 million in CEF funds with the expectation that the remaining \$1.5 million would be budgeted in FY 2024, thereby providing grants to selected organizations on a two-year evaluation cycle. This two-year cycle is instead now expected to cover FY 2024 and FY 2025, with \$1.5 million budgeted for FY 2024 and the unexpended \$1.5 million budgeted in FY 2023 being available for FY 2025.

SUMMARY OF DEPARTMENT OF RACE AND EQUITY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	7.00	\$ 980,702	\$ 1,796,890	\$ 2,777,592	-
Changes					
<i>Budgeted Personnel Expenditure Savings</i>	-	227,316	-	227,316	-
<i>Other Adjustments</i>	-	50,364	(9,880)	40,484	-
FY 2024 Proposed Budget	7.00	\$ 1,258,382	\$ 1,787,010	\$ 3,045,392	\$ -
<i>Difference from 2023 to 2024</i>	-	\$ 277,680	\$ (9,880)	\$ 267,800	\$ -

Department Review: Department of Race and Equity

Performance Measure	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	Goal
Percent of adopted budget adjustments that actively address identified disparities	N/A	N/A	N/A	N/A	N/A	25%
Percent of new or existing policies and practices developed or revised with an Inclusive Equity Lens	N/A	N/A	N/A	N/A	N/A	100%
Percent of City departments with Tactical Equity Plans	N/A	N/A	N/A	N/A	85%	100%

Issues for Council Consideration

Unfunded Request

The Department submitted a request for one Deputy Director and one Program Manager (\$365,000) to increase its capacity to scale work across City departments. The Program Manager’s duties would focus on managing the CEF.

Budget Equity

The Department is responsible for spearheading the City’s efforts to eliminate institutional racism and systemic disparities and, along with its partners, has driven the shift to incorporating a budget equity lens into the budget process. For the first time, City departments have evaluated their budgets with an eye towards addressing disparities, whether they are identified in underserved communities or within the City workforce, and have made corresponding budget requests. Some of these requests are included in the Proposed Budget.

A key component of this process will be to measure results. Each department’s Key Performance Indicators (KPIs) will play an important role in measuring progress towards equitable outcomes.

In Volume 2 of the budget publication, the Department of Race and Equity indicates that their own KPIs are still in development and that the Department, with the help of a consultant that is yet to be hired, will seek community feedback on them. The community engagement will inform the development of additional goals, strategies, and KPIs. The Department expects its KPIs to be finalized in FY

2024, and that they will be used to quantify the impact of equity initiatives and budget allocations and policies.

With its existing KPIs, the Department has set out baseline goals, some of which are reflected in the table above. One goal is to have 25% of adopted budget adjustments actively address disparities. KPI estimates and goals are expected to continue to be refined over time.

Our Office discusses our observations of equity impacts in the Proposed Budget, as well as other issues to consider as this new process takes shape, in the *Equity* section of Key Citywide Issues within this report.

Department Review: Development Services

Development Services

The Development Services Department (DSD) performs review, permit, inspection, and code enforcement services for private and public development projects throughout the City.

The General Fund supports the Code Enforcement Division. Code enforcement penalties go into the Civil Penalty Fund which can support some of their activities.

The Development Services Fund supports development plan review, permit, and inspection services for private and public development projects throughout the City. The fund is supported by revenue from user fees.

The Local Enforcement Agency Fund is supported by State grants and funds inspection and enforcement of proper waste disposal.

Impacts of the Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Development Services Department (DSD) includes approximately \$130.2 million in expenditures, an increase of \$7.5 million from the FY 2023 Adopted Budget, and 741.00 FTEs, a decrease of 11.35 FTEs from the FY 2023 Adopted Budget, as shown in the table below. Revenues are projected to total approximately \$113.2 million, an increase of \$5.9 million from the FY 2023 Adopted Budget.

To accommodate the Department’s multiple areas of responsibility and funding sources, the Department is arranged into nine primary divisions across three individual funds. The

analysis of the FY 2024 Proposed Budget in this section is organized by major funds.

General Fund

The FY 2024 Proposed Budget for DSD’s General Fund expenditures totals \$12.0 million, an increase of approximately \$556,000 over the FY 2023 Adopted Budget as shown on the table on the next page. Revenues are projected to decrease by approximately \$128,000, due to the removal of one-time revenue used in FY 2023. DSD’s General Fund-supported FTEs are budgeted at 91.00, a decrease of 0.50 FTE. We note that the Proposed Budget does not include any programmatic changes to DSD’s General Fund budget.

Issues for Council Consideration

Code Enforcement

Support for additional resources for code enforcement was included in majority of Councilmember budget priority memoranda. DSD submitted several requests for code enforcement; however, none of these requests, detailed below, were funded in the Proposed Budget.

3.00 FTEs to Respond to Substandard Housing Complaints

DSD requested 3.00 Combination Inspector 2 positions and approximately \$335,000 in funding to support a more effective response to substandard housing complaints. These

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT BUDGET CHANGES						
Fund	FY 2023 FTEs	FY 2024 FTEs	Change	FY 2023 Expense	FY 2024 Expense	Change
General Fund	91.50	91.00	(0.50)	11,490,472	12,045,979	555,507
Development Services Fund	655.35	645.00	(10.35)	110,258,169	117,157,363	6,899,194
Local Enforcement Agency Fund	5.50	5.00	(0.50)	981,266	1,029,100	47,834
Total Combined	752.35	741.00	(11.35)	\$ 122,729,907	\$ 130,232,442	\$ 7,502,535

Department Review: Development Services

additional positions would help accommodate the increasing caseload of Combination Building Inspectors and reduce response times.

2.00 FTEs to Support Voluntary Compliance Program

The Department also requested 1.00 Program Manager position, 1.00 Senior Planner - Code Enforcement Coordinator position, and approximately \$312,000 in funding to support the Voluntary Compliance Program to address violations. This request is in response to one of the recommendations from the [Performance Audit of the DSD's Code Enforcement Division](#). The Voluntary Compliance Program is supposed to reduce the number of lower-priority cases that investigators need to inspect, thereby increasing operational efficiency. If these positions are not funded, DSD would not be able to implement this audit recommendation.

Development Services Fund

The FY 2024 Proposed Budget for the Development Services Fund includes approximately \$117.2 million and 645.00 FTEs. Compared to the FY 2023 Adopted Budget, this is an increase of approximately \$6.9 million in expenditures and a *decrease* of 10.35 FTEs, as shown on the table on the next page. Revenues are projected to total \$111.4 million, an increase of approximately \$6.0 million over FY 2023.

Significant Budget Additions

The FY 2024 Proposed Budget includes the following significant budget additions:

Records Digitization

The Proposed Budget includes \$2.0 million in non-personnel budget to support the digitization of all land use and land development records. Documents and records include project documents, plans, permits, soils reports, survey notes and as-built maps. The Department estimated that it will take 5 years to digitalize over 8-million records.

Currently, building records are primarily available in-person at the City Operations Building. The digitization project would allow City staff and the public to access records online or in an enhanced digital environment. Additionally, digitization could enhance the safety and security of records and decrease the storage needs for physical records.

Permit Management Software Renewal and Enhancement

The Proposed Budget includes \$580,000 in non-personnel expenditures for renewal, annual maintenance, and additional licenses for Accela, DSD's digital permit management software. Funding will also support system enhancement to integrate Seamless Docs. Currently, submissions are emailed or mailed in and uploaded to Accela manually by staff. The integration will allow customers to automate submissions to Accela.

Business Intelligence Database Platform

The Proposed Budget includes \$410,000 in non-personnel expenditures to support the procurement and implementation of Power BI

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	91.50	\$ 10,158,397	\$ 1,332,075	\$ 11,490,472	\$ 788,234
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	818,446	-	818,446	-
<i>Other Personnel Adjustments</i>	(0.50)	5,078	-	5,078	-
<i>Information Technology Adjustments</i>	-	-	73,543	73,543	-
<i>Other Adjustments</i>	-	-	(341,560)	(341,560)	(128,219)
FY 2024 Proposed Budget	91.00	\$ 10,981,921	\$ 1,064,058	\$ 12,045,979	\$ 660,015
<i>Difference from 2023 to 2024</i>	<i>(0.50)</i>	<i>\$ 823,524</i>	<i>\$ (268,017)</i>	<i>\$ 555,507</i>	<i>\$ (128,219)</i>

Department Review: Development Services

Premium, a database platform for enterprise business intelligence (BI). DSD has established various dashboards to track and monitor permit related data to facilitate workforce management and management decision-making. As demand for analytical dashboards continues to grow, an enterprise license is required to allow for more frequent data refreshes and department-wide access to the platform.

We note that DSD expects to incur annual ongoing costs for license renewal to maintain access in future years.

Services Desk Management

The Proposed Budget includes \$300,000 in non-personnel budget for the replacement of aging IT equipment, including computers, laptops, tablets, monitors, and other accessories. The replacement is necessary to meet the City's IT standards and to establish work functionality for a mobile operation environment.

Architectural Consultant

The Proposed Budget includes \$75,000 in non-personnel expenditures to cover 75% of the costs of architectural consultant services for space planning and test-fits analysis. This service was recommended by DREAM to

inform future space planning for DSD.

The remaining 25% of the contract cost (\$25,000) is to be borne by General Fund, which was *not* funded in the Proposed Budget. Nevertheless, we note that the Proposed Budget includes \$500,000 in Citywide Program Expenditures for Citywide Planning and Condition Assessments. According to the Department of Finance, DSD could be included in this citywide space planning analysis.

Amazon Web Services Call Center Enhancement

The Proposed Budget includes \$40,000 in non-personnel expenditures for technical enhancements to the customer Call Center. The Call Center provides a single line for customers to call to seek Department services or permit information through a sophisticated call-in line system that tracks and routes callers. Enhancements include improvements to call flow and new functionality to improve customer experience, minimize calls misroutes, and avoid long holding times.

Historical Resources Program Transfer

The Proposed Budget includes the transfer of 5.00 FTEs, approximately \$709,000 in personnel expenditures, and approximately \$348,000 in revenues associated with the

SUMMARY OF DSD - DEVELOPMENT SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	655.35	\$ 83,116,106	\$ 27,142,063	\$ 110,258,169	\$ 105,346,119
Programmatic Changes					
<i>Records Digitization</i>	-	-	2,000,000	2,000,000	-
<i>Permit Management Software Renewal and Enhancement</i>	-	-	580,000	580,000	-
<i>Business Intelligence Database Platform</i>	-	-	410,000	410,000	-
<i>Services Desk Management</i>	-	-	300,000	300,000	-
<i>Architectural Consultant</i>	-	-	75,000	75,000	-
<i>Amazon Web Services Call Center Enhancement</i>	-	-	40,000	40,000	-
<i>Historical Resources Program (Transfer from DSD to City Planning)</i>	(5.00)	(708,612)	-	(708,612)	(348,269)
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	10,849,866	-	10,849,866	-
<i>Information Technology Adjustments</i>	-	-	(78,161)	(78,161)	-
<i>Other Adjustments</i>	-	-	502,179	502,179	-
<i>One-Time Additions and Annualizations</i>	-	-	(6,958,554)	(6,958,554)	(6,103,212)
<i>Hourly Position Adjustments</i>	(5.35)	(112,524)	-	(112,524)	-
<i>Permit Fee Revenue Adjustment</i>	-	-	-	-	12,493,473
FY 2024 Proposed Budget	645.00	\$ 93,144,836	\$ 24,012,527	\$ 117,157,363	\$ 111,388,111
Difference from 2023 to 2024	(10.35)	\$ 10,028,730	\$ (3,129,536)	\$ 6,899,194	\$ 6,041,992

Department Review: Development Services

Historical Resources Program from DSD's Development Services Fund to City Planning's General Fund. Since revenue generated by these positions is not sufficient to fully recover the costs, the net impact on General Fund is approximately \$360,000 in expenditures. This transfer is discussed in greater detail in our department review of City Planning.

Issues for Council Consideration

Unfunded Requests

Even with numerous additions to DSD's enterprise fund budget, the Department made several requests that were not funded in the Proposed Budget. Not funding some of these requests could affect permit processing timelines and the City's ability to meet housing-related targets. Unfunded requests are discussed below.

76.00 FTEs for Housing Program Support

The largest unfunded request is 76.00 FTEs and \$10.8 million in funding to support permit processing for housing projects. DSD needs significant additional resources to meet the requirements of:

- The Mayor's Executive Order 2023-1, which set forth time limits for review of 100% affordable housing projects.
- Assembly Bill 2234, which mandates time limits for permit application completeness determinations and review and decisions.
- The Regional Housing Needs Assessment (RHNA) Plan. To meet the RHNA targets, 16,500 homes must be constructed per year through 2029.

While housing development projects are facing a number of challenges, including rising construction costs, funding availability, and land supply, lengthy permit review and approval process is routinely identified as one of the major hurdles. DSD has made multiple streamlining efforts to expedite permit review, including the recent launch of the

"Affordable Housing Permit Now" Program. However, given the City is far behind its RHNA target, additional capacity is required to accelerate permit review and approval to facilitate housing production. DSD anticipates receiving increased permit applications for housing projects this year with additional rounds of tax credits application opportunities and the release of the Homekey Round 3 Notice of Funding Availability. Sufficient permit review staffing capacity to ensure timely permit issuance could help developers take full advantage of these financing opportunities to get more homes built more quickly.

We note that DSD is currently conducting a fee study. The updated fee schedules could help recover the costs of additional permit review and processing staff.

As-needed Plan Check and Inspection Services

Another significant unfunded request is \$3.0 million for as-needed plan check and inspection services. The underlying contracts were authorized by City Council in February 2023 via Council Resolutions. Each contract has a not-to-exceed amount of \$2,500,000 over 2 years.

DSD has experienced an increased workload for all permit types. As of mid-April, there are over 1,500 tasks backlogged in the queue. While progress has been made with filling vacant positions, it takes time to onboard and train new employees. DSD uses as-needed contractual services to temporarily augment and support City staff with processing and reviewing permits to clear this backlog while vacant positions continue to be filled and trained. Using contractual services, DSD expects to eliminate the backlog in the upcoming months. Not funding this request could affect DSD's permit processing timeline and potentially delay the development of housing projects.

Department Review: Development Services

Office Relocation and Tenant Improvement

DSD requested \$1.0 million for the relocation of approximately 175 positions into offices at the Montgomery-Gibbs Executive Airport. This includes \$600,000 for tenant improvements, \$300,000 for rent, and \$135,000 for relocation cost.

DSD's budgeted enterprise-fund FTEs increased from 505.50 in FY 2020 to 645.00 in the FY 2023 Proposed Budget, an increase of 139.50 FTEs. The Department recently filled more than 110 vacancies, as will be discussed in more detail in the Vacancies Update section below. With additional positions added to the budget and vacancies being filled, DSD lacks sufficient office space to house its staff. DSD's existing space at the City Operations Building has long-outdated interior features and lacks many basic amenities. Crowded workspaces may further lead to reduced productivity and morale. Relocating some DSD divisions to the Montgomery-Gibbs Executive Airport could help mitigate space issues at the City Operations Building and help DSD to attract and retain staff.

Customer-Oriented IT Support

DSD submitted several one-time non-personnel funding requests totaling \$140,000 to provide enhanced services to the public, including:

- \$20,000 for additional In-Person Self-Service Records Stations for the public to research records.
- \$20,000 for additional Customer Kiosk Stations to provide access to DSD's online permitting portal for customers who do not have access to computer equipment.
- \$50,000 for the development of an online educational tutorial that would help customers understand permitting and inspection processes.
- \$50,000 for the development of an online self-certification program that would allow certain types of permits to be issued

without a review based on being certified through the program.

Most of these requests are in response to customer requests or complaints. Costs are relatively insignificant but could improve customer experience and facilitate efficient and transparent permitting and inspection processes.

Other Unfunded Requests

Other unfunded requests include:

- 3 FTEs and approximately \$341,000 to develop and expand a department-wide training program.
- \$250,000 to improve the City Operations Building work conditions.

Vacancies Update

In the past few years, despite efforts to fill vacant positions, DSD's vacancy rates have remained high due to difficulty in attracting qualified candidates, employee transfers to other departments, employee separations, and the addition of new budgeted positions. However, considerable progress has been made and in the past six months DSD filled over 110 vacant positions in the Enterprise Fund. The table on the following page shows the vacancy level progress in DSD's enterprise fund over FY 2023.

DSD started FY 2023 with 192 vacancies, of which 89 were new positions provided in the FY 2023 Adopted Budget, for a vacancy rate of 29.5%. Since then, the vacancy rate has continued to trend down. As of mid-April, DSD has brought the vacancy rate down to 10.8%, a substantial reduction from the beginning of the fiscal year; currently 70 positions remain unfilled. Among these vacancies, 16 are pending reclassification. We note that 23 of the remaining 54 vacancies are associated with the functional transfer of public right-of-way inspections work from the Engineering and Capital Projects Department (E&CP). This work requires various types of engineers, a classification with persistent vacancies at

Department Review: Development Services

DEVELOPMENT SERVICES FUND VACANCY RATE CHANGES						
Date	Vacant Budgeted Positions	Pending Creation	Pending Reclassification	Vacant Active Positions ¹	Active Vacancy Rate ²	Overall Vacancy Rate ³
FY23 Begin	192	89	8	89	13.7%	29.5%
10/14/2022	181	18	17	146	22.5%	27.8%
11/15/2022	148	10	26	113	17.4%	22.8%
2/15/2023	113	0	24	88	13.5%	17.3%
4/15/2023	70	0	16	54	8.3%	10.8%

¹ Vacant Active Positions are Budgeted Vacant Positions minus positions pending creation or reclassification.

² Active Vacancy Rate is Active Vacant Positions divided by total budgeted positions.

³ Overall Vacancy Rate is Budgeted Vacant Positions divided by total budgeted positions.

E&CP. DSD is actively working on filling out all remaining vacancies.

The Department attributed its progress to several active recruiting efforts that include simultaneously conducting recruitment tasks wherever possible, instead of treating them in a linear manner; centralizing all logistical tasks to allow hiring managers to focus on ideal candidate selection; keeping in constant communication with Personnel Department regarding timing strategy and timely adjustments to positions on certifications lists; and adhering to targeted timelines with candidates.

Local Enforcement Agency Fund

The FY 2024 Proposed Budget for the Local Enforcement Agency Fund includes approximately \$1.0 million in expenditures, an increase of approximately \$48,000 over FY 2023. Revenues are projected to be \$1.1 million, which is the same as FY 2023. FTEs budgeted in the Local Enforcement Agency Fund are 5.00 which is a net decrease of 0.50 FTEs.

Department Review: Economic Development

Economic Development

Impacts of the Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Economic Development Department is approximately \$13.4 million, which is a reduction of \$5.5 million, or 29.1%, from the FY 2023 Adopted Budget. The General Fund supports \$11.5 million of the \$13.4 million budget with the remaining \$1.9 million coming from the Successor Agency Admin & Project - CivicSD Fund. The FY 2024 Proposed Budget includes 56.00 FTEs, which is an increase of 1.00 FTE from FY 2023. Budgeted Revenue remains unchanged from FY 2023 at \$7.9 million. Currently, the Department has eight vacancies, but this number is expected to decrease as it has extended four offers to recent applicants.

The significant expenditure reduction in the FY 2024 Proposed Budget is due to the removal of several programs and expenditures that were funded on a one-time basis in FY 2023. These included a one-time distribution of \$3.6 million to the Housing Stability Fund, \$750,000 for the Connect2Careers Program, \$695,000 for a Micro District Capacity Building Program, and \$500,000 for the Small Business Enhancement Program among

others. In total, the removal of FY 2023 one-time expenditures amounts to a \$6.4 million budget reduction.

Beyond the General Fund, the Economic Development Department also received a transfer of \$2.0 million for Economic Development and Tourism Support from the Transient Occupancy Tax Fund’s Special Promotional Programs. This allocation includes \$1 million for economic development programs, which is a \$500,000 increase from FY 2023. Additional transfers include \$847,000 for Business Expansion, Attraction, and Retention program as well as \$187,000 for other program administrative fees.

Significant Budget Adjustments

Focused Economic Development Strategy

The FY 2024 Proposed Budget includes \$200,000 in one-time expenditures for the Department to continue working toward an updated Focused Economic Development Strategy. This funding is an extension of the \$200,000 in one-time expenditures for developing the strategy in FY 2023. Last year, related expenditures were focused on developing the strategy itself; this year, funds will be utilized for strategy implementation and

SUMMARY OF ECONOMIC DEVELOPMENT DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	55.00	\$ 8,148,444	\$ 10,824,060	\$ 18,972,504	\$ 7,903,846
Programmatic Changes					
<i>Civic Center Revitalization</i>	1.00	187,563	-	187,563	-
<i>Economic Development Strategy</i>	-	-	200,000	200,000	-
<i>Housing Stability Fund</i>	-	-	(3,570,000)	(3,570,000)	-
<i>Connect2Careers</i>	-	-	(750,000)	(750,000)	-
<i>Micro District Program</i>	-	-	(695,000)	(695,000)	-
<i>Small Business Enhancement Program</i>	-	-	(500,000)	(500,000)	-
<i>Sidewalk Vendor Permitting and Applications</i>	-	-	(232,500)	(232,500)	-
<i>Rental Registry</i>	-	-	(200,000)	(200,000)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	514,271	-	514,271	-
<i>Other Removals of One-Time Expenditures</i>	-	-	(447,000)	(447,000)	-
<i>Other Non-Personnel Expenditure Adjustments</i>	-	-	(31,778)	(31,778)	-
FY 2024 Proposed Budget	56.00	\$ 8,850,278	\$ 4,597,782	\$ 13,448,060	\$ 7,903,846
Difference from 2023 to 2024	1.00	\$ 701,834	\$ (6,226,278)	\$ (5,524,444)	\$ -

Department Review: Economic Development

continued outreach.

The City's most recent Economic Development Strategy was adopted by City Council in December 2016, and covered the period from 2017 to 2019.

Civic Center Revitalization

The FY 2024 Proposed Budget includes the addition of 1.00 Program Coordinator and \$188,000 in personal expenditures for the Civic Center Revitalization effort. This effort is expected to include the development of affordable housing, City services, businesses, arts and cultural space, and a new City Hall on City-owned six blocks downtown. On April 24th, Council authorized the issuance of a Notice of Availability, declaring five blocks as surplus land, in accordance with the State Surplus Land Act. One block is to be reserved for the development of a new City Hall. Additional resources were requested due to the historic and complex nature of this undertaking. This position will focus on monitoring related contracts and obligations, and ensuring compliance with the State Surplus Land Act and other associated regulations.

Low and Moderate Income Housing Asset Fund

Though not reflected in the Economic Development Department's budget, the department also administers the Low and Moderate Income Housing Asset Fund which has its own section in Volume 2 of the Proposed Budget. Please see our review of the fund in the *Low and Moderate Income Housing Asset Fund* section of this report.

Engineering & Capital Projects

The Engineering & Capital Projects Department (E&CP) provides engineering, program and construction management, and inspection services for the Capital Improvements Program (CIP) and oversight of the development of public infrastructure and facilities. The CIP is made up of 1,304 capital improvement projects that rehabilitate, restore, improve, and create new capital infrastructure like libraries, parks, and water and sewer pipelines.

E&CP is responsible for planning, design, and project and construction management of public improvement projects; quality assurance and inspection of public and private work permitted in rights-of-way; surveying; and materials testing.

Goals for the Department include:

- Provide quality, safe, reliable, and equitable infrastructure and related services.
- Provide timely and efficient delivery of projects.
- Cultivate a positive departmental culture that prioritizes diversity and inclusion to foster innovation.
- Be the City of choice for private industry that supports the delivery of capital projects.

KPIs to measure achievement or progress toward these goals are shown in the table below.

Key Performance Measure	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Estimate FY 2023	Target FY 2024
Percentage of Capital Improvement Projects delivered on baseline Project Charter schedule ¹	79.0%	81.9%	82.0%	64.9%	N/A	N/A
Number of information-sharing meetings with industries supporting City infrastructure	13	9	14	13	12	12
Percentage of all Construction Change Orders due to changed/unforeseen conditions and design errors (at notice of completion)	3.0%	3.0%	3.5%	3.2%	4.0%	4.0%
*Percentage of Capital Improvement Projects awarded on annual baseline schedule (<i>New in FY 2023</i>)	N/A	N/A	N/A	N/A	80.0%	80.0%
*Percentage of Capital Improvement Projects completed on annual baseline schedule (<i>New in FY 2023</i>)	N/A	N/A	N/A	N/A	80.0%	80.0%

¹This key performance indicator was replaced with two new indicators in FY 2023 (shown with an asterisk below) to increase the accuracy of measuring the department's ability to deliver CIP projects and increase transparency.

¹ An additional \$280,000 requested for laptops to address this inequity was not funded in the Proposed Budget.

Budget Equity Considerations

E&CP's budget equity focus is largely internal, with efforts being put towards ensuring an effective training program for department employees, which included reallocating \$400,000 to supplement the existing \$410,000 training budget. To address disparities among staff for working remotely, E&CP also reallocated \$385,000 from its base budget to purchase laptop computers so staff have needed resources for working remotely.¹

E&CP Special Revenue Fund

Expenses in the Department are billed against CIP projects, and revenue comes in through the E&CP Fund, a special revenue fund. In the case of the E&CP Fund, engineers and other staff that work directly on CIP projects bill the time they work to those respective projects. Staff not working directly on projects are covered by the Department's overhead rate included in the charge to projects.

Impacts of Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed Budget for E&CP is \$146.3 million, an increase of \$4.6 million or 3.3%, from the FY 2023 Adopted Budget. The Proposed Budget includes 786.40 FTE positions, 36.10 less than the prior year. The FY

Department Review: E&CP

SUMMARY OF ENGINEERING & CAPITAL PROJECTS DEPARTMENT BUDGET CHANGES						
Division	FY 2023 FTE	FY 2024 FTE	Change	FY 2023 Expense	FY 2024 Expense	Change
Architectural Engineering & Parks	92.00	104.80	12.80	\$ 15,266,931	\$ 19,344,603	\$ 4,077,672
Business Operations & Employee Services	91.50	67.00	(24.50)	33,815,338	32,301,326	(1,514,012)
Capital Asset Management	79.00	1.00	(78.00)	10,710,295	309,448	(10,400,847)
Construction Engineering Support	-	143.00	143.00	-	21,545,223	21,545,223
Construction Management & Field Engineering	212.00	162.00	(50.00)	32,300,524	27,817,337	(4,483,187)
Engineering & Capital Projects	4.00	3.00	(1.00)	1,280,126	331,795	(948,331)
Program & Project Development	188.00	93.80	(94.20)	28,483,575	13,179,387	(15,304,188)
Project Management Office	-	72.00	72.00	-	10,519,083	10,519,083
Transportation & Utility Engineering	156.00	139.80	(16.20)	19,778,852	20,904,124	1,125,272
Total Combined	822.50	786.40	(36.10)	\$ 141,635,641	\$ 146,252,326	\$ 4,616,685

2024 Proposed Budget also includes offsetting revenue from charges to projects totaling \$133.9 million. A summary of budget changes by division is included in the table above.

Significant Budget Adjustments

The Proposed Budget transfers 35.00 FTE positions and \$5.8 million in personnel and non-personnel expenditures and \$5.8 million in related revenue from E&CP to the Strategic Capital Projects Department (SCP), as shown in the table below. The FY 2024 Proposed Budget includes a reduction of \$250,000 in total annualized non-personnel expenses for Planet Bids Software which was absorbed by Purchasing and Contracting when the Public Works Contracts section was transferred from E&CP in FY 2023.

The E&CP Fund also includes a salary and fringe adjustment of approximately \$16.0 million, which reflects savings resulting from vacant positions, retirement contributions,

retiree health contributions, as well as offsetting projected salary and benefits increases as a result of ongoing labor negotiations. Note that these are expected to change in the May Revision. This issue is discussed in more detail in the *General Fund Expenditures Overview* section of this report.

The Proposed Budget includes \$5.5 million in one-time additions and annualizations. The majority of this was related to Prop B adjustments (\$5.3 million), office supplies for new hires (\$148,000), and computer monitors (\$25,000).

Department Requests Not Included in the Proposed Budget

E&CP requested several additional adjustments which were not included in the FY 2024 Proposed Budget. These are summarized below in order of departmental prioritization:

- 1.00 Program Manager (\$179,000) to oversee and provide quality assurance for

SUMMARY OF ENGINEERING & CAPITAL PROJECTS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	822.50	\$ 114,204,761	\$ 27,430,880	\$ 141,635,641	\$ 136,819,545
Programmatic Changes					
<i>Transfer to Strategic Capital Projects Department</i>	(35.00)	(5,708,679)	(57,260)	(5,765,939)	(5,814,266)
<i>Software Licenses (AutoCADD, Power BI, and Bluebean)</i>	-	-	57,444	57,444	-
<i>Reduction of Auto Messenger 2 Position</i>	(0.50)	(36,215)	-	(36,215)	-
<i>Reduction of Planet Bids Software Budget (Absorbed by P&C as part of FY 2023 restructure)</i>	-	-	(250,000)	(250,000)	-
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	15,949,278	-	15,949,278	-
<i>Revised Revenue (Reimbursements for Services)</i>	-	-	-	-	2,348,840
<i>Right-of-Way Permit Reimbursements Adjustments</i>	-	-	-	-	1,148,423
<i>Non-Discretionary Adjustment</i>	-	-	306,381	306,381	-
<i>Non-standard Hour Personnel Funding</i>	(0.60)	(23,620)	-	(23,620)	-
<i>One-Time Additions and Annualizations</i>	-	-	(5,530,516)	(5,530,516)	(643,932)
<i>Information Technology Adjustments</i>	-	-	(90,128)	(90,128)	-
FY 2024 Proposed Budget	786.40	\$ 124,385,525	\$ 21,866,801	\$ 146,252,326	\$ 133,858,610
Difference from 2023 to 2024	(36.10)	\$ 10,180,764	\$ (5,564,079)	\$ 4,616,685	\$ (2,960,935)

Department Review: E&CP

the newly created Environmental and Permitting Support section. This would be a new position, and would transfer the environmental review function for E&CP-managed projects only, from Development Services Department (DSD) to E&CP to streamline delivery of CIP projects. This change is currently being discussed, and DSD and City Planning are on board with the proposed change.

- 1.00 Senior Civil Engineer (\$177,000) and 1.00 Associate Civil Engineer (\$138,000) to work with Public Utilities Department engineering staff on the replacement project for the Lake Hodges dam.
- Non-personnel Expenditures (\$800,000) for the Materials Test Lab equipment replacement program to replace aging and broken equipment that is past its useful life and may pose safety risks to employees.
- Non-personnel Expenditures (\$280,000) to purchase 53 standard City laptops and 58 Computer Aided Design Drawing (CADD) laptops. This was intended to address disparities across the department and to ensure all staff have the proper equipment to work remotely.

Issues for Council Consideration

Departmental Vacancies

Significant vacancies have persisted in the E&CP since 2016. The Department currently has 135.50 vacancies, or a vacancy rate of 16.6%. Department officials told us they currently are having challenges filling the following key positions:

- Associate, Senior, and Supervising Management Analysts in the Project Management Office
- Principal Engineering Aides (PEAs) across all divisions
- Project Assistants (PAs) across all

divisions

- Information Systems Analysts (ISAs) in Business Operations and Financial Services
- Land Surveying Assistants

According to E&CP officials, Special Salary Adjustments have helped to fill Engineering positions but general salary increases have *not* helped to fill Management Analyst and ISA positions. This may be because City salaries are still not competitive for those job series compared with other municipalities.

E&CP staff have been actively recruiting for these positions on an on-going basis and are currently working with the Personnel Department to request the positions be advertised on a continuous recruitment. This would expedite the process, enabling E&CP officials to regularly pull resumes and interview candidates. E&CP is also planning focused recruitment events at local universities.

Filling vacancies is a significant challenge for several departments. For more information, see the *Departmental Vacancies* section in *Key Citywide Issues* earlier in this report.

E&CP's Capacity to Deliver Projects

To successfully deliver the current CIP (\$647.6 million in the FY 2024 Proposed Budget) and address the City's \$5.2 billion funding gap for capital projects, the City needs to continue investing in capacity. E&CP has been working to streamline and improve internal operations. To help accomplish this goal, the Department hired a consultant (WSP) to study current operations, compare the City's operations with other municipalities in California, and ensure industry best practices are considered with the goal of making recommended improvements to organizational structure, processes, financial/budget procedures, training, and staffing. E&CP plans to present the results of this study at the June 2023 Active Transportation &

Department Review: E&CP

Infrastructure Committee meeting. This will be an important discussion on ways to increase E&CP's capacity to deliver projects to meet both the City's funded, and growing amount of unfunded, capital infrastructure needs.

E&CP officials also noted that vacant positions and other issues in other City departments involved in delivery of the CIP, such as Purchasing & Contracting and Development Services, can negatively impact the timeline for project delivery.

Department Review: Environmental Services

Environmental Services

Impacts of the Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Environmental Services Department (ESD) is approximately \$182.3 million, an increase of \$24.6 million and 27.25 FTEs from the FY 2023 Adopted Budget. Revenues are projected to total approximately \$85.2 million, an increase of \$14.5 million from the FY 2023 Adopted Budget.

To accommodate the Department's multiple areas of responsibility and funding sources, the Department is divided into five primary divisions across four individual funds. The analysis of the FY 2024 Proposed Budget in this section is organized by the Department's four funds.

General Fund

The FY 2024 Proposed Budget for the Environmental Services Department totals approximately \$104.7 million in the General Fund, a \$23.7 million increase (29.3%) from the FY 2023 Adopted Budget. The FY 2024 Proposed Budget includes 344.68 FTEs which represents an increase of 49.48 FTEs from the FY 2023 Adopted Budget.

The Department's General Fund revenue totaling \$1.5 million for FY 2024 is \$100,000 higher than the FY 2023 Adopted Budget.

Significant Budget Adjustments

Refuse Disposal Fee Increase

The largest increase in General Fund expenditures within ESD is \$5.1 million for the recently passed increase in refuse disposal fees. Due to the anticipated increased costs to be borne by the Refuse Disposal Fund, primarily for the operating costs of the new Organics Processing Facility as well as new regulatory requirements at the Miramar Landfill, ESD proposed - and the City Council adopted - tipping fee increases for waste deposited at the landfill. This includes a \$15 per ton increase for FY 2024, and a \$14 per ton increase for FY 2025. Other refuse disposal fee increases are allocated through the non-discretionary budget process and represent the impacts from increased tonnage collected by Collection Services.

Since the City is a major collector and hauler of waste, ESD pays the same fees as other haulers when depositing refuse at the landfill (a previous fee discount was discontinued in FY 2023). This increase in fees from the General Fund, as well as additional fees from other haulers, is included as a revenue increase of \$12.8 million in the Refuse Disposal Fund.

ENVIRONMENTAL SERVICES DEPARTMENT FY 2024 PROPOSED BUDGET EXPENDITURES						
Divisions	FTE	General Fund	Automated Refuse Container Fund Replacement	Refuse Disposal Fund	Recycling Fund	TOTAL
Collection Services	251.00	\$ 73,414,761	\$ 1,951,659	\$ 582,404	\$ 14,248,274	\$ 90,197,098
Disposal & Environmental Protection	150.00	2,919,742	-	38,922,805	1,609,016	43,451,563
Environmental Services	42.00	4,634,106	-	4,844,867	3,760,976	13,239,949
Waste Reduction	51.51	3,823,056	-	848,165	9,137,432	13,808,653
Clean SD	90.00	19,935,038	-	1,474,361	186,798	21,596,197
TOTAL	584.51	\$ 104,726,703	\$ 1,951,659	\$ 46,672,602	\$ 28,942,496	\$ 182,293,460

Department Review: Environmental Services

Refuse Disposal Fund Reallocations

In addition to proposing fee increases for the Refuse Disposal Fund, the Department has also identified numerous programs, positions, and expenditures that serve a general benefit purpose, and as such are not appropriately funded from the Refuse Disposal Fund. Those programs, positions, and expenditures are being reallocated to the General Fund in order to ensure the long-term fiscal health of the Refuse Disposal Fund. This reallocation includes 33.00 FTEs and \$4.5 million in PE and NPE, as reflected in the table below. Some examples of the activities and programs that are a part of this transfer include servicing street litter containers, performing waste abatements, illegal dumping removal, removal of dead animals in the public right-of-way, planned community cleanup events, and the administration of Franchise Hauler agreements. As part of this reallocation, there is an increase of \$100,000 in revenue associated with bin services provided to non-General Fund departments.

Relatedly, there is also a one-time transfer of \$2.3 million in the Proposed Budget to pay the Refuse Disposal Fund for the various vehicles

that will be transferred with these positions. This effectively reimburses payments made by the Refuse Disposal Fund to purchase these vehicles.

Finally, as part of the reorganization of Clean SD into a separate division, 0.80 FTEs and \$165,000 is also reallocated from the Refuse Disposal Fund to the General Fund. All of these adjustments have corresponding decreases within the Proposed Budget for the Refuse Disposal Fund.

Enhanced Hot Spot Teams for Clean SD

The main notable programmatic adjustment to the General Fund for ESD is the addition of 6.00 FTEs and \$1.4 million for new Enhanced Hot Spot Teams that are part of the Clean SD program. These new teams are the result of a successful pilot program operated by the Department in the current year where dedicated crews, along with code compliance officers, were deployed to remove litter, debris, and other waste that is found adjacent to encampments. In doing so, the Department is able to provide waste abatement services that respond to requests for such services without requiring full encampment abatements that requires

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	295.20	\$ 30,779,402	\$ 50,223,009	\$ 81,002,411	\$ 1,397,220
Programmatic Changes					
<i>Refuse Disposal Fees - Fee Increase</i>	-	-	5,120,000	5,120,000	-
<i>Refuse Disposal Fund Reallocation to GF</i>	33.00	3,085,253	1,374,614	4,459,867	100,000
<i>Vehicle Reallocation Payments</i>	-	-	2,308,259	2,308,259	-
<i>Enhanced Hot Spot Teams for CleanSD</i>	6.00	431,584	1,000,000	1,431,584	-
<i>Waste Collection Cost of Service Process</i>	5.00	596,927	525,000	1,121,927	-
<i>SB 1383 Positions</i>	3.00	256,397	95,000	351,397	-
<i>Corrective Action Plan</i>	2.00	194,442	100,000	294,442	-
<i>Clean SD Reorganization</i>	0.80	165,208	-	165,208	-
<i>Trainer Positions</i>	0.34	30,120	-	30,120	-
<i>Payroll Specialist</i>	0.34	23,948	-	23,948	-
<i>Hourly Position Reduction</i>	(1.00)	(33,361)	-	(33,361)	-
<i>One Time Adjustments From FY 2023</i>	-	-	(3,629,448)	(3,629,448)	-
Other Changes					
<i>Salary and other Personnel cost changes</i>	-	3,404,885	-	3,404,885	-
<i>Fringe Benefit Adjustments</i>	-	1,764,086	-	1,764,086	-
<i>Non-Discretionary - Refuse Disposal Fees</i>	-	-	1,813,225	1,813,225	-
<i>Non-Discretionary Adjustments</i>	-	-	5,098,153	5,098,153	-
FY 2024 Proposed Budget	344.68	\$ 40,698,891	\$ 64,027,812	\$ 104,726,703	\$ 1,497,220
Difference from 2023 to 2024	49.48	\$ 9,919,489	\$ 13,804,803	\$ 23,724,292	\$ 100,000

Department Review: Environmental Services

posted noticing to remove the encampments. The Department has found this process is more efficient and provides a level of service that was not provided by the City previously. The pilot utilized newly hired SB 1383 drivers during FY 2023 that did not yet have dedicated routes due to the slow rollout of the organics recycling program caused by delays in truck delivery. As such, this addition of positions is required to make the program permanent.

Waste Collection Cost of Service Process

The Proposed Budget adds 5.00 FTEs and \$1.1 million to begin the cost of service process to implement a waste collection fee in accordance with Proposition 218. The positions will provide oversight of the cost of service process, as well as help with the data collection and implementation of a billing system necessary to implement a fee. Costs also include \$500,000 on an ongoing basis for a rate consultant. These additions are correlated with the successful passage of Measure B during the November 2022 election, which removed the prohibition on charging a fee for City-provided waste collection services. This issue is discussed in greater detail later in this section.

SB 1383 Positions

As the Department continues to implement SB 1383, the statewide organics recycling law, additional positions and staffing needs have been identified. In the General Fund, 3.00 FTEs and \$351,000 are being added in the Proposed Budget, mostly related to additional support positions for the new sanitation drivers.

Corrective Action Plan

As part of a Corrective Action Plan related to asbestos mitigation, the Department is adding 2.00 FTEs and \$294,000. These positions will oversee a consultant that will be hired to perform building surveys and prepare reports for mitigation and cleaning. These additions are in support of the Zero Emissions in Municipal

Buildings and Operations Policy (ZEMBOP) as well as other municipal building decarbonization efforts called for in the Climate Action Plan.

Of the amount included, \$90,000 is for consultants to do this work. Additional funding of \$3,000,000 was requested in FY 2024, and it is estimated that studies could cost \$13.6 million over five years. However, \$90,000 will allow the Department to begin the bidding and selection process for the consultant FY 2024. Additional funding will be required in future years to complete the surveys and mitigation plans.

Other Changes

ESD's remaining changes in the General Fund are relatively minor. They include additional positions for a Trainer and Payroll Specialist. These positions are spread across all three funds, and will provide departmentwide support.

The removal of one-time funding from the FY 2023 Adopted Budget is mainly related to equipment and vehicle purchases for added positions, and kitchen pail costs for the rollout of SB 1383 services.

Unfunded Budget Requests

For the General Fund, the Department requested an additional \$7.2 million in expenditures and 4.00 FTEs that were not funded as part of the FY 2024 Proposed Budget. The table on the following page provides an overview of unfunded FTE and expenditure requests.

Many of these requests, such as the Collections Packers, can be absorbed by the Department and covered with existing resources, or will not result in significant service level reductions this year, including the Clean SD Packers, Street Litter Containers, or Saturday Community Cleanups. The Corrective Action Plan, which is the largest request, was discussed previously. More significant requests include:

Department Review: Environmental Services

Clean SD Sidewalk Sanitation

This request for \$1.5 million would have increased service levels for this program to cover the entire City. Currently, this program includes 5-days per week service for specified areas in and around encampments, predominantly in downtown, while covering the rest of the City on an as-needed basis. This increase would have doubled this service level to provide additional areas of the City experiencing encampments with 5-days per week service.

Vehicles for Code Compliance Officers

This request was for \$765,000 in one-time funding to provide vehicles for Code Compliance Officers that were added in the FY 2023 Adopted Budget. This funding was not included in FY 2023, and vehicles have not been ordered for these positions. While the Proposed Budget does not include General Fund resources for this request, a portion of this request is funded in the Recycling Fund. Without vehicles, the Department will have to continue to rent vehicles for these positions.

Email for All

As part of the Department's exercise in budgeting equity, the Department requested 4.00 FTEs and \$405,000 for additional positions to cover enough shifts to allow field employees, including sanitation drivers and landfill

positions, 15 minutes per week to check their City email. For landfill employees, there was an additional request within the Refuse Disposal Fund for 4.00 FTEs and \$350,000. The Department informed our Office that having the ability to check email has become less of an issue, particularly for sanitation drivers, as vacancy levels for that position has declined. If this remains the case, there should be no service level impact to not funding this request.

Issues for Council Consideration

Measure B and a Potential Solid Waste Collection Fee

At the November 2022 election, a majority of City residents approved Measure B, a proposition placed on the ballot by the City Council to amend sections of the Municipal Code commonly referred to as the People's Ordinance. The measure, along with recodifying the City's responsibilities for waste management services, provided an option for the City to recover costs for solid waste management services.

As our Office noted in [IBA Report 21-23 Analysis of the Fiscal Impact of the People's Ordinance](#), the People's Ordinance of 1919, as subsequently amended in 1981 and 1986, prevented the City from charging most single-

Environmental Services Unfunded General Fund Requests				
Programmatic Addition	FTE	PE	NPE	Expenditure
Corrective Action Plan	-	\$ -	\$ 3,000,000	\$ 3,000,000
Clean SD Sidewalk Sanitation	-	-	1,500,000	1,500,000
Clean SD Packers	-	-	800,000	800,000
Vehicles for Code Compliance	-	-	765,000	765,000
Email for All	4.00	369,756	35,000	404,756
Collections Packers	-	-	300,000	300,000
Street Litter Containers	-	-	140,000	140,000
Saturday Community Cleanups	-	-	130,000	130,000
Stormwater Consultant	-	-	100,000	100,000
Illegal Dumping Truck	-	-	90,000	90,000
Totals	4.00	\$ 369,756	\$ 795,000	\$ 7,229,756

Department Review: Environmental Services

family residences for trash collection. Commercial businesses and multi-family residences pay franchise haulers separately for these services as they are not covered by the People’s Ordinance.

With the passage of Measure B, the City has begun taking the initial steps consistent with Proposition 218 to develop a fee that could be charged to City residents. Implementing this fee would help City finances: a fee that fully recovered the costs of refuse, recycling, and organics collection could cover the costs of the entire Collection Services budget, including \$73.4 million currently borne by the General Fund.

The cost of service process for this fee is expected to take at least two years, as the Department must gather a large amount of data about its current customer base and determine the needs and costs for additional services and processes that are not currently provided, such as billing and customer service. Positions added in the Proposed Budget will help this process, but implementing a fee for the first time will be a complex task.

Additionally, the cost of service process will need to include considerations for service enhancements, such as increasing recycling services to weekly from biweekly, adding bulk item pickup, or other services, as well as any potential fee phase-in period, during which

operations would need continued General Fund subsidies. **The Department should provide an update on the time schedule for the development of a solid waste collection fee to the City Council.**

Recycling Fund

The FY 2024 Proposed Budget for the Recycling Fund is approximately \$28.9 million, an increase of \$1.3 million from the FY 2023 Adopted Budget. Revenues are projected to total \$27.3 million, and are unchanged from FY 2022.

Significant Budget Adjustments

The largest expenditure adjustment for the Recycling Fund is tied to the reallocation of costs from the Refuse Disposal Fund. Just as some programs that were identified as having a general benefit and were transferred to the General Fund, some positions were identified as more appropriately residing within the Recycling Fund. This includes the transfer of 8.16 FTEs and \$1.3 million in expenditures. While the transfer is implemented within the Proposed Budget, the FY 2023 Adopted Budget included a placeholder for these personnel expenditures. The placeholder is being removed as a one-time adjustment in the Recycling Fund with a corresponding increase in the Refuse Disposal Fund.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	87.43	\$ 10,559,898	\$ 17,048,751	\$ 27,608,649	\$ 27,250,760
Programmatic Changes					
<i>Refuse Disposal Fund Reallocation</i>	8.16	1,281,528	-	1,281,528	-
<i>SB 1383 New Positions</i>	1.25	211,253	-	211,253	-
<i>Additional Code Compliance Officer Vehicles</i>	-	-	85,000	85,000	-
<i>Trainer</i>	0.33	29,233	-	29,233	-
<i>Payroll Specialist</i>	0.33	23,244	-	23,244	-
<i>Hourly Intern Adjustments</i>	-	3,767	-	3,767	-
<i>One Time Adjustments from FY 2022</i>	-	(1,127,423)	(1,403,987)	(2,531,410)	-
Other Changes					
<i>Salary & Personnel Cost Adjustments</i>	-	689,327	-	689,327	-
<i>Fringe Benefit Adjustments</i>	-	272,549	-	272,549	-
<i>Non-Discretionary Adjustments</i>	-	-	1,269,356	1,269,356	-
FY 2024 Proposed Budget	97.50	\$ 11,943,376	\$ 16,999,120	\$ 28,942,496	\$ 27,250,760
Difference from 2023 to 2024	10.07	\$ 1,383,478	\$ (49,631)	\$ 1,333,847	\$ -

Department Review: Environmental Services

The Recycling Fund also includes the addition of 1.25 FTEs and approximately \$211,000 for further implementation of SB 1383. This includes an additional Program Manager position that will oversee significant reporting and data activities related to the SB 1383 enforcement, as well as increasing an already existing position from half-time to three-quarter time to assist with these activities.

Finally, there is an additional \$85,000 in one-time expenditures to procure additional vehicles for Code Compliance Officers that were added to the FY 2023 Adopted Budget, as discussed previously.

Large one-time adjustments from the prior year are mostly related to costs associated with new positions added during FY 2023 to the recycling fund, as well as personnel costs that represent the eventual transfer of positions from the Refuse Disposal Fund to the Recycling Fund.

Unfunded Budget Requests

The Department requested two positions for the Proposed Budget within the Recycling Fund that would be specifically allocated to seeking grants. These positions, totaling 2.00

FTEs and \$177,000, would have been dedicated to seeking new grant opportunities that would supplement current operations. The Department noted that there are more robust grant opportunities available in the current environment for recycling activities, including grants from CalRecycle, the Clean CA Grant, and the federal Environmental Protection Agency. Not having these positions has prevented the Department from seeking many of these opportunities.

Refuse Disposal Fund

The FY 2024 Proposed Budget for the Refuse Disposal Fund is approximately \$46.7 million, a decrease of approximately \$480,000 from the FY 2023 Adopted Budget. Revenues are projected to total \$54.8 million, an increase of \$14.4 million from FY 2023.

Significant Budget Adjustments

The largest increases for the Refuse Disposal fund are related to the staffing and operational needs of the new Organics Processing Facility. This includes over \$3.0 million for various vehicles and heavy equipment, as well as 8.00

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	174.63	\$ 16,577,299	\$ 30,574,915	\$ 47,152,214	\$ 40,362,567
Programmatic Changes					
<i>Organics Processing Facility Vehicles and Equipment</i>	-	-	3,005,000	3,005,000	-
<i>Organics Processing Facility Staff</i>	8.00	834,946	-	834,946	-
<i>Annualization Error</i>	-	-	672,000	672,000	-
<i>Fee Collections Position (Limited Staff Conversion)</i>	1.00	141,266	-	141,266	-
<i>Trainer</i>	0.33	29,233	-	29,233	-
<i>Payroll Specialist</i>	0.33	23,244	-	23,244	-
<i>One-Time Adjustments</i>	-	1,127,423	(1,125,589)	1,834	-
<i>Clean SD Reorganization</i>	(0.80)	(165,208)	-	(165,208)	-
<i>Refuse Disposal Fund Reallocation to Recycling Fund</i>	(8.16)	(1,281,528)	-	(1,281,528)	
<i>Refuse Disposal Fund Reallocation to General Fund</i>	(33.00)	(3,085,253)	(1,374,614)	(4,459,867)	(700,000)
<i>Tipping Fee Increase</i>	-	-	-	-	12,800,000
<i>Vehicle Reallocation Payments</i>	-	-	-	-	2,308,259
Other Changes					
<i>Salary and Personnel Cost Changes</i>	-	1,143,542	-	1,143,542	-
<i>Fringe Benefit Adjustments</i>	-	624,493	-	624,493	-
<i>Non-Discretionary Adjustments</i>	-	-	(1,048,567)	(1,048,567)	-
FY 2024 Proposed Budget	142.33	\$ 15,969,457	\$ 30,703,145	\$ 46,672,602	\$ 54,770,826
Difference from 2023 to 2024	(32.30)	\$ (607,842)	\$ 128,230	\$ (479,612)	\$ 14,408,259

Department Review: Environmental Services

FTEs and \$835,000 in associated personnel expenditures. The new positions include a new Assistant Deputy Director, supervisors, equipment technicians, biologists, and other positions.

The other significant personnel change is the addition of 1.00 FTE and \$141,000 for a new Program Coordinator that will oversee the daily operations of the Fee Collection Services section at the Miramar Landfill. This position was added on a limited basis in FY 2023, and this budget adjustment will convert the position to permanent status.

There is also an addition of \$672,000, which was added as part of the annualizations process during budget development. This funding is tied to vehicles that were provided to new positions in the FY 2023 budget. However, this funding should not have been annualized as it was intended to be added on a one-time basis in FY 2023 only. Staff intend to remove this funding as part of the May Revision.

The largest *decreases* for the Refuse Disposal Fund relate to the reallocation of positions and funding to either the General Fund or the Recycling Fund, as previously discussed. In total, 41.96 FTEs and \$5.9 million was removed from the budget for the Refuse Disposal Fund as part of this process. The corresponding revenue declines are due to the fact that positions within the Refuse Disposal Fund will no longer be charging City departments for bin services.

This revenue decrease is more than offset by large increases, including \$12.8 million tied to the increase in Refuse Disposal Fees approved by Council earlier this year. Part of this \$12.8 million includes \$5.1 million from the General Fund. The other revenue increase of \$2.8 million is from the General Fund payments for vehicles that were included in the reallocation.

Automated Refuse Container Fund

The FY 2024 Proposed Budget for the Automated Refuse Container Fund is approximately \$2.0 million, which is virtually unchanged from FY 2023. Revenues are also unchanged at \$1.6 million. The only change for this fund is a small adjustment to its non-discretionary information technology budget of approximately \$1,000.

Department Review: Fire-Rescue

Fire-Rescue

Impacts of Mayor's FY 2024 Budget Proposal

The Fire-Rescue Department is operated under three funds, including the General Fund, the Fire/Emergency Medical Services Transport Program Fund (EMS Fund), and the Junior Lifeguard Program Fund. Funding for the majority of the Department's operations, including Fire Suppression and Lifeguard Services, is budgeted within the General Fund; operations of the City's EMS program are budgeted within the EMS Fund. When the Department's Funds are combined, the Department's FY 2024 Proposed Budgeted totals \$364.1 million, an increase of approximately \$41.8 million from the Adopted Budget.

General Fund

The FY 2024 Proposed Budget for the Fire-Rescue Department is approximately \$349.4 million for the General Fund, an increase of \$38.4 million, or 12.3% from the FY 2023 Adopted Budget. The Proposed Budget includes 1,383.88 FTEs, which is an increase of 21.88 FTEs. Budgeted revenue totaling \$63.2

million represents an increase of \$6.2 million from FY 2023.

Significant Budget Adjustments

Overtime Adjustments

The FY 2024 Proposed Budget adds \$15.7 million in overtime expenditures bringing the Department's total overtime budget to \$48.4 million. Approximately \$9.0 million of the increase is an *ongoing* addition that is intended to account for historical salary and wage increases received by Local 145 and Local 911 employees dating back to FY 2018. An additional \$106,000 in overtime is related to the Advanced Lifeguard Academy, which is discussed on the following page. The remaining \$6.6 million increase is a *one-time* addition intended to align the Department's FY 2024 budget with FY 2023 Mid-Year Budget Monitoring projections which projected a \$15.7 million overtime expenditure overage at fiscal year-end.

Offsetting the proposed increase in budgeted overtime expenditures is a \$10.3 million increase in Budgeted PE Savings of which \$5.7 million is on a one-time basis. This increase, which is effectively a budgeted reduction in

SUMMARY OF FIRE-RESCUE DEPARTMENT- GNERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	1,362.00	\$ 263,313,954	\$ 47,647,700	\$ 310,961,654	\$ 56,928,588
Programmatic Changes					
<i>Overtime Adjustments</i>	-	15,670,887	-	15,670,887	-
<i>Addition of Community Risk Reduction Personnel</i>	10.00	1,771,536	788,000	2,559,536	2,569,860
<i>Addition of Lifeguard Personnel and NPE</i>	3.00	559,331	200,000	759,331	-
<i>New Operations Staffing Unit Personnel</i>	4.00	654,792	-	654,792	-
<i>Advanced Lifeguard Academy*</i>	2.88	177,104	13,000	190,104	-
<i>Addition of Department Support Staff</i>	2.00	135,636	-	135,636	67,847
<i>Aircraft Recuse and Fire Fighting Contract</i>	-	-	-	-	1,729,331
<i>Revised Revenue</i>	-	-	-	-	1,873,545
Other Changes					
<i>Other Salaries & Wages</i>	-	26,100,160	-	26,100,160	-
<i>Budgeted PE Savings increase (Overtime Offset)</i>		(5,658,371)	-	(5,658,371)	
<i>Non-Discretionary Adjustments</i>	-	-	(1,386,987)	(1,386,987)	-
<i>One-time Removals and Annualizations</i>	-	-	(730,000)	(730,000)	-
<i>Other Adjustments</i>	-	-	108,004	108,004	-
FY 2024 Proposed Budget	1,383.88	\$ 302,725,029	\$ 46,639,717	\$ 349,364,746	\$ 63,169,171
Difference from 2023 to 2024	21.88	\$ 39,411,075	\$ (1,007,983)	\$ 38,403,092	\$ 6,240,583

* Excludes \$105,800 in overtime costs that are categorized under "Overtime Adjustments."

Department Review: Fire-Rescue

personnel expenditures, accounts for anticipated savings from staffing sworn vacancies.

Addition of Various Fire-Rescue Personnel

The FY 2024 Proposed Budget includes the addition of various Fire-Rescue personnel including 16.00 FTEs and \$3.3 million in associated expenditures:

- 10.00 FTEs and \$2.6 million in expenditures to support the Department's Community Risk Reduction Division by ensuring compliance with mandated fire safety and Hazardous Materials (HAZMAT) inspection reporting requirements under Senate Bill 1205. The funding of these positions is fully cost recoverable through inspection fee revenue.
- 4.00 sworn FTEs (including 2.00 Fire Captains and 2.00 Fire Fighter 2's) and \$655,000 in expenditures for an Operations Staffing Unit responsible for scheduling shifts for Fire Operations staff. This scheduling role was previously conducted by Fire-Rescue personnel at the Airport Fire Station. The City provided a credit to the San Diego County Airport Authority for the time dedicated to this function as it was not part of aircraft/rescue function. Recently, the City entered into a new Aircraft Rescue and Fire Fighting (ARFF) contract with the Airport Authority for aircraft rescue and fighting services at the airport. Under this new agreement which went into effect on January 1, 2023, the scheduling function was removed from the Airport Fire Station. The City is anticipated to receive \$1.7 million in additional ongoing revenue under the new agreement, a portion of which offsets the credit that the City had previously provided to the Airport Authority.
- 2.00 FTEs and \$136,000 in expenses to provide administrative support functions. The positions include 1.00 Clerical Assistant 2 to support the Department's Logistics Division and 1.00 Account Clerk to

collect billings associated with defensible space inspections. The latter position is expected to be 100% cost recoverable through increased inspection fee collections.

Resources for Lifeguard Services

The FY 2024 Proposed Budget includes several additions for lifeguard operations totaling 5.88 FTEs and \$1.1 million in expenditures:

- 1.00 Lifeguard Sergeant and \$219,000 in personnel expenditures to serve as the Lifeguard Division's hiring, recruitment and onboarding supervisor. Funding for this position was a Council Priority.
- 2.00 Lifeguard II's and \$341,000 in expenditures to support La Jolla Shores. This partially satisfies a Council priority which requested 3.00 Lifeguard II positions.
- \$200,000 for various non-personnel expenditures including training, maintenance for surfboat and the Marine II rescue boat, locker storages, and personnel protective equipment. This funding partially satisfies a Council Priority which specifically sought \$400,000 for this purpose.
- 2.88 Lifeguard 1-Hourly positions and \$296,000 in one-time expenditures for the Division's bi-annual Advanced Lifeguard Academy. This academy provides advanced training in areas including law enforcement, cliff rescue, and swift water rescue. Approximately \$106,000 consists of overtime expenditures for academy instructors, which is categorized in the table on the preceding page under "Overtime Adjustments." for under the . Funding for this addition was a Council Priority.

Significant Revenue Adjustments

The Proposed Budget includes a net revenue increase totaling \$6.2 million. Aside from revenue associated with personnel additions discussed earlier, other adjustments include:

- \$1.0 million in one-time use of fund

Department Review: Fire-Rescue

balance from the EMS Fund;

- \$902,000 ongoing increase in the Fire-Rescue Department’s allocation of projected Safety Sales Tax revenue; and
- \$28,000 reduction in reimbursement revenue from the TOT Fund for tourism related safety services.

Unfunded Requests

The Department had two notable budget requests that were not funded in the FY 2024 Proposed Budget. These include:

- 1.00 Clerical Assistant 2 and \$64,000 in personnel expenditures to support the Employee Services Division. Similar to last year, this addition was cited by the Department as a critical need to address administrative workloads.
- \$150,000 in one-time non-personnel expenditures to replace six non-operational apparatus door operators/opens at Fire Station 47 (Pacific Highlands Ranch). This represents a public safety issue which increases response times given that the doors need to be opened manually.

Issues for Council Consideration

Council Budget Priority Items

There were several items within the Fire-Rescue Department that received majority support in Councilmember budget priority memoranda.

For the Lifeguard Division, specific increases that received majority support included:

- 1.00 Lifeguard Sergeant to serve as the Lifeguard Division’s hiring, recruitment and onboarding supervisor, *this is included in the Proposed Budget.*
- 3.00 Lifeguard II at La Jolla Shores and to serve as Ocean Front Relief Lifeguards; *this is partially funded with 2.00 Lifeguard IIs;*

- \$400,000 for various non-personnel expenditures; *this is partially funded with \$200,000.*
- Funding for the Lifeguard Division’s bi-annual Advanced Lifeguard Academy, *this is funded in the Proposed Budget.*

For Fire Suppression, Councilmember LaCava added two additional priorities at the February 8, 2023 Budget and Government Committee which were subsequently approved by the City Council and formally added as City Council budget priorities. This included:

- The addition of up to 37.00 full-time firefighter employees to serve as relief pool positions, paid for by overtime cost savings; this is not funded in the Proposed Budget. As discussed under the section “Relief Pool” below, the Department does not believe that they will be able to fill these positions in FY 2024.
- Fund a true relief factor study to refine and identify the optimal number of Fire-Rescue FTEs necessary to fulfill the Department’s mission; this is not Funded in the Proposed Budget.

Firefighter Staffing

As of March 31, 2023, there were 81 sworn vacancies among the Department’s 997 budgeted sworn staff positions, as broken down in the table below:

Position	Vacancies
Fire Captain	31
Fire Engineer	26
Fire Fighter II	24
Total	81

Since that time, the 97th Fire Academy began on April 17, 2023, with 33 Fire Recruits. Once this academy graduates in August 2023, the Department expects to see the Fire Fighter II positions classification fully staffed.

Given that most of the Department’s sworn

Department Review: Fire-Rescue

vacancies are in the Fire Captain and Fire Engineer ranks, reaching full staffing for all sworn positions will depend on the Department's ability to promote existing Fire Fighters into those positions. The primary issue has been a lack of candidates seeking promotion into the Fire Engineer rank. The Department has recently modified the Fire Engineer Exam based on feedback received from potential candidates who in the past chose not to seek this promotion. In addition to this modification, the Department believes that, as the Fire Fighter II position reaches full staffing and opportunities for overtime become less available, more candidates for Fire Engineer will be incentivized to seek higher pay through promotion. According to the Department, there are sufficient candidates for filling the Fire Captain vacancies; these promotions, which are received through the Fire Engineer rank, have been delayed due to the shortfall in Fire Engineers.

Relief Pool

The Relief Pool – which seeks to limit overtime spending by using regular fire-personnel that can backfill leave taken by other fire fighters instead of using overtime – was established with a total of 74.00 FTEs in the FY 2020 and FY 2021 Adopted Budgets but has largely been inactive due to the Department's sworn staffing shortages.

By the end of FY 2024, the Department estimates a sworn staffing shortfall of 17.00 FTEs and believes that it would be close to filling its existing relief pool positions.

As noted above, the City Council prioritized the inclusion of an additional 37.00 relief pool FTEs in FY 2024. Given the Department's current staffing forecast, they do not believe that they will be able to fill these positions in FY 2024. They expect to consider that addition for FY 2025.

EMS Fund

The FY 2024 Proposed Budget for the EMS Fund is approximately \$13.8 million, an increase of \$3.3 million, or 32.0% from the FY 2023 Adopted Budget. The Proposed Budget includes 21.00 FTEs, which is an increase of 3.00 FTEs. Budgeted revenue totaling \$14.3 million represents an increase of \$3.8 million from FY 2023.

Significant Budget Adjustments

The FY 2024 Proposed Budget includes the following significant budget adjustments:

- \$1.0 million one-time increase in the EMS revenue transfer to the General Fund from EMS Fund balance;
- Addition of 1.00 Fire Captain and \$272,000 in ongoing expenditures to lead a new Special Events Unit that will be responsible for efficiently processing special events permits and ensuring events are adequately prepared for fire prevention and emergency medical services.
- Addition of 1.00 Fire Captain and \$260,000 in ongoing expenditures to serve as the EMS Medical Liaison Officer who will be responsible for overseeing contractual requirements related to EMS operations, including the Exclusive Operating Agreement with the County, paramedic and medical transportation services, City's contracted Medical Director, and mutual aid and training agency agreements.
- Addition of 1.00 Quality Improvement and Data Specialist to address increasing medical aid call volume.
- \$155,000 for exhaust extraction system replacements and other facilities maintenance costs.

Department Review: Fire-Rescue

Significant Revenue Adjustments

The FY 2024 Proposed Budget includes \$3.8 million in revenue increases associated with the City's Emergency Ambulance Transportation Services contract with Falck Mobile Health. Since the development of the Proposed Budget, the Department has begun the process of transitioning the EMS system to an Alliance Model for EMS delivery under which the Fire-Rescue Department takes over provider responsibilities and contracts out ambulance services on a per hour basis. The implementation is proposed to occur via two amendments to the City's current contract with Falck; the First Amendment is expected to be brought for City Council consideration in mid-May 2023. Under the Department's proposed transition to the Alliance Model, the additional revenue from Falck in the Proposed Budget is no longer anticipated. The Department anticipates submitting adjustments in the May Revision to account for changes in the EMS Fund associated with the transition to the Alliance Model.

Department Review: General Services

General Services

General Services was added as a department in the FY 2023 Adopted Budget by combining two previously separate divisions – Facilities Services and Fleet Operations (formerly its own department) into General Services to provide City departments with comprehensive facilities maintenance and fleet management services.

The two divisions in General Services have three funding sources which provide internal services to other City departments.

- The Facilities Services Division provides maintenance, repair, modernization, and improvements to approximately 1,600 facilities, and is funded through the General Fund.
- The Fleet Operations Division provides fleet management for over 4,500 motive vehicles and equipment, including repairs, maintenance, fuel and rental vehicles through the Fleet Operating Fund, and replacements and acquisitions through the Fleet Replacement Fund.

Key departments goals include:

- Provide quality fleet and facilities services efficiently and economically.
- Advance a Green Fleet and Sustainable Building program.
- Continue to develop a trained and certified team of professionals.
- Improve internal controls and accountability.
- Provide quality, safe, and reliable facility

services.

KPIs to measure progress toward these goals are discussed in the related division sections.

Impacts of Mayor’s FY 2024 Budget Proposal

The Department of General Service’s overall proposed budget for FY 2024 totals approximately \$171.2 million with 405.75 FTE positions. The Proposed Budget for the entire department reflects an increase of 3.00 FTEs and \$7.5 million, or 4.6% in expenditures over the FY 2023 Adopted Budget. Total revenues are \$145.6 million, a decrease of \$6.7 million. A summary of the total FY 2024 Proposed Budget by division and fund is provided in the table below, and further discussion of specific budget adjustments is provided under write-ups for each division.

The FY 2024 Proposed Budget adds \$248,000 in personnel expenditures for 1.00 Assistant Director to support the Department’s operational needs and citywide programs. This includes the electrification of the City’s fleet and related infrastructure as required by the California Air Resources Board, planning for the electrification of City facilities as required by the Mayor’s Zero Emissions Municipal Buildings & Operations Policy (ZEMBOP), and increased homelessness activities. The position is funded by the General Fund and therefore included in the discussion under *Facilities Services*.

SUMMARY OF GENERAL SERVICES DEPARTMENT BUDGET CHANGES						
Fund	FY 2023 FTE	FY 2024 FTE	Change	FY 2023 Expense	FY 2024 Expense	Change
Facilities Services - General Fund	177.50	180.50	3.00	\$ 25,573,106	\$ 26,305,886	\$ 732,780
Fleet Operations - Operating Fund	225.25	225.25	-	65,104,651	68,673,551	3,568,900
Fleet Operations - Replacement Fund	-	-	-	72,998,018	76,219,059	3,221,041
Total Combined	402.75	405.75	3.00	\$ 163,675,775	\$ 171,198,496	\$ 7,522,721

Department Review: General Services

Performance Measure	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Estimated FY 2023	Target FY 2024
Percentage of preventative maintenance activities of overall facilities maintenance activities	19%	28%	20%	14%	22%	22%

Facilities Services

The FY 2024 Proposed Budget for the Facilities Services Division is approximately \$26.3 million in General Fund expenditures, which is an increase of \$733,000, or 2.9% over the FY 2023 Adopted Budget, as shown in the table below. The FY 2024 Proposed Budget includes \$3.9 million in revenue. In FY 2023, the budget included a \$1.0 million one-time reduction of revenue received for reimbursable services to enterprise fund departments to reflect the actual level of service (given the increased need to focus more on General Fund projects). The current year trend projects revenue received to be close the current FY 2023 Adopted Budget of \$3.9 million. To reflect this, the FY 2024 proposed budget makes the \$1.0 million revenue reduction ongoing.

The proposed budget includes 180.50 FTE positions which is an increase of 3.00 FTE positions.

Significant Budget Additions

Of the 3.00 additional positions, 1.00 is an

Assistant Department Director that was discussed earlier. The remaining additions include 2.00 Associate Management Analyst positions.

1.00 Associate Management Analyst is being added to support General Service's Capital Improvements Program (CIP). This position is intended to enable the Department to provide analysis and coordination in the CIP, such as developing projections for the Five-Year Financial and CIP Outlooks and coordinating with City departments to create and close out facility related projects. This would include reviewing the most recent Facilities Condition Assessments to see what has been completed and what needs to be added to calculate current repair/replacement backlog costs.

In our [Review of the FY 2024-28 CIP Outlook](#), we noted that it was not clear what the deferred capital backlog is for facilities, as staff reported their condition assessment is out of date and a robust analysis needs to be conducted to provide more accurate projections. This position will help the City to move toward that goal; however, we note a new

SUMMARY OF FACILITIES SERVICES (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	177.50	\$ 17,946,499	\$ 7,626,607	\$ 25,573,106	\$ 3,923,756
Programmatic Changes					
<i>Addition of 1.00 Assistant Director to support GSD</i>	1.00	247,965	-	247,965	-
<i>Addition of 2.00 Associate Management Analysts to support the Department's Capital Improvements Program and procurement processes</i>	2.00	192,596	-	192,596	-
<i>Addition of one-time non-personnel expenditures for repair and maintenance of various facilities citywide</i>	-	-	1,000,000	1,000,000	-
<i>Reduction in Revenue (due to increased General Fund building projects, which are nonreimbursable)</i>	-	-	-	-	(1,000,000)
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	(829,781)	-	(829,781)	-
<i>Information Technology Adjustments</i>	-	-	30,657	30,657	-
<i>One-Time Additions and Annualizations</i>	-	-	(161,730)	(161,730)	1,000,000
<i>Non-Discretionary Adjustment</i>	-	-	263,310	263,310	-
<i>Pay-in-Lieu of Annual Leave Adjustments</i>	-	(10,237)	-	(10,237)	-
FY 2024 Proposed Budget	180.50	\$ 17,547,042	\$ 8,758,844	\$ 26,305,886	\$ 3,923,756
Difference from 2023 to 2024	3.00	\$ (399,457)	\$ 1,132,237	\$ 732,780	\$ -

Department Review: General Services

facilities condition assessment has not been funded in the Proposed Budget. The proposed Citywide Program Expenditures budget includes \$500,000 for citywide Space Planning and Condition Assessments. According to the Department of Finance, this funding will support departments with space planning needs citywide and condition assessments for General Fund facilities and service yards. Facilities Services was not aware of this funding or the extent to which it will be used for an updated citywide assessment.

The second Associate Management Analyst is being added to support the Facilities Services Division's procurement processes, such as creating purchase requisitions to acquire goods and services related to citywide facility maintenance.

The FY 2024 Proposed Budget includes the addition of \$1.0 million in one-time non-personnel expenditures for repair and maintenance of various General Fund facilities citywide. As the City's infrastructure continues to age, various building components need replacement and repair to keep the buildings functional. Some of this work is specialized and Facilities Services' current workforce may not have the expertise or capacity in-house and will need to procure services. This funding is also intended to be used for supplies and equipment.

Requests Not Included in the Proposed Budget

Key items requested by Facilities Services that were not included in the FY 2024 Proposed Budget are related to updating Facilities condition assessments and Enterprise Asset Management (EAM) System consultant support. We discuss these items in more detail in the *Infrastructure Funding* section in *Key Citywide Issues* earlier in this report.

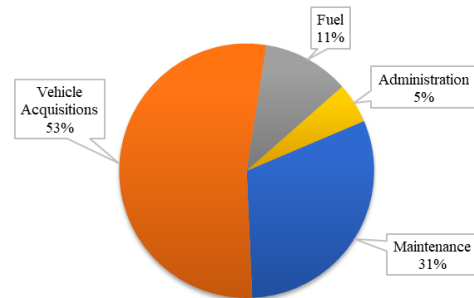
Facilities Services also requested funds for maintenance *or* security for the Harbor Drive Pedestrian Bridge elevators and facilities.

This is discussed in *Issues for Council Consideration* later in this section.

Fleet Operations

The Fleet Operations Division 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 53% of the total FY 2024 Proposed Budget for Fleet Operations, as reflected in the following figure. Maintenance represents roughly 31% of the budget and 11% is for Fuel.

FLEET OPERATIONS BUDGET BY FUNCTION



The combined FY 2024 Proposed Budget for Fleet Operations is approximately \$144.9 million, an increase of \$6.8 million or 4.9%. The FY 2024 Proposed Budget includes 225.25 FTE positions, which represents no change from the prior year. Budgeted revenue totals \$141.7 million, a decrease of \$6.9 million. As an Internal Service Fund, all the revenue for the Division is derived from the operating budgets of other City departments. For this year, about 60% of revenue comes from the General Fund.

Department Review: General Services

Performance Measure	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	Goal
Percentage of fleet within designated lifecycle	68%	69%	66%	65%	65%	85%
Greenhouse gas reduction from municipal vehicles (metric tons)	17,736	17,736	18,451	17,045	17,024	19,788
Maintain availability of Priority 1 vehicles	N/A	89%	89%	87%	85%	90%

Fleet Key Performance Measures

The table above shows select performance measures for the Fleet Operations Division. The Division continues to focus on the percentage of the City’s vehicles that are within their useful life, as replacing more of these vehicles will reduce maintenance costs over the long term. Overall, this percentage has declined between FY 2019 and FY 2023, from 68% to 65%. This is primarily due to delays in vehicle deliveries due to worldwide supply chain disruptions and shortages. The goal for the Division is 85%.

Significant Budget Additions

The largest increase for the Fleet Operations Division is within the Fleet Replacement Fund. The increase includes \$3.2 million for increased debt service payments for vehicle replacements that have been financed through the General Fund. This increase aligns the budget with the multiyear vehicle replacement plan. Relatedly, there are also decreases of \$10.1 million in revenues from debt financing and \$7.0 million in Fleet Assignment Fees,

both within the Fleet Replacement Fund, to align revenues within the fund with the multi-year vehicle replacement plan.

The remaining significant adjustments are all within the Fleet Operating Fund. The most notable adjustments are all to align expenditure budgets to current projected spending levels, based on increases experienced within the current fiscal year. This includes \$2.1 million for supplies, \$0.8 million in fuel charges, and \$0.3 million in contractual expenses. All of these adjustments are based on projection from the FY 2023 Mid-year Budget Monitoring Report and are required in order to maintain existing service levels due to price inflation for parts and services.

The last notable change within the Fleet Operating Fund is an additional \$100,000 for upgrades and inflation adjustments for the Division’s Fleet Focus software. This increase will not only cover inflationary costs increases based on the contract, but also provide upgrades for end-of-life software and hardware related to inventory devices, as well as

SUMMARY OF FLEET OPERATIONS (OPERATING & REPLACEMENT FUNDS) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	225.25	\$ 25,277,806	\$ 112,824,863	\$ 138,102,669	\$ 148,333,436
Programmatic Changes					
<i>Increase in Debt Payments for Vehicle Replacements</i>	-	-	3,221,041	3,221,041	-
<i>Aligning Supply Budget</i>	-	-	2,050,700	2,050,700	-
<i>Aligning Fuel Budget</i>	-	-	749,186	749,186	683,747
<i>Aligning Contracts Budget</i>	-	-	331,038	331,038	-
<i>Fleet Focus Upgrades</i>	-	-	100,000	100,000	-
<i>Removal of One-time Expenditures from FY 2023</i>	-	-	(1,872,829)	(1,872,829)	-
<i>Fleet Usage Fees</i>	-	-	-	-	9,700,085
<i>Fleet Assignment Fees</i>	-	-	-	-	(6,978,193)
<i>Replacement Vehicle Debt Financing</i>	-	-	-	-	(10,086,823)
Other Changes					
<i>Salary & Personnel Cost Adjustments</i>	-	1,487,660	-	1,487,660	-
<i>Fringe Benefit Adjustments</i>	-	274,884	-	274,884	-
<i>Non-Discretionary Adjustments</i>	-	-	448,261	448,261	-
FY 2024 Proposed Budget	225.25	\$ 27,040,350	\$ 117,852,260	\$144,892,610	\$ 141,652,252
Difference from 2023 to 2024	-	\$ 1,762,544	\$ 5,027,397	\$ 6,789,941	\$ (6,681,184)

Department Review: General Services

additional modules to start tracking electric vehicle (EV) charging as a fuel. While the Department is currently in the evaluation process on a recently closed Request for Proposals (RFP) for a new long-term agreement for a cloud-based Fleet Management Information System, these costs are required in order to maintain key databases related to parts as well as prevent the Department from having to absorb the inflationary adjustment.

Overall revenue adjustments for the Fleet Operating Fund include \$9.7 million in usage fee increases, as well as \$0.7 million in fuel charges. These adjustments align expenditures and revenue within the fund.

Fleet Requests Not Included in the Proposed Budget

The Fleet Operations Division also requested numerous additional adjustments which were not included in the FY 2024 Proposed Budget. A summary of FTEs and total expenditure requests is provided in the table below. All of these requests were related to the Fleet Operating Fund, which for FY 2024 is approximately 81% funded by the General Fund.

Fleet Unfunded Requests		
Programmatic Request	FTE	Expenditures
CIP Development and Expansion of EV and Yard Electrical Infrastructure	-	\$ 25,000,000
Chollas Electrical Improvements	-	500,000
Overtime	-	325,000
Training Vehicle Tractor Trailer	-	310,000
Car Wash Demolition	-	300,000
Information Systems Analyst for EAM	1.00	115,292
Fleet Shop Equipment	-	50,000
Totals	1.00	\$ 26,600,292

The largest of these requests was \$25.0 million to begin the major renovation of existing Fleet Operations Division and other City facilities in order to develop the infrastructure necessary to convert the City's fleet to all EVs. During the last year, the Fleet

Operations Division has been working with a consultant, as well as hiring a new EV program manager, to work on developing a plan to implement this conversion, which is part of the City's Climate Action Plan and the Zero Emissions in Municipal Buildings and Operations Policy. The full plan itself will be completed sometime this summer, however the initial cost estimate for the full Development and Expansion project, based on similar projects and costs undertaken by other peer agencies, could be as high as \$500 million. This does not include the additional procurement costs for vehicles. Without initial funding, the beginning of the design phase of the CIP project will have to be delayed.

Other major unfunded requests included one-time funding to improve the Chollas operations yard, including \$500,000 to upgrade and improve the electrical wiring at the facility and \$300,000 to demolish obsolete car wash stations, primarily to make space and utilize existing electrical capacity for additional EV infrastructure. While funding either of these activities would be beneficial for improving the functionality of Chollas, both could wait and/or be part of the CIP project for EV Development.

Issues for Council Consideration

Departmental Vacancies

Filling vacant positions with qualified staff and retaining staff continues to be a challenge for General Services, particularly for skilled trade job classifications. The Department has 83.00 total vacancies for a vacancy rate of 21.0%, including 39.00 vacant FTEs for Facilities (22.0%) and 43.00 vacant FTEs for Fleet (19.0%).

The Department has not been able to fill key vacant positions primarily due to challenges competing for qualified staff given current City salaries and benefits in comparison to other agencies and private companies. Fleet

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Technicians in particular continue to be difficult to recruit due to a labor market shortage, which is affecting not only the City but the entire industry.

To address this issue, in FY 2022 Special Salary Adjustments (SSA) were provided for some job classifications, including Electricians, HVAC Technicians, Plumbers, and the Fleet Technician series. While this has helped in some cases, in others the City is still not competitive with outside organizations.

Department officials noted they have also successfully filled some positions using the City's Apprenticeship program which enables staff to fill positions once they graduate/become certified, such as for HVAC technicians. Officials also noted the City's recent Job Fair identified potential candidates to fill vacant custodial positions. They are looking forward to more of these recruiting events in the future.

Filling vacancies is a significant challenge for several departments. For more information, see the *Departmental Vacancies* section in *Key Citywide Issues* earlier in this report.

Kearny Mesa Repair Facility (Othello Avenue Fire Fleet Repair Facility)

The Kearny Mesa Repair Facility project is critical to relocate the repair and maintenance services of heavy-duty fire-apparatus from the Miramar facility where they share space with repair and maintenance of refuse packers.

In anticipation of this need, the City entered into a 10-year lease of the facility on Othello Avenue with the intention for this site to serve as the new maintenance and repair facility in April 2017. The City then completed additional lease negotiations in September 2019 that secured rights to the facility for up to 30 years, along with right of first refusal to purchase the facility if the owner desires to sell. The current Capital Improvements Program contains \$16.4 million for the construction of improvements to this site.

Construction has already begun at the site, with initial occupancy expected in January 2024. However, the contractor has experienced delays in procuring certain necessary parts, and as such has requested a delay in the occupancy date of around two and a half months, pushing the expected date back to sometime in March 2024.

Repair/Maintenance and Security for the Harbor Drive Pedestrian Bridge

Facilities Services is responsible for maintenance and repair of the Harbor Drive Pedestrian Bridge elevators and facilities. Currently, there is no security presence from 6:00pm to 6:00am, and significant damage and vandalism has been occurring during those hours. Facilities officials told us addressing these issues requires constant repair and maintenance such as replacing floors, doors, power boards, and other equipment. The repairs have also required contractual services such as electrical and hazardous materials. Officials noted that the City receives ADA-related complaints when the elevators are not in service.

As part of the FY 2024 budget process, Facilities Services proposed two options:

- \$150,000 in ongoing non-personnel expenditures for additional maintenance costs.
- \$250,000 in ongoing non-personnel expenditures to acquire 24-hour security services to monitor the bridge and elevators and \$25,000 in one-time costs for a pre-fabricated guard shack to house security personnel overnight.

Neither of these options was funded.

Prioritizing Facilities Condition Assessments, Maintenance and Capital Projects

During our Office's [Review of the FY 2024-28 CIP Outlook](#), we concluded that maintenance of existing facilities has been chronically underfunded and deferred so much that

Department Review: General Services

the City no longer has accurate data on needs of existing City facilities. Facilities condition assessments, which were last conducted in 2014-16, are overdue to be updated. Facilities Services requested an update as part of the FY 2024 Proposed Budget process, which was not funded. The condition assessment was intended to include an assessment of ZEMBOP requirements in these facilities, as well. This and related issues are discussed in the *Infrastructure Funding Needs* section in *Key Citywide Issues* and the *CIP* section earlier in this report.

Government Affairs

The Government Affairs Department was established as a new department in the FY 2019 Budget. The Department manages the City’s State and federal legislative priorities as they are developed by the Mayor and City Council. Government Affairs directs the City’s lobbying teams and collaborates with other local and regional government entities such as SANDAG, the Port, and the San Diego County Water Authority.

The Department advocates at all levels of government on key City issues such as infrastructure, cross-border collaboration, affordable housing, homelessness, workforce development, water supply, energy, public safety, and economic development.

Key departmental goals include:

- Implementing the City of San Diego’s legislative platform.
- Engaging at all levels of government to maximize advantages for the City and minimize negative impacts.
- Serving departments and stakeholders to promote, support, and enhance grant applications and competitiveness.

KPIs to measure progress toward these goals are shown in the table below.

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Government Affairs Department is approximately \$1.4 million, an increase of \$49,000 or 3.6% from the FY 2023 Adopted Budget. Govern-

ment Affairs was able to restore their department’s budget to the baseline in FY 2023 Adopted Budget after lower funding levels due to COVID-19. In the FY 2024 Proposed Budget, this baseline funding remains at \$1.4 million.

Total positions in the Department remain unchanged at 7.00 FTEs, and there are no current vacancies. Budgeted revenue for the Department also remains unchanged at \$319,000. Government Affairs receives revenue from the Public Utilities Department as a reimbursement for work that is conducted to support the water and wastewater functions and the Pure Water project.¹ For example, Government Affairs helped secure \$50.0 million for Pure Water in the FY 2022 State budget. The Department also advocates on legislation for dam safety and water conservation and regulatory matters. These reimbursements are expected to continue in future years due to ongoing work.

Department Priorities

Officials told us the Department is committed to maximizing funding for core City priorities as approved by the City Council and Mayor in its legislative platform, including maximizing funding for housing and homelessness, coordinating on Infrastructure Investment and Jobs Act (IIJA) funding, and supporting community project requests through the state and federal budget cycles.

Advocating for City Funding from Inflation Reduction Act

So far, the Department has helped the City gain a \$24 million bridge grant for the

Performance Measure	Target FY 2022	Actual FY 2022	Target FY 2023	Estimate FY 2023	Target FY 2024
Number of Bills with Position Taken	25	26	25	39	30
On Time Performance for Legislative Reports	100%	80%	100%	75%	80%
Number of Grant Review Memos Issued	70	90	75	85	75
Value of Grants Applied For	\$200M	\$265.4M	\$200M	\$250M	\$200M

¹ The level of funding approved in the budget was negotiated with Public Utilities through a service level agreement.

Department Review: Government Affairs

SUMMARY OF GOVERNMENT AFFAIRS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	7.00	\$ 1,249,997	\$ 97,845	\$ 1,347,842	\$ 319,094
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	74,837	-	74,837	-
<i>Other Non-Personnel Expenditure Adjustments</i>	-	-	(26,183)	(26,183)	-
FY 2024 Proposed Budget	7.00	\$ 1,324,834	\$ 71,662	\$ 1,396,496	\$ 319,094
<i>Difference from 2023 to 2024</i>	-	\$ 74,837	\$ (26,183)	\$ 48,654	-

Palm/805 project and an initial award of \$680,000 from the Safe Streets For All Grant Program. This funding will be used to enhance the City’s Vision Zero plan. The City also received \$1.2 million in the U.S. Department of Energy’s Energy Efficiency and Conservation Block Grant.

Key Accomplishments

Department accomplishments related to securing funding for homelessness and other notable key issues include the following:

- Passage of SB 1338 - CARE Court
- Sponsoring and securing passage of AB 1672 and AB 2239, which address issues of public safety for lifeguards and gun violence prevention.
- Secured nearly \$90 million in state member-directed spending and \$24 million in federal member-directed spending.
- Secured an additional year of one-time HHAP funding, estimated at \$22 million for the City in direct allocations.

Homelessness Strategies and Solutions Department

The Homelessness Strategies Division was restructured into the Homelessness Strategies and Solutions Department (HSSD) in FY 2021. Due to a recent citywide restructure effective March 1, 2023, HSSD is now housed under the Neighborhood Services branch and reports to a Deputy Chief Operating Officer. (The Department previously reported to the Mayor.)

HSSD oversees homelessness programs that provide immediate assistance as well as long-term solutions and works to ensure that the City’s homelessness policies are reflected in the operations of various City departments whose work impacts homelessness.

Much of the City’s funding for homelessness is transferred to the San Diego Housing Commission to administer. The City and Housing Commission first entered into a Memorandum of Understanding in 2010 for the administration of provider contracts for the City’s homelessness programs.

Notably, only a portion of program funding for homelessness is included in the HSSD Proposed Budget and is approved as part of

the budget process, which is limited to the General Fund. The City’s homelessness efforts are funded through a variety of sources, but State grant funding provided the majority of funding in recent fiscal years (aside from funding allocated in previous years to address COVID-19). As part of the FY 2024 budget process, Council is only being asked to approve General Fund allocations to homelessness programs. Requests to approve additional funding streams will come separately.

Our Office will additionally review the Housing Commission’s FY 2024 Proposed Budget in a separate report that will be released in early May.

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget includes \$44.0 million in General Fund expenditures, an increase of \$18.8 million, or 74.7%, from the FY 2023 Adopted Budget. The Proposed Budget also includes 16.00 FTE positions, an increase of 1.00 FTE position over FY 2023.

The Proposed Budget includes several notable

SUMMARY OF HOMELESSNESS STRATEGIES AND SOLUTIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	15.00	\$ 2,255,554	\$ 22,902,053	\$ 25,157,607	\$ 393,605
Programmatic Changes					
<i>Continued Shelter, Safe Parking, and Storage Operations</i>	-	-	19,578,354	19,578,354	-
<i>Expansion of Shelter Bed Capacity</i>	-	-	5,000,000	5,000,000	-
<i>Continued Rental Assistance and Outreach</i>	-	-	3,060,000	3,060,000	-
<i>New Activities (Shelter Bed Replacements, Winter Weather Shelter, Family Shelter, and Safe Parking)</i>	-	-	3,775,087	3,775,087	-
<i>Day Center Operations/Facility Improvements</i>	-	-	500,000	500,000	-
<i>Add: Administrative Aide 2</i>	1.00	79,746	-	79,746	-
Other Changes					
<i>Removal of One-time Funding</i>	-	-	(13,758,014)	(13,758,014)	(232,676)
<i>Transient Occupancy Tax Transfer</i>	-	-	-	-	31,000,000
<i>Opioid Settlement Funds</i>	-	-	-	-	2,697,000
<i>Other Wage and Benefits Adjustments</i>	-	84,351	-	84,351	-
<i>Non-Discretionary Adjustments</i>	-	-	483,412	483,412	-
FY 2024 Proposed Budget	16.00	\$ 2,419,651	\$ 41,540,892	\$ 43,960,543	\$ 33,857,929
Difference from 2023 to 2024	1.00	\$ 164,097	\$ 18,638,839	\$ 18,802,936	\$ 33,464,324

Department Review: Homelessness Strategies and Solutions

departures from recent years, including dedicating *ongoing* General Fund to fund *ongoing* operational expenditures. In prior years, the City expanded homelessness services and funded ongoing operational costs through a series of one-time State grants, namely the Homeless Housing, Assistance and Prevention Program (HHAP). In contrast to prior years, the Proposed Budget includes \$19.6 million in ongoing City General Fund largely for continuing ongoing shelter operations, Safe Parking programs, and storage operation costs, as well as \$3.1 million for continuing rental assistance and outreach efforts, as seen in the table on the previous page.

This shift of ongoing expenses to the General Fund reflects growing cost pressures in homelessness programs, including expanded shelter capacity, growing operational costs, and more limited one-time State grant funding. For instance, the City's fourth round allocation of HHAP funds is \$5.0 million less than the third round allocation, resulting in the shift of certain programs from HHAP funding to the City's General Fund.

The Proposed Budget also uses \$31.0 million in Transient Occupancy Tax (TOT) funds for homelessness programs as a Special Promotional Programs reimbursement. Special Promotional Programs funds typically support the promotion of the City's cultural amenities and natural attractions. This marks the first time these funds have been included in a Proposed Budget for homelessness, though the City has historically used reimbursements from Special Promotional Programs to support General Fund-supported City services in high-tourism areas.

Budgeted revenues are \$33.9 million, an increase of \$33.5 million, or more than an eighty-fold increase from the FY 2023 Adopted Budget. Revenue increases are primarily attributed to the \$31.0 million TOT transfer and \$2.7 million from the Opioid Settlement Fund, to be discussed later.

Ongoing General Fund Resources for Existing Programs

Programs and services that previously received one-time State or federal grant funds but will be funded with ongoing City General Fund starting FY 2024 include the following:

- Existing bridge and interim shelters (We note some shelters will continue to receive one-time grant funds for operational costs in FY 2024.)
- Existing storage centers
- Existing Safe Parking programs
- Homelessness Response Center

The FY 2024 Proposed Budget also includes two expenditures that were previously funded using the City's General Fund and are newly included in the HSSD Proposed Budget:

- Housing Instability Prevention Program (HIPP) – This program was first funded in the FY 2023 Adopted Budget through the Economic Development Department and administered by the Housing Commission. The Proposed Budget moves HIPP funding under HSSD, with the Housing Commission continuing to administer the program.
- Caltrans and Bridge Shelter Outreach – Outreach through Caltrans was previously funded through General Fund savings. The Proposed Budget includes these existing outreach efforts as part of the regular budget development process. This expenditure also funds outreach staff who are funded currently through contracts for the Golden Hall and 16th and Newton bridge shelters, which are anticipated to be relocated as will be discussed later. Using General Fund for these outreach positions will allow these positions to be retained after the shelter relocations.

Department Review: Homelessness Strategies and Solutions

In total, the Proposed Budget includes \$22.6 million in General Fund support for continuing these existing programs and services. This amount includes adjustments to account for shelter ancillary costs, cost-of-living adjustments, and staff compensation increases that do not change existing levels of service. For instance, expenditures associated with several shelters were increased in response to the Housing Commission's recent Homelessness Services Compensation Study. The study aimed to identify the annual living wage for homelessness services positions to better attract and retain a qualified workforce.

Significant Budget Additions

In addition to funding continued existing operations, the Proposed Budget includes the following significant additions for *new* staff and activities:

- \$80,000 for 1.00 FTE administrative position
- \$8.8 million ongoing increase for new shelter, shelter bed replacement, and additional Safe Parking site
- \$500,000 increase for the Neil Good Day Center

The following subsections discuss these adjustments in more detail.

Additional Staffing

The Proposed Budget includes one new Administrative Aide 2 position. This is currently a supplemental position that is unfilled, but HSSD plans to begin the recruitment and hiring process in the next few weeks. The position will provide administrative support to the Department. This new position would be the Department's second Administrative Aide 2 position. We note that as of this writing, the Department has two vacancies, but is aiming to fill them by the end of FY 2023.

Ongoing Funding for New Activities

The Proposed Budget includes \$8.8 million for various new activities, as detailed in the table below.

FY 2024 Homelessness Program Ongoing Adjustments	
<i>Ongoing</i>	
Expansion of Shelter Bed Capacity	\$ 5,000,000
Site Preparation for Shelter Bed Replacements	1,500,000
Inclment Weather Shelters	1,034,143
New Safe Parking	840,944
New Family Shelter	400,000
Total	\$ 8,775,087

The remaining subsection provides additional details on these activities.

Expansion of Shelter Bed Capacity

The Proposed Budget provides \$5.0 million for start-up and ongoing costs associated with expanding shelter bed capacity. This funding also includes costs associated with establishing a new Safe Camping site. HSSD is currently developing a comprehensive shelter strategy for the City, which will describe the Department's plans for adding new shelter beds, as well as Safe Parking and Safe Camping sites.

Site Preparation for Shelter Bed Replacements

The Proposed Budget includes \$1.5 million in ongoing funding for start-up and transition costs associated with replacing existing shelter beds. According to the Department, shelter-specific factors and conditions informed the shelters identified for replacement. For FY 2023, the Golden Hall, Old Central Library, and 16th and Newton shelters have been identified for replacement. Across the three shelters, a total of 842 beds are being planned for replacement in the current fiscal year. Staff relayed that Golden Hall was intended to be a short-term shelter, as permitting restrictions would require additional facility upgrades (estimated to cost around \$5 million for fire sprinklers and other facility improvements) to operate the shelter long-term. The Department has targeted October 2023 to complete the relocation of Golden Hall and is in the process

Department Review: Homelessness Strategies and Solutions

of relocating households currently staying at the shelter. Similarly, the Old Central Library shelter is also a short-term shelter due to permitting restrictions. For 16th and Newton, nearby new construction activity will cause significant disruption to shelter operations, resulting in the relocation of the shelter.

Inclement Weather Shelters

The City opens additional temporary shelters during inclement weather, mainly in the winter months. The Proposed Budget adds \$1.0 million to provide inclement shelter beds at the Old Central Library and the Homelessness Response Center (HRC). Currently, HRC is not permitted for overnight accommodations, but staff will be working to bring the facility into code compliance for overnight accommodations.

New Safe Parking Site

The Proposed Budget provides \$841,000 in operation costs to expand the City's Safe Parking program. At the request of Council President, the Department was tasked with identifying and assessing the feasibility of various potential Safe Parking sites across the City. The Department intends to open an additional Safe Parking site in the coming months.

New Family Shelter

The Proposed Budget adds \$400,000 to fund supportive services at a new family shelter. The Department is developing the new shelter in collaboration with the County and anticipates City-funded services will be offered at the shelter.

Funding for Neil Good Day Center

The Proposed Budget provides a \$500,000 increase for operational costs and facility improvements at the Neil Good Day Center, bringing total proposed funding for the Center to \$1.0 million in FY 2024. According to staff, this increase is intended to restore the

operational hours of the Day Center and address some urgent facility issues.

Opioid Settlement Fund

The Proposed Budget also includes \$2.7 million from the Opioid Settlement Fund to cover operating costs for the Emergency Harm Reduction Shelter and the Safe Haven Shelter. Both are low-barrier shelters that provide case management, mental health services, and substance use disorder counseling and treatment for individuals experiencing homelessness with co-occurring mental health conditions and substance use disorders. The proposed funds would support the existing levels of service at the two shelters. We note that the proposed use of the Opioid Settlement Fund to offset existing General Fund costs is not aligned with established best practices, which recommend dedicating funds to *new* or *expanded* services to more meaningfully address the opioid crisis. More information about the Opioid Settlement Fund can be found in the *Key Citywide Issues: Opioid Settlement Fund* section of our budget review.

Many Other Homelessness Programs are Funded in FY 2024 Outside the Budget Process

With the approval of HSSD's \$44.0 million budget, partial or full funding will be provided to a subset of the homelessness programs the City offers. Before the end of FY 2023, Council will be asked to approve allocations of the fourth round of State HHAP funds totaling \$22.5 million. Staff project to use a total of \$30.8 million in State HHAP grant funds between this new round of funding and carryforward from previous rounds of funding. We note that the Governor's FY 2024 Proposed Budget includes a fifth round of HHAP – possibly providing continued State support for some of the City's homelessness efforts – but the allocations and spending conditions are still being finalized in the State budget process.

Department Review: Homelessness Strategies and Solutions

Other funding sources that will support homelessness programs in FY 2024 include the State Family Challenge Grant, the State Encampment Resolution Grant, the County Capital Grants, Affordable Housing Funds, and federal grants, as well as Housing Commission funds such as federal Moving to Work and local discretionary funding.

Issues for Council Consideration

Given that homelessness remains a significant, persistent, and growing problem in the City, the expansion of shelter services and dedication of ongoing funds for ongoing operational costs is appropriate. However, the City Council must balance these priorities with the uncertainty of future one-time grant funds, measures of program outcomes, an overarching plan for the City's entire homelessness response system, and other outstanding issues.

Long-term Funding Strategy

As previously discussed, the Proposed Budget includes significant ongoing General Fund resources to fund existing and new shelter operations, along with significant TOT Special Promotional Programs revenue (\$31.0 million) to balance the HSSD budget. The Department of Finance has indicated that the TOT revenue allocation will be evaluated during the annual budget process moving forward and anticipates continuing to rely on TOT to support homelessness programs if future grant funds are not sufficient for ongoing programs. We believe providing ongoing funding for ongoing operation costs to be an improvement over past practice.

As previously mentioned, the Proposed Budget relies on \$30.8 million from one-time State HHAP funds to cover other ongoing operation costs for homelessness programs. Although the Governor's Proposed Budget signals the likelihood of a fifth round of HHAP funding, continued State grant funding for local homelessness programs beyond FY 2024

still remains uncertain. We note that on December 14, 2022, the League of California Cities issued a [letter](#) to the Governor requesting the inclusion of \$3.0 billion in the State budget for homelessness and for funding to be *ongoing*. In the meantime, given uncertainties around future State HHAP funding, our understanding is that HSSD is evaluating a long-term funding approach to cover ongoing operation costs currently funded through one-time State HHAP funds. **Proactively planning the continued transition of ongoing operation costs to ongoing funding sources will put the City in a better position to sustain existing program levels, should State grant funding for homelessness change in the future.**

Program Outcomes

Despite significant spending on homelessness programs in recent years, the impact of City efforts on reducing homelessness throughout the City remains unclear. In total, through FY 2022 and FY 2023 the City and Housing Commission budgets have provided more than \$318.1 million across all funding sources for homelessness programs, including permanent housing resources. With the FY 2024 Proposed Budget continuing significant homelessness spending, we believe it is imperative to use program outcomes and data to inform the allocation of limited budgetary resources.

FY 2024 marks the first Proposed Budget that includes a full list of meaningful Key Performance Indicators identified by HSSD. As seen in the following table, the estimated number of individuals and families newly housed for FY 2023 is unlikely to meet the established target of 2,500 households, with 126 fewer households newly housed than targeted. Similar trends appear in the other performance indicators with the number of individuals, veterans, youth, and families experiencing homelessness surpassing the established goals. According to the Department, these first six indicators were included to track global progress

Department Review: Homelessness Strategies and Solutions

Performance Measure	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	Goal
Households Newly Housed	2,446	2,133	2,170	2,074	2,374	2,500
Unsheltered households entering shelter	N/A	N/A	N/A	2,548	3,059	1,700
Number of individuals experiencing unsheltered homelessness	N/A	N/A	N/A	2,494	2,400	2,000
Number of veterans experiencing unsheltered homelessness	N/A	N/A	N/A	265	250	125
Number of youth experiencing unsheltered homelessness	N/A	N/A	N/A	174	170	80
Number of families experiencing unsheltered homelessness	N/A	N/A	N/A	55	75	45
Number of enrollments into street-based case management/outreach	N/A	N/A	N/A	N/A	4,100	TBD
Percentage of workforce trainees obtaining professional opportunities	N/A	N/A	N/A	N/A	TBD	TBD

on the Community Action Plan on Homelessness (Action Plan). These indicators reflect some factors that are outside the direct control of HSSD, the Housing Commission, and the City, including systemwide factors such as rental market conditions, the lasting impacts of the COVID-19 pandemic, and the availability of affordable housing. **However, the City Council may want to ask HSSD how the Department interprets the FY 2023 performance indicator outcomes and how the activities included in the Proposed Budget are aimed at improving these performance outcomes for FY 2024.**

Additionally, last year, the Housing Commission released data dashboards on its website tracking both Housing Commission and City homelessness programs, as well as progress towards achieving the goals in the Action Plan. Data is presented at the system level as well as intervention level (e.g. shelters).

To provide some data points from the Housing Commission’s website, in the 2022 calendar year, there were 3,446 exits from shelters. Of these, 13% exited to permanent housing, 7% to other longer-term housing, 20% to the streets, and 55% to an unknown destination. The average length of stay in shelter for households exiting to permanent housing was 126 days. As data continue to be tracked, year-over-year comparisons of progress can be made.

This data can also provide insights into flow-through across the City’s homelessness emergency response system. To the extent the percentage of households exiting to permanent housing decreases or the average length of stay increases over time, this may indicate that the City should more closely examine whether there are sufficient permanent housing resources available. For homelessness to be rare, brief, and non-recurring, as is the regional goal established by the Regional Task Force on Homelessness, the overall balance of the system should be considered. For instance, indicators of system balance include ensuring that unsheltered individuals requesting shelter beds are not experiencing overwhelmingly long waits for an appropriate bed to open up, and that high numbers of households staying in shelter are not kept waiting for permanent housing resources to become available. In our review of how other localities address this issue, we found that the Los Angeles Homelessness Services Authority, for example, has identified the goal of having five permanent housing options for each shelter bed to maintain a balanced rehousing system in their region. A comparable goal for San Diego may be helpful to ensure that the overall crisis response system remains in balance. We note that the current Action Plan calls for \$1.9 billion over ten years (or \$190 million annually) to meet the need for permanent housing.

Department Review: Homelessness Strategies and Solutions

The City Council may want to request staff to provide an update to the appropriate committee with additional information on the many homelessness programs and their outcomes.

Comprehensive Approach to Homelessness and Housing

Our understanding is that the Housing Commission is in the process of updating the Action Plan with a planned release expected in the coming weeks. The City Council approved the current Action Plan in October 2019 to guide the City's priorities and approach to addressing homelessness. With the widespread impacts of the COVID-19 pandemic, an updated Action Plan will better inform the outstanding need and associated costs for additional shelter beds, permanent housing options, and diversion and prevention resources.

In the meantime, during the Land Use and Housing Committee meeting on April 13, 2023, the Committee tasked HSSD with providing a comprehensive shelter strategy, which the Department is in the process of developing. The Department has requested to present its comprehensive shelter strategy to City Council on May 23, 2023. **The City Council may wish to ask how HSSD's pending comprehensive shelter strategy will align to the recommended actions from the pending Community Action Plan Update.**

Additionally, HSSD is currently planning for the replacement of 842 shelter beds for this fiscal year. This equates to 48.2% of the 1,748 City-funded shelter beds that are available, as of this writing. We understand that the relocation of shelter beds at the Golden Hall shelter has already begun for families and transition-aged youth. Nevertheless, the number of beds identified for replacement is a significant share of the City's existing shelter capacity, and HSSD has indicated that additional shelters will likely need to be replaced by the end of the 2024 calendar year. Beyond replacement of existing shelter beds, the Proposed

Budget includes funding to *also expand* existing shelter bed capacity. Although additional shelter bed capacity is merited to address unsheltered homelessness, **the City Council may wish to ascertain how the goal of replacing 842 beds across the three shelters currently identified compares to the rate of getting new shelter beds online in recent years.** This context would help inform the feasibility of the Department's goals as they relate to replacing existing while also adding new shelter beds.

Other Issues

Coinciding with the budget process are various policy developments that City Council may want to consider in the context of the Proposed Budget. For instance, a proposed ordinance banning unauthorized camping in (1) sensitive areas (such as schools, shelters, open space or waterways, transit areas, and public parks) at all times and (2) throughout the City when shelter is available will be presented to City Council in the coming months. Our office is preparing a preliminary estimate of the potential costs associated with this proposed ordinance to share with Council. Additionally, in April 2023, the City reinstated enforcement of the Vehicle Habitation Ordinance, which is likely to increase demand for Safe Parking. The City Council may wish to review the Proposed Budget in light of the policy developments that are both in effect and pending approval to ensure that proposed funding and service levels would be adequate to support policy implementation.

Department Review: Homelessness Strategies and Solutions

FY 2024 Anticipated Funding for Homelessness (Subject to Change)					
System Component	Programs	Maximum Program Capacity	FY 2024 Proposed Budget General Fund	Other	FY 2024 Total
Housing & Services \$4.7 million	Housing Instability Prevention Program (HIPP) ¹	300 households ²	\$ 2,250,000	\$ -	\$ 2,250,000
	Rapid Rehousing - City Programs ¹		-	1,993,178	1,993,178
	Diversion - Family Reunification		-	500,000	500,000
Crisis Response & Stabilization \$56.8 million	Shelters				
	Bridge Shelter - 16th and Newton	276 beds	-	6,208,164	6,208,164
	Bridge Shelter - Golden Hall (Downstairs)	324 beds	-	5,193,106	5,193,106
	Bridge Shelter - Golden Hall (Upstairs)	210 beds	5,127,261	-	5,127,261
	Expansion of Shelter Capacity	TBD	5,000,000	-	5,000,000
	Bridge Shelter - 17th and Imperial	128 beds	-	3,343,997	3,343,997
	Interim Housing for Homeless Adults	350 beds	2,218,253	209,046	2,427,299
	Family Non-Congregate Shelter (pending)	42 rooms/160 beds	1,500,000	530,029	2,030,029
	New Family Shelter (pending)	42 rooms/160 beds	1,615,869	-	1,615,869
	LGBTQ+ Youth Services and Shelter	21 beds (interim) (45 at capacity)	-	1,500,000	1,500,000
	Site Preparation for Shelter Bed Replacements	TBD	1,500,000	-	1,500,000
	Winter Weather Shelter	TBD	1,234,143	-	1,234,143
	Connections Interim Housing	80 beds	550,403	645,984	1,196,387
	Seniors Landing Non-Congregate Shelter	33 rooms/60 beds	1,171,089	-	1,171,089
	Youth Case Management & Shelter	46 beds	-	1,137,473	1,137,473
	Women's Shelter	40 beds	1,067,617	-	1,067,617
	Youth Shelter - Golden Hall or New Shelter	TBD	-	998,929	998,929
	Bishops Shelter	28 beds	622,900	-	622,900
	Substance Use Disorder Shelters & Services				
	Rosecrans Sprung Shelter	150 beds	-	4,665,375	4,665,375
	Harm Reduction Interim Shelter	44 beds	2,149,237	-	2,149,237
	Safe Haven	22 beds	413,501	-	413,501
	Serial Inebriate Program		290,000	-	290,000
	Other				
	Ancillary Costs for All Shelters		4,171,862	188,457	4,360,319
	Safe Parking Programs	221 spots/12 RVs	975,000	1,740,229	2,715,229
	New Safe Parking Program	TBD	840,944	-	840,944
	Engagement Services \$12.7 million	Outreach			
Coordinated Outreach ²			2,500,000	1,425,000	3,925,000
Other Outreach - Caltrans and Bridge Shelter			810,000	700,000	1,510,000
Multidisciplinary Outreach Team ¹					
Storage					
Storage Connect Center I		500 bins	1,647,382	122,099	1,769,481
Storage Connect Center II		257 bins	844,433	-	844,433
Think Dignity Storage Facility		400 bins	243,252	-	243,252
Other					
Homelessness Response Center			1,409,258	250,000	1,659,258
Encampment Resolution Grant Programs		50 individuals	-	1,500,000	1,500,000
Neil Good Day Center for Homeless Adults		500,000	500,000	1,000,000	
PEER College Course		250,000	-	250,000	
Administration \$4.1 million	HSSD Administration		2,487,375	-	2,487,375
	SDHC Administration		-	1,598,845	1,598,845
Total Expenses			\$ 43,389,780	\$ 34,949,911	\$ 78,339,691

Notes: Table only includes programs in the Homelessness Strategies and Solutions Department (HSSD) Budget. We also note that funding for the Prosecution and Law Enforcement Assisted Diversion Services (PLEADS) will no longer be included in the HSSD budget moving forward. The FY 2024 Proposed Budget provides Opioid Settlement Funds for PLEADS.

¹ Our understanding is that HSSD is currently working with the San Diego Housing Commission to determine the appropriate budget for these items for FY 2024.

² Housing Commission administers this programs and intends to serve a total of 300 households over two fiscal years, starting FY 2023.

³ Coordinated Outreach includes Downtown & Urban Core Outreach, initially funded in FY 2023 with \$1.0 million.

FY 2024 Proposed San Diego Housing Commission Homeless Services			
Housing and Services	Permanent Housing	Federal Voucher Support	\$ 79,275,866
		Permanent Supportive Hous	4,245,326
		Landlord Engagement	3,446,979
		Capacity Building	50,000
	Rapid Rehousing	Rapid Rehousing	1,571,625
		Rapid Rehousing CoC	1,491,374
	Prevention & Diversion	Prevention and Diversion	4,934,429
		Flexible Spending	244,060
		Supportive Services	1,000,241
	Crisis Response	Shelter	Transitional Housing
Administration	Administration	SDHC Admin	5,902,981
Total			\$ 102,596,690

Department Review: Human Resources

Human Resources

Impacts of Mayor’s FY 2024 Budget Proposal

The Human Resources Department’s FY 2024 Proposed Budget totals approximately \$10.4 million, an increase of approximately \$1.4 million, or 16.0%, from the FY 2023 Adopted Budget. Changes to the Human Resources Department budget are shown in the table below.

The following *increases* are included in the Proposed Budget:

- 3.00 FTEs and \$490,000 in PE to support City recruitment (including 1.00 Program Manager and 2.00 Program Coordinators)

Additionally, \$250,000 in NPE is included for promotional and advertising efforts, including targeted outreach to ensure a diverse pool of applicants. The Department plans to utilize software and other avenues for such efforts.

- 3.00 FTEs and \$469,000 in PE for labor and employee relations support for City departments (including 1.00 Program

Manager and 2.00 Program Coordinators)

- 7.50 FTEs and \$273,000 in PE to support the Employ and Empower Program (including Student Intern - Hourly positions)

As of mid-April 2023, Human Resources had 14 hourly employees filled in supplemental (unbudgeted) Management and Student Intern positions. All of these Interns are currently working in the Employ and Empower Program. Note that these 14 hourly positions do not equate to 14.00 FTEs, as they are only part-time positions.

This program supports paid internships for approximately 1,000 youth, ages 16-30, to build a pipeline of future public employees. These internships will be spread throughout the City. Additionally, the program will focus on providing opportunities to communities of concern within the City.

The Employ and Empower Program is

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	44.00	\$ 7,237,042	\$ 1,727,507	\$ 8,964,549	\$ 1,098,825
Programmatic Changes					
<i>1.00 Program Manager and 2.00 Program Coordinators to Support the Recruitment Program</i>	3.00	490,224	250,000	740,224	-
<i>1.00 Program Manager and 2.00 Program Coordinators to Support City Departments</i>	3.00	469,403	-	469,403	-
<i>Hourly Interns to Support the Employ and Empower Program - Reimbursable from California For All Grant</i>	7.50	272,630	-	272,630	272,396
<i>Consultant Support for Total Compensation Studies</i>	-	-	97,000	97,000	-
<i>Removal of One-time Funding for Hiring Process Study</i>	-	-	(250,000)	(250,000)	-
<i>Elimination of Service Level Agreement with Public Utilities</i>	-	-	-	-	(500,000)
Other Changes					
<i>Budgeted PE Savings Adjustment</i>	-	(309,648)	-	(309,648)	-
<i>Other Salaries & Wages</i>	-	405,843	-	405,843	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	44,703	-	44,703	-
<i>Non-Discretionary Adjustments</i>	-	-	(36,658)	(36,658)	-
FY 2024 Proposed Budget	57.50	\$ 8,610,197	\$ 1,787,849	\$ 10,398,046	\$ 871,221
Difference from 2023 to 2024	13.50	\$ 1,373,155	\$ 60,342	\$ 1,433,497	\$ (227,604)

Department Review: Human Resources

reimbursable from the California for All grant. The \$272,000 increase in revenue budgeted for FY 2024 brings the total grant revenue budget to \$696,000, which must be spent by May 1, 2024. The Department is working to obtain an extension for the spending deadline to December 2024, but that is not yet finalized.

Because these new hourly FTEs are funded with grant revenue, they will be designated as limited and not permanent. Note that in FY 2023 there were 4.00 full-time FTEs added to the budget to support this program; and these positions are also limited.

- \$97,000 in ongoing funding for consultant work on total compensation surveys

This is in addition to \$200,000 that was added to the budget in FY 2023. This funding will be used for expanded research related to special wage adjustments, as the City addresses recruitment and retention issues and moves toward the goal of being an employer of choice.

There are two *decreases* included in the Programmatic Changes section of the table on the previous page:

- \$250,000 for FY 2023 one-time expenditure funding for a hiring process study. This amount is no longer anticipated to be spent in the current fiscal year.

After a lengthy vetting process with various stakeholders, the Request for Proposal (RFP) for the study is expected to be issued by the end of the current fiscal year. After selection of a consultant, work is anticipated to begin this fall, with the resulting report and recommendations anticipated to

be delivered in an iterative manner, to allow the City the ability to quickly consider and implement recommendations. Human Resources will be requesting a \$250,000 May Revision expenditure addition to fund the hiring process study, in effect carrying forward the \$250,000 that was included in the FY 2023 Adopted Budget.

- \$500,000 in revenue related to the elimination of a Service Level Agreement with the Public Utilities Department that provided services which are no longer needed (including drafting of discipline documents, coordination of fact-finding panels, and other discipline related tasks)

Issues for Council Consideration

Unfunded Requests

Request for Program Coordinators to Replace Human Resources Analyst Positions

On April 25, 2023, the City Council approved an ordinance exempting six Program Coordinator positions in the Human Resources Department from classified service. These unbudgeted positions were earmarked to act as liaisons to City departments regarding employment issues (e.g. interpreting City policies, regulations, and labor agreements; handling issues related to discipline, grievances, and other matters), as well as to perform labor relations duties (e.g. assisting in the negotiations process with the City's Recognized Employee Organizations, or REOs; facilitating Labor Management Committee meetings; providing departments' management with guidance on labor relations issues).

Human Resources intended to add these six Program Coordinator positions to its FY 2024 Proposed Budget, while removing six

Department Review: Human Resources

currently unfilled positions in the Human Resources Analyst series – essentially swapping the budgeted positions with Program Coordinators that will perform higher level functions. The Human Resources Analyst positions have been difficult for the Department to fill.

However, the intended addition of Program Coordinators and removal of Human Resources Analyst positions was not included in the Proposed Budget. The Human Resources Department will be requesting a May Revision adjustment to effectuate this action. Based on the impact included in the original request, the budgeted expenditure increase for swapping the six positions would be \$228,000.

Other Unfunded Requests

During budget development, the Department requested an additional 15.00 FTEs that were not funded in the Proposed Budget, including positions for additional support for City departments and the Employ and Empower Program, as well as for work related to compensation studies and labor relations.

Other unfunded requests include:

- \$250,000 for an employee relations management system, which would be used to track matters such as employee training status, fact findings, disciplines, and grievances

The use of the employee relations management system would address certain portions of recommendations included in an audit report released by the City Auditor in November 2020, titled [Performance Audit of Strategic Human Capital Management Part II: Employee Performance Management](#). Data could be used for interventions, such as targeted training for

departments.

- \$200,000 for professional development including to expand management academy and other offerings

This request is partially in response to employee satisfaction surveys in which many employees stated a desire for more professional development.

- \$100,000 for citywide employee appreciation efforts

Status of FY 2023 Budgeted Versus Filled Positions

As of mid-April 2023, Human Resources had 33.00 filled FTEs as compared to its 44.00 budgeted FTEs. These positions are all “non-hourly” positions (standard hour positions).

The 11.00 unfilled FTEs translate to a 25.0% vacancy rate for the Department. This has created a significant impact on remaining employees’ workloads and has caused some turnover in the Department. Of the 11.00 unfilled positions, 7.00 are in the Employee and Labor Relations section.

As mentioned earlier, as of mid-April 2023, Human Resources had 14 hourly employees filled in supplemental (unbudgeted) Management and Student Intern positions. All of these Interns are currently working in the Employ and Empower Program.

Enhancements to the Recruitment and Hiring Process for Unclassified Positions

Although not part of the Proposed Budget process, the Department is planning to implement an applicant tracking system early in FY 2024 for unclassified positions. This system will streamline the process for managing recruitments – allowing departments to manage and monitor their recruitments in real time. The system will also provide a repository of

Department Review: Human Resources

applicants as a future resource. The ultimate goal is to automatically transfer information to SAP, and Human Resources is working with the Personnel Department to determine the best approach for a permanent system.

Additionally, as part of integrating an equity lens into the City's recruitment strategy, the Department is working to ensure the City broadcasts recruitments to a diverse candidate pool. Targeted outreach to historically underrepresented populations is part of this overall strategy.

The hiring and recruitment process is critical to achieving the City's service levels. A City working group (including management, the Personnel Department, Human Resources, Performance and Analytics, the Office of Race and Equity, and the Independent Budget Analyst's Office) is currently studying various aspects and making improvements on an ongoing basis. Information on the City's hiring and vacancy issues is included in the *Key Citywide Issues: Departmental Vacancies* section of this report.

Department Review: Library

Library

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Library Department totals approximately \$71.4 million, an increase of \$4.5 million or 6.8% from the FY 2023 Adopted Budget. The FY 2024 Proposed Budget includes 471.00 FTE positions which is an increase of 1.90 FTEs from the FY 2023 Adopted Budget. Budgeted revenue totaling \$2.1 million represents an increase of approximately \$591,000 compared to FY 2023.

Significant Budget Adjustments

New Pacific Highlands Ranch Branch Library

The FY 2024 Proposed Budget includes 9.50 FTEs and \$900,000 in expenses to staff and operate the new Pacific Highlands Ranch Branch Library. While construction is expected to be completed in June 2024, the opening of the new branch library will not occur until fall of 2024 (FY 2025). The Branch Manager and Youth Services Librarian are anticipated to be hired in early-FY 2024 to assist with the completion of the project. The remaining 7.50 FTEs will be hired after the first quarter of FY 2024 in advance of the opening.

Budgeted expenditures are prorated to align with this staffing plan. An additional \$170,000 will need to be budgeted in FY 2025 to annualize these positions.

Security Guard Services

The FY 2024 Proposed Budget includes \$864,000 in on-going expenses to right-size the Department’s budget for contracted security guard services in alignment with current service levels. Also accounted for are living wage cost increases under the Citywide Security Services Contract Amendment that was approved by Council in December 2022. A second contract amendment is anticipated to be brought forward later in FY 2024 which may further increase the Department’s costs for security services.

Other Adjustments

FY 2024 Proposed Budget also includes the following budget adjustments:

- An increase of \$300,000 in on-going expenses for janitorial services at branch locations. Costs for these services are anticipated to increase under a new contract following a competitive Request for Proposals process that is currently underway.

SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	469.10	\$ 48,331,894	\$ 18,491,447	\$ 66,823,341	\$ 1,459,597
Programmatic Changes					
<i>New Pacific Highlands Ranch Branch Library</i>	9.50	768,600	131,485	900,085	-
<i>Security Services</i>	-	-	864,000	864,000	-
<i>Janitorial Services Contract Cost Increase</i>	-	-	300,000	300,000	-
<i>Parking Services</i>	-	-	45,000	45,000	125,000
<i>Special Events Program Operations</i>	(1.50)	(29,496)	1,500	(27,996)	50,000
<i>TOT Reimbursement Revenue</i>	-	-	-	-	415,602
Other Changes					
<i>Salaries and Benefit Adjustments</i>	-	2,950,549	-	2,950,549	-
<i>Budgeted PE Savings (a budget decrease)</i>	-	(1,287,210)	-	(1,287,210)	-
<i>Hourly Wages</i>	(6.10)	(395,657)	-	(395,657)	-
<i>One-time Reductions and Annualizations</i>	-	19,028	(325,000)	(305,972)	-
<i>Non-Discretionary Adjustments and IT Support</i>	-	-	1,502,962	1,502,962	-
FY 2024 Proposed Budget	471.00	\$ 50,357,708	\$ 21,011,394	\$ 71,369,102	\$ 2,050,199
Difference from 2023 to 2024	1.90	\$ 2,025,814	\$ 2,519,947	\$ 4,545,761	\$ 590,602

Department Review: Library

- The addition of 1.00 FTE and \$151,000 in expenditures for a Program Coordinator who will be responsible for promoting, marketing, and booking the Library Department's special event spaces for purposes of revenue generation. This is offset by the reduction of 2.50 vacant part-time Library Assistant I positions and \$179,000 resulting in a net reduction of 1.50 FTEs and \$28,000 in expenditures. Special Event revenue is conservatively projected to increase by \$50,000.
- An increase of \$45,000 in ongoing expenses for Parking Services based on a projected increase in special events. Associated parking revenue is projected to increase by \$125,000.
- A reduction of 6.10 hourly FTEs and \$396,000. The Department has indicated that this reduction was an oversight and will request restoration in the May Revision.

Budgeted Personnel Expenditure Savings

The FY 2024 Proposed Budget includes \$1.3 million increase in Budgeted Personnel Expenditure Savings. This is intended to decrease the Department's personnel expenditure budget to account for savings from vacancies. While the Department is projected to end FY 2023 \$1.6 million under its personnel expenditure budget, it has since seen a notable improvement in its staffing levels.

According to the Department, it was able to hire 44 individuals during the City's Career Fair that was held on March 22, 2023. These new hires are currently undergoing background checks and are anticipated to start their positions before the end of FY 2023. The Department's overall vacancy rate is anticipated to drop to 11.6% compared to around 15% historically; vacancies for public-facing positions would drop to 6.8%. This has allowed the Department to restore Sunday hours back to pre-pandemic levels.

With this staffing improvement, budgeted vacancy savings are unlikely to be realized, which will leave the Department without enough budget to cover actual personnel expenditures in FY 2024. **Further review by the Department of Finance and Library Department is warranted to determine whether an adjustment in the May Revision is necessary.**

Significant Revenue Adjustments

The FY 2024 Proposed Budget includes the addition of \$416,000 in reimbursable revenue from the TOT Fund for tourism related programs and activities held at library facilities.

Issues for Council Consideration

Council Budget Priority Items

Support for increasing the Library Department's operating budget was included in a majority of Councilmember budget priority memoranda. While the Department's overall operating budget is proposed to increase in FY 2024, none of the specific additions that received majority support were included in the Proposed Budget. These included: (1) \$250,000 for library materials; (2) \$500,000 for library maintenance; (3) \$200,000 to increase the annual amount available for the City to match donations from \$1.2 million to \$1.4 million; and (4) the addition of full-time Youth Service Librarians to ensure that each library branch is equitably staffed with 1.00 FTE per location to provide youth, family and teen services.

The Department submitted budget requests for two of the four council priorities, including \$250,000 for library materials and the addition of Youth Service Librarians. Of the two, the Department prioritized the addition of 8.00 full-time Youth Service Librarians and \$793,000 in expenditures given the current inequity among branch locations without a full-time Youth Service Librarian. These include the following eight library branches: North

Department Review: Library

Clairemont, Oak Park, Paradise Hills, Allied Gardens/Benjamin, San Carlos, Tierrasanta, Kensington-Normal Heights, and Mountain View/Beckwourth.

Low and Moderate Income Housing Asset Fund

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 revenues generated from the housing assets are required to be kept in the Low and Moderate Income Housing Asset Fund (LMIHAF) for affordable housing purposes. The Economic Development Department administers the fund, and it is one of three sources used to support the City's Bridge to Home Program which provides financing to development projects that create affordable housing.

Impacts of Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed Budget includes \$41.4 million in expenditures, a decrease of \$4.3 million, or 9.5%, as compared to the FY 2023 Adopted Budget.

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 revenue source is from loan repayments, lease payments, and interest which are projected to be \$1.2 million in FY 2024.

The Proposed Budget includes \$7.1 million in LMIHAF revenue, a decrease of \$16,000, or 0.2%, as compared to FY 2023. Of the budgeted amount, \$5.8 million is associated with the delayed sale of Tailgate Park which was previously anticipated to occur in FY 2023.

Proceeds will be transferred to the Bridge to Home program to create affordable housing.

The following is a breakdown of proposed expenditures included in the LMIHAF budget:

- \$38.4 million, a decrease of \$4.4 million, for low-income development housing loans for several Council-approved affordable housing projects, in which loan proceeds will be incrementally spent down over time as affordable housing projects progress. The decrease represents gradual disbursement of loan funds to projects in construction or full disbursement of funds for completed projects.
- \$1.7 million, an increase of \$507,000, for construction management of projects, as well as legal, consultant, and staff-time costs related to drafting agreements and management of Notices of Funding Availability and properties. The increase is largely related to the reclassification of consulting services costs from the administrative category, described in the next bullet, to project management.
- \$1.2 million, a decrease of \$416,000, for administrative support related to property management and staff time to administer the fund. Also included in the administrative support category is \$250,000 to partially support the operation of the Homelessness Response Center.

Office of Boards and Commissions

The Office of Boards and Commissions supports the day-to-day operations for the City’s 50 boards and commissions and serves as an access point to volunteer appointees. Boards and Commissions often also have a City staff liaison.

Youth Commission to increase civic engagement and education among young people.

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Office is \$850,000, an 8.8% increase, largely driven by salary and benefit adjustments including pending negotiated compensation increases. The Office is staffed with 5.00 FTE positions, three of which support the Office’s day-to-day operations, and two Executive Directors that oversee the Commission on Gang Prevention and Intervention and the Citizens Advisory Board on Police/Community Relations.

There are no programmatic, personnel, or significant budget adjustments.

Unfunded Request

The Office requested, but did not receive, an additional Executive Director to oversee the Human Relations Commission. Currently the Department Director is filling this role, in addition to overseeing the Office. We note that the Commission on Gang Prevention and Intervention was awarded a \$3.7 million grant which has required assistance from the Department of Finance and Compliance Department to manage due to the limited capacity of the Office.

Also not included in the Office’s budget is the Council priority to allocate \$100,000 to the

SUMMARY OF OFFICE OF BOARDS AND COMMISSIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	5.00	\$ 741,598	\$ 40,270	\$ 781,868	\$ -
Changes					
<i>Salary and Benefit Adjustments</i>	-	63,777	-	63,777	-
<i>Other Changes</i>	-	-	4,808	4,808	-
FY 2024 Proposed Budget	5.00	\$ 805,375	\$ 45,078	\$ 850,453	\$ -
<i>Difference from 2023 to 2024</i>	-	\$ 63,777	\$ 4,808	\$ 68,585	\$ -

Office of the Independent Budget Analyst
April 2023

Department Review: Office of the Chief Operating Officer

Office of the Chief Operating Officer

The Office of the Chief Operating Officer (COO) includes:

- The City’s Chief Operating Officer
- Chief Financial Officer
- Three Deputy Chief Operating Officers
- Docketing Office
- Office of Child & Youth Success

The COO manages the day-to-day operations of the City and reports to the Mayor. The Deputy Chief Operating Officers (DCOOs), the Police Chief, and the Fire Chief report to the COO.

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Office of the COO includes approximately \$5.7 million in General Funds, an increase of \$1.2 million, or 27.6%, over the FY 2023 Adopted Budget.

The budget includes 20.35 FTE positions, reflecting an increase of 2.35 FTE positions over the FY 2023 Adopted Budget.

Significant Budget Adjustments

The Proposed Budget includes the following significant budget adjustments:

\$490,000, 3.00 FTEs – Transfer of the Office of Immigrant Affairs

The Office of Immigrant Affairs is proposed to be transferred from the Office of the Mayor to the Office of the COO. The Office Immigrant Affairs was established in July 2022 to advance immigrant rights and craft policies to support immigrant families. The Office includes one Executive Director, one Program Coordinator, and one Senior Management Analyst.

\$258,000, 1.00 FTE – Additional Deputy Chief Operating Officer

The Proposed Budget adds a DCOO to oversee External Services departments (Cultural Affairs, Development Services, Economic Development, Planning, Real Estate & Airport Management, and Sustainability & Mobility). This is a filled, unbudgeted supplemental position. With this position, there are currently four Deputy Chief Operating Officers.

\$149,000, 0.35 FTE – Addition of an Assistant to the COO (Hourly)

The addition of an Assistant to the COO is intended to help with the transition of the newly hired COO. This is a filled unbudgeted, supplemental position.

SUMMARY OF OFFICE OF THE CHIEF OPERATING OFFICER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	18.00	\$ 3,773,406	\$ 673,467	\$ 4,446,873	\$ -
Programmatic Changes					
<i>Transfer of the Office of Immigrant Affairs</i>	3.00	448,802	41,000	489,802	-
<i>Addition of Deputy Chief Operating Officer</i>	1.00	247,766	10,200	257,966	-
<i>Addition of an Assistant to the COO - Hourly</i>	0.35	148,631	-	148,631	-
<i>Restructure, Addition and Reduction of Staff</i>	-	58,487	-	58,487	-
<i>Reduction of Senior Management Analyst</i>	(1.00)	(108,883)	-	(108,883)	-
<i>Transfer Fiscal Staff to Dept of Finance</i>	(1.00)	(100,382)	-	(100,382)	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	431,983	-	431,983	-
<i>Other Adjustments</i>	-	-	47,802	47,802	-
FY 2024 Proposed Budget	20.35	\$ 4,899,810	\$ 772,469	\$ 5,672,279	\$ -
Difference from 2023 to 2024	2.35	\$ 1,126,404	\$ 99,002	\$ 1,225,406	\$ -

Department Review: Office of the Chief Operating Officer

\$58,000 – Restructure, Addition and Reduction of Staff

One Program Coordinator, a supplemental position, is proposed to be added to support special projects which is partially offset with a reduction of one Executive Assistant.

(\$109,000), (1.00) FTE – Reduction of Senior Management Analyst

This is a vacant position associated with the Docket Office. According to staff, the position was intended to support the office temporarily while transition of key staff took place in the current fiscal year. This would leave two positions in the Docket Office.

(\$100,000), (1.00) FTE – Transfer of Fiscal Staff from COO to Department of Finance

One Associate Management Analyst is proposed to be transferred from the Office of the COO to the Department of Finance. This position would continue budgetary support for the Office of the COO, along with the Office of the Mayor and the Governmental Affairs Department.

Council Priorities

We note that not included in the Proposed Budget is an allocation to the Office of Child & Youth Success for a Youth Care and Development Program. This was mentioned by a majority of Councilmembers in their budget priority memoranda. It was described as a pilot to implement a community-led program that increases resources focusing on mental health, job training, and afterschool education.

Office of the IBA

The Office of the Independent Budget Analyst (IBA) provides budgetary and policy analysis for the City Council, and strives to implement good government principles by ensuring that the public has access to information and the ability to participate in the decision-making process.

Work of the IBA includes review and analysis of the annual budget, review of all items docketed for consideration by the City Council and the Housing Authority, ongoing monitoring of City monthly and quarterly financial updates, and support for each of the City Council’s committees.

The IBA also provides supplemental information, findings, and recommendations to further educate decision-makers and the public, and participates in a number of public town-halls and crash-courses to help explain the City’s budget, procedures, and policies.

Impacts of the Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Office of the IBA totals \$2.7 million, which is a \$43,000, or 1.6%, increase from the FY 2024 Adopted Budget. FTEs in the Proposed Budget total 11.00, which represents no change from FY 2023.

Significant Budget Adjustments

The Proposed Budget does not include any programmatic changes or significant adjustments to the Office of the IBA. Proposed changes for the Office in the budget are non-discretionary in nature.

SUMMARY OF OFFICE OF THE INDEPENDENT BUDGET ANALYST BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	11.00	\$ 2,472,739	\$ 195,419	\$ 2,668,158	\$ -
Other Changes					
<i>Salary and Benefit Adjustments and Pay-in-Lieu</i>	-	42,810	-	42,810	-
<i>Non-Discretionary & Information Technology</i>	-	-	3,033	3,033	-
<i>One-Time Adjustments</i>	-	-	(2,500)	(2,500)	-
FY 2024 Proposed Budget	11.00	2,515,549	195,952	2,711,501	-
Difference from 2023 to 2024	-	\$ 42,810	\$ 533	\$ 43,343	\$ -

Office of the Mayor

The Office of the Mayor consists of three teams: Communications, Community Engagement, and Policy. The Communications team is focused on open and transparent communication between the City and its residents on behalf of the Mayor; the Community Engagement team attends functions on the Mayor’s behalf and provides information to community groups; and the Policy team works with City staff and the Council to develop and implement policies.

Impacts of the Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Office of the Mayor is approximately \$4.0 million, which is a decrease of \$100,000 or 2.4% from the FY 2023 Adopted Budget.

Significant Budget Adjustments

The Proposed Budget includes the following significant budget adjustments:

(\$490,000), (3.00) FTEs – Transfer of the Office of Immigrant Affairs

The Office of Immigrant Affairs is proposed to be transferred from the Office of the Mayor to the Office of the Chief Operating Officer. The Office of Immigrant Affairs was established in July 2022 to advance immigrant rights and craft policies to support immigrant families. The Office includes one Executive Director, one Program Coordinator, and one Senior Management Analyst.

SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	23.00	\$ 3,857,193	\$ 305,990	\$ 4,163,183	\$ -
Programmatic Changes					
<i>Transfer of Office of Immigrant Affairs to COO</i>	(3.00)	(448,802)	(41,000)	(489,802)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	326,052	-	326,052	-
<i>Non-Discretionary & Information Technology</i>	-	-	63,335	63,335	-
FY 2024 Proposed Budget	20.00	\$ 3,734,443	\$ 328,325	\$ 4,062,768	\$ -
Difference from 2023 to 2024	(3.00)	\$ (122,750)	\$ 22,335	\$ (100,415)	\$ -

Department Review: Parks & Recreation

Parks & Recreation

Impacts of Mayor’s FY 2024 Budget Proposal

The Parks and Recreation Department is organized under several funds, including the General Fund, the Golf Course Fund, the Los Penasquitos Reserve Fund, and the Environmental Growth Funds. When these funds are combined, the Department’s FY 2024 Proposed Budget totals \$225.8 million, an increase of approximately \$20.4 million from the FY 2023 Adopted Budget.

General Fund

The FY 2024 Proposed Budget for the Parks and Recreation Department totals approximately \$175.0 million in the General Fund, an increase of \$13.0 million or 8.1% from the FY 2023 Adopted Budget. The FY 2024 Proposed Budget includes 1,059.45 FTEs which represents an increase of 21.57 FTEs from the FY 2023 Adopted Budget. The Department’s

General Fund revenue totals \$48.6 million, a reduction of \$6.3 million from FY 2023.

The Parks and Recreation Department has historically been organized into five divisions, including Administrative Services, Community Parks I, Community Parks II, Developed Regional Parks, and Open Space. The Department has recently reorganized to include two new divisions - Citywide Recreation Services and Citywide Maintenance Services. The purpose behind the formation of these new divisions is to focus on centralized maintenance and recreation services, and, in part, to increase equity and eliminate differences between services provided in different geographic areas of the City.

Significant Budget Adjustments

New Facilities

The FY 2024 Proposed Budget includes 23.50 FTEs and \$4.0 million in expenses (of which \$1.7 million are one-time costs) to operate and provide maintenance to 14 new park facilities

SUMMARY OF PARK AND RECREATION DEPARTMENT EXPENDITURE BUDGET CHANGES						
	FY 2023 FTE	FY 2024 FTE	CHANGE	FY 2023 BUDGET	FY 2024 PROPOSED	CHANGE
General Fund						
<i>Administrative Services</i>	42.75	33.75	(9.00)	\$ 7,642,208	\$ 7,741,820	\$ 99,612
<i>Community Parks I</i>	221.61	216.17	(5.44)	\$ 34,963,930	\$ 37,951,906	\$ 2,987,976
<i>Community Parks II</i>	313.03	311.21	(1.82)	\$ 52,172,200	\$ 57,163,735	\$ 4,991,535
<i>Developed Regional Parks</i>	385.55	260.50	(125.05)	\$ 51,877,089	\$ 32,537,267	\$ (19,339,822)
<i>Open Space</i>	74.94	79.82	4.88	\$ 15,279,502	\$ 16,561,632	\$ 1,282,130
<i>Citywide Maintenance Services</i>	-	123.00	123.00	\$ -	\$ 19,084,996	\$ 19,084,996
<i>Citywide Recreation Services</i>	-	35.00	35.00	\$ -	\$ 3,942,956	\$ 3,942,956
Subtotal General Fund	1,037.88	1,059.45	21.57	\$ 161,934,929	\$ 174,984,312	\$ 13,049,383
Non-General Fund						
<i>Environmental Growth Fund 1/3</i>	-	-	-	\$ 6,958,655	\$ 9,053,200	\$ 2,094,545
<i>Environmental Growth Fund 2/3</i>	-	-	-	\$ 14,243,625	\$ 16,832,654	\$ 2,589,029
<i>Golf Course Fund</i>	112.42	119.92	7.50	\$ 21,988,760	\$ 24,570,896	\$ 2,582,136
<i>Los Penasquitos Canyon Preserve Fund</i>	2.00	2.00	-	\$ 300,275	\$ 338,503	\$ 38,228
Subtotal Non-General Fund	114.42	121.92	7.50	\$ 43,491,315	\$ 50,795,253	\$ 7,303,938
TOTAL PARK AND RECREATION	1,152.30	1,181.37	29.08	\$ 205,426,244	\$ 225,779,565	\$ 20,353,321

Department Review: Parks & Recreation

throughout the City, including three new Joint Use (JU) Facilities.

The new parks are as follows:

- Riviera Del Sol Neighborhood Park
- Carmel Mountain Ranch Pool
- Cathy Hopper Friendship Senior Center
- Memorial Senior Center
- Mountain View Teen Center
- Olive Street Mini Park
- Eugene Brucker Education Ctr Dog Park
- Allied Garden Dog Park
- Gompers Dog Park
- Paradise Hills Dog Park
- Ellen Browning Scripps Park Comfort Station
- Salk Middle School JU
- Clairmont Canyons Academy JU
- Marson Middle School JU

Also included is funding to restore and maintain an eight-acre area adjacent to Chollas Parkway.

The Mayor's FY 2024-2028 Five-Year Outlook (Outlook) anticipated that five additional parks would open in FY 2024. These parks have been delayed to FY 2025 for various reasons.

Addition of 4.00 Supervising Park Rangers

The FY 2024 Proposed Budget includes the addition 4.00 Supervising Park Rangers and \$986,000 in expenditures (of which \$576,000 are one-time costs related to vehicle purchases) as a part of the Department's effort towards expanding the Park Ranger Program. The Department's intent is to increase the overall number of Park Rangers system-wide to provide a greater level of public assistance, interpretation of natural resources, and security/enforcement. While Park Rangers have historically been limited to Developed Regional Parks (e.g., Balboa Park, Mission Bay, Shoreline Parks, etc.) and Open Spaces Parks (e.g., Mission Trails, Los Penasquitos Canyon, etc.), this planned expansion includes the deployment of Park Rangers into Community Parks I and II.

This addition of Supervising Park Rangers will establish the program's chain-of-command which will report to the Department's Chief Park Ranger position that was added in the FY 2022 Adopted Budget. In addition to these 4.00 FTEs, the Department requested but did not receive funding for 19.00 additional Park Rangers.

SUMMARY OF PARK AND RECREATION DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	1,037.88	\$ 89,692,033	\$ 72,242,896	\$ 161,934,929	\$ 54,872,747
Programmatic Changes					
<i>New Park Facilities</i>	23.50	1,686,069	2,282,207	3,968,276	8,750
<i>Animal Services Contractual Increases</i>	-	-	3,834,150	3,834,150	-
<i>Addition of 4.00 Supervising Park Rangers</i>	4.00	474,232	512,000	986,232	-
<i>Joint Use Facility Improvements/Reimbursements</i>	-	-	380,980	380,980	-
<i>Staffing to Support Get It Done App</i>	2.00	276,272	10,600	286,872	-
<i>New Citywide Maintenance Services Deputy Director</i>	1.00	187,563	4,550	192,113	-
<i>TOT Reimbursable Revenue</i>	-	-	-	-	(5,000,000)
<i>EGF Reimbursement Revenue</i>	-	-	-	-	5,947,166
Other Changes					
<i>Salary and Benefit Adjustments</i>	(8.93)	4,294,223	-	4,294,223	-
<i>Non-Discretionary Adjustments and IT Support</i>	-	-	3,736,589	3,736,589	-
<i>One-Time Additions and Annualizations</i>	-	-	(4,681,240)	(4,681,240)	(7,252,000)
<i>Other Adjustments</i>	-	-	51,188	51,188	-
FY 2024 Proposed Budget	1,059.45	\$ 96,610,392	\$ 78,373,920	\$ 174,984,312	\$ 48,576,663
<i>Difference from 2023 to 2024</i>	21.57	\$ 6,918,359	\$ 6,131,024	\$ 13,049,383	\$ (6,296,084)

Department Review: Parks & Recreation

Joint Use Facility Improvements

The FY 2024 Proposed Budget includes \$381,000 in one-time expenditures to reimburse the School Districts for turf replacements and other contractual obligations for maintenance at existing JU facilities. These facilities include Standley Middle School JU, Creative Performing Arts JU, Alba High School JU, Kimbrough Elementary School JU, and Black Mountain Middle JU.

Staffing to Support the Get It Done App

The FY 2024 Proposed Budget includes the addition of 2.00 FTEs, including 1.00 Program Manager and 1.00 Senior Management Analyst, and \$287,000 in expenditures, to initiate functionality within the City's Get It Done application (GID App) that would allow users to report park specific issues. While the GID App currently does not offer a "Parks" report option, the Department indicated that approximately 80 GID requests are routed to the Department indirectly for issues such as graffiti, broken park equipment, lighting, etc. Once the "Parks" report option is made available, the Department expects GID request volumes to increase to 3-4 times current levels. Given this expectation, the Department requested a further 14.00 additional FTEs and \$1.9 million in expenditures that were not included in the FY 2024 Proposed Budget. **While the Department will be able to better manage existing GID requests and prepare for the new "Parks" functionality with the 2.00 FTEs added in the Proposed Budget, they do not believe they are appropriately staffed to go live. Doing so prematurely is likely to result in lengthy response times and user/resident dissatisfaction.**

Other Adjustments

The FY 2024 Proposed Budget also includes the following budget adjustments:

- An increase of \$3.8 million (of which approximately \$1.0 million are one-time expenditures) for contractual cost increases for the Animal Services Contract with the

San Diego Humane Society. This assumed amount was an estimate at the time of the Proposed Budget's development; the contract has since been finalized and approved by the City Council on April 24, 2023. The actual cost increase is \$4.1 million (of which \$2.2 million is a one-time expenditure).

- Addition of 1.00 Deputy Director to oversee the new Citywide Maintenance Services Division (discussed previously);

Significant Revenue Adjustments

The FY 2024 Proposed Budget includes a net revenue increase of \$947,166 resulting from a \$5.9 million increase in reimbursable revenue from the Environmental Growth Funds and \$5.0 million reduction in reimbursable revenue from the TOT Fund.

Unfunded Requests

Recreation Programming Equity Audit

The FY 2023 Adopted Budget included funding for 5.00 FTEs and \$555,000 in expenses to carry out the City Auditor's Performance Audit of Equity in Recreation Programming (Equity Audit) recommendations. This represented approximately half of the resources that the Department identified to be necessary in Management's response to the Equity Audit. For FY 2024, the Department requested but did not receive funding for the remaining 5.00 FTEs and \$557,000 in expenses. The Department hopes to have more information for the Council concerning the implications of not receiving this funding during their departmental review by the Budget Review Committee in early-May 2023.

Additionally, the Department requested, but did not receive funding for \$1.0 million to expand recreation programs at Parks and Recreation Centers that serve communities of concern. The intent was to have this funding supplement, and be distributed similarly to, the Opportunity Fund.

Department Review: Parks & Recreation

Park Security

According to the Department, there has been an increase in security issues at several park locations jeopardizing the safety of park employees, patrons, and City property. In response to these issues, the Department has utilized unbudgeted security guard services at certain park facilities. As a result, the Department's Security Services budget is projected to end FY 2023 \$2.2 million over budget.

For FY 2024, the Department requested, but did not receive funding for, additional security resources including \$2.3 million for security Guard services and \$1.0 million for security camera installations and monthly monitoring expenses.

Issues for Council Consideration

Council Budget Priorities

Support for the continued funding of open space brush management conducted by the Parks and Recreation Department was prioritized by a majority of Councilmembers. The FY 2024 Proposed Budget maintains existing service levels, currently at 509 acres per year. For FY 2023, 524 acres are projected to be abated, exceeding the Department's goal.

Environmental Growth Funds

The Environmental Growth Funds (EGFs) are projected to receive approximately \$28.9 million in franchise fees from San Diego Gas & Electric (SDG&E) 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 an increase of approximately \$6.0 million from the FY 2023 Adopted Budget given the increase in projected franchise fees from SDG&E.

The EGFs are allocated into a one-third and

two-thirds portion, to reflect Charter provisions that allow up to two-thirds of revenues to be pledged for bonds for acquisition, improvement and maintenance of park or recreational open space.

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 Environmental Growth Fund retired the 1004 San Diego Open Space Facilities District No. 1 General Obligation Bonds. Since that time, available revenues have been utilized to reimburse the General Fund for eligible park and open space maintenance activities. For FY 2024, a total of \$22.9 million is being transferred to the Parks and Recreation General Fund budget, an increase of \$5.9 million from FY 2023. Additional funds are budgeted for reimbursement to Maintenance Assessment Districts and for transfer to the Los Peñasquitos Canyon Preserve Fund.

Golf Course Fund

The FY 2024 Proposed Budget for the Golf Course Fund totals \$24.6 million, representing an increase of approximately \$2.6 million over the FY 2023 Adopted Budget. Golf Fund revenues total \$24.8 million, which is an increase of \$1.3 million from FY 2023 based on revised revenue projections which align the budget to more closely reflect prior year actuals.

Significant Budget Additions

The FY 2024 Proposed Budget includes the following significant expenditure additions:

- \$1.2 million increase in Non-Discretionary Rent Expense (land use fee) paid to the General Fund; and
- 7.50 FTEs and \$538,000 to support the

Department Review: Parks & Recreation

demands for turf maintenance associated with increased activity on the golf courses, and to assist with tee time management, golf course marshalling, collection of golf fees from customers and providing general customer service.

Performance and Analytics

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Performance and Analytics Department (PandA) is approximately \$5.2 million, which is a \$139,000 or 2.6% decrease from the FY 2023 Adopted Budget. The proposed staffing levels increase from 17.00 FTE positions in FY 2023 to 18.00 FTE in FY 2024.

Although the Proposed Budget shows an overall decrease, we discuss two budget additions in the section below. These additions are offset by a \$454,000 reduction in debt-related expenses.

Significant Budget Additions

\$179,000, 1.00 FTE – Program Coordinator for PUD Customer Service Support

This position will be dedicated to assisting the Public Utilities Department’s (PUD) Customer Service Division in implementing new technology and eventually new features to Get It Done, such as the ability for customers to start and stop services. The position will address issues and fixes needed once these services go live. Once operational, this is expected to improve the experience for both customers and employees as well as alleviate the call volume received by PUD requesting changes to services, allowing increased capacity to address other customer service issues. Costs for this position are intended to be reimbursed by PUD.

We note that PandA requested two Program Coordinators to support this activity, but only one was funded.

\$150,000 – Medallia Engagement Platform

This adjustment would provide an ongoing funding source for the procurement, maintenance, and use of the Medallia Engagement Platform which in previous years had been supported with one-time federal COVID-19-related funds as well as redirecting resources from the development of Get It Done. The platform supports Employee Experience and Customer Experience quantitative and qualitative data collection. Employee surveys are administered regularly and inform policy decisions. Customer surveys are integrated into all City website pages and at the closure of Get It Done reports.

According to the Department, the contracted amount required to pay for the platform is \$250,000, as opposed to the funded \$150,000. To cover the difference, the costs would have to be absorbed with other departmental savings.

Issues for Consideration

Unfunded Requests

Council may wish to consider fully funding the partially funded budget adjustments included in the Proposed Budget.

Additionally, PandA submitted two more requests that were unfunded: one related to staffing to evaluate the effectiveness of

SUMMARY OF PERFORMANCE & ANALYTICS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	17.00	\$ 2,910,478	\$ 2,466,360	\$ 5,376,838	\$ -
Programmatic Changes					
<i>PUD Customer Service Support</i>	1.00	179,090	-	179,090	175,167
<i>Engagement Platform</i>	-	-	150,000	150,000	
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	124,195	-	124,195	-
<i>Other Adjustments</i>	-	-	(592,024)	(592,024)	-
FY 2024 Proposed Budget	18.00	\$ 3,213,763	\$ 2,024,336	\$ 5,238,099	\$ 175,167
Difference from 2023 to 2024	1.00	\$ 303,285	\$ (442,024)	\$ (138,739)	\$ 175,167

Department Review: Performance and Analytics

engagement with communities and City staff, and the other related to staffing to help the Environmental Services Department with analysis related to a future cost of service study, equitable implementation of a new refuse fee, and related Get It Done upgrades.

Program Updates

Pay Equity Study

The City completed its first pay equity study in 2020 and plans to continue to do one every three years. The studies are used to identify and attempt to mitigate issues related to gender and racial-and-ethnic pay gaps among City employees, and to track progress. According to PandA, the second report will be released later this year.

Get It Done Expansion

The FY 2023 Adopted Budget included one position to support the expansion of Get It Done services for the Parks and Recreation Department to handle and track work requests related to park maintenance. The Get It Done app has been updated with the new services and it is pending going live. We note that the Proposed Budget also includes staffing for the Parks and Recreation Department to address Get It Done requests.

Department Review: Personnel Department

Personnel Department

SUMMARY OF PERSONNEL DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	84.99	\$ 10,828,035	\$ 1,267,752	\$ 12,095,787	\$ 5,390
Changes					
<i>Budgeted PE Savings Adjustment</i>	-	453,521	-	453,521	-
<i>Special Assignment Pay</i>	-	116,367	-	116,367	-
<i>Pay-in-Lieu of Annual Leave & Termination Pay</i>	-	102,934	-	102,934	-
<i>Other Salaries & Wages</i>	-	638,618	-	638,618	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	653,390	-	653,390	-
<i>Other Adjustments</i>	-	-	64,934	64,934	-
FY 2024 Proposed Budget	84.99	\$ 12,792,865	\$ 1,332,686	\$ 14,125,551	\$ 5,390
<i>Difference from 2023 to 2024</i>	-	\$ 1,964,830	\$ 64,934	\$ 2,029,764	-

Impacts of Mayor’s FY 2024 Budget Proposal

As shown in the table above, the FY 2024 Proposed Budget for the Personnel Department is \$14.1 million, an increase of \$2.0 million, or 16.8%, from the FY 2023 Adopted Budget. The Department has minimal budgeted revenue. The number of positions is unchanged.

One notable increase in the FY 2024 Proposed Budget is the \$454,000 Budgeted PE Savings Adjustment, which is primarily due to a decrease in budgeted vacancy savings. Vacancy savings for the Personnel Department was set temporarily higher in FY 2023 because 12.00 FTEs that were added in the May Revision were anticipated to be filled for less than a year. Since these positions are anticipated to be filled for a full year in FY 2024, the vacancy savings has been reduced, which increases Personnel Expenditures.

Citywide, as in the Personnel Department, there are increased salaries and wages related to negotiated compensation increases with the

City’s Recognized Employee Organizations (REOs), as well as corresponding increases to managers’ salaries to ensure appropriate differentials between supervisors and staff. There are also citywide increases to fringe benefits, largely due to the increase in the City’s pension payment. See the General Fund *Expenditures Overview* section of this report for additional information.

Issues for Council to Consider

Key Performance Indicators

The table below shows actual, estimated and goal timeframes for two performance measures. The first row shows the average timeframe for issuing certified lists of eligible candidates to hiring departments when recruitment is required. During the pandemic, the Actual FY 2021 average increased to 74-days from the FY 2020 54-day average. There was improvement in FY 2022, with a drop to a 66-day average timeframe. For FY 2023, despite the addition of 833.44 FTEs to the

Performance Measure	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	Goal
Number of days to issue certification list to hiring departments when recruitment is required	55	54	74	66	60	57
Number of days to issue certification list to hiring departments (without recruitment)	12	11	16	17	12	12

Department Review: Personnel Department

citywide Budget, the average days for issuing a certified list to departments when recruitment is required is anticipated to decrease to 60 days.

This decreased timeframe is occurring while Personnel's workload has increased. For example, for FY 2023, the Personnel Department has evaluated 35,106 applications through mid-April compared to 27,741, around the same time last year, a 26.5% increase. Also, for FY 2023 the Department has issued 1,467 certified lists of eligible candidates (with or without recruitment) through mid-April compared to 1,409 for the entirety of FY 2022.

Brief Status of Budgeted Position Increases in FY 2023

Twelve positions were added to the budget as part of the FY 2023 May Revision, including those to reinstate the Recruiting Section (2.00 FTE) and the Outstation Section (6.00 FTE), as well as to support the Exam Management Section (2.00 FTE), Certification Section (1.00 FTE), and Equal Employment Investigations Office (1.00 FTE). Most of these positions are assisting hiring departments in filling their vacancies and helping make the hiring process more efficient. All but one position has been filled as of mid-April 2023, which is the Personnel Assistant II for Certification Section support.

The Recruitment Section develops recruiting strategies to assist hiring departments, promotes employment opportunities for the City, attends job and career fairs to develop a pipeline of candidates, and serves as a point of contact for applicants. The recruiting section became fully staffed in January 2023. It has participated in 33 career fairs since then, with nine more scheduled before June 2023, for a projected total of 42. This half-year of projected activity is more than double that of

calendar year 2022, when staff participated in 19 career fairs for the full year.

The Outstation Section provides on-site assistance to hiring departments on a myriad of personnel issues including the development of screening criteria and interview processes, coordinating the screening of candidates and scheduling of interviews, and guiding candidates receiving conditional job offers through the pre-employment process. The Outstation Section was implemented in the General Services, Stormwater, and Transportation Departments in late January 2023. It has also been implemented in the Development Services Department (March 2023) and Environmental Services Department (April 2023). The new Outstation Section has assisted with 10 interview processes so far. Additionally, a recruiting letter template for departments that highlights the City's benefits packages was developed by the Outstation Section.

The hiring and recruitment process is critical to achieving the City's service levels. A City working group (including management, the Personnel Department, Human Resources, Performance and Analytics, the Office of Race and Equity, and the Independent Budget Analyst's Office) is currently studying various aspects and making improvements on an ongoing basis. Additional information on the City's vacancy issues is included in the *Key Citywide Issues: Departmental Vacancies* section of this report.

Unfunded Requests

The Personnel Department requested several items that were not funded in the Proposed Budget, including \$27,000 for information technology equipment, \$18,000 for overtime to better align with actual expenditures, and \$10,000 for professional development.

Department Review: Personnel Department

Additional May Revision Request

Although not requested in the initial FY 2024 Proposed Budget, the Personnel Department will be requesting a May Revision adjustment for the addition of 1.00 Program Coordinator to manage the new Recruiting Section. As mentioned, applications are up 26.5% since this time last year; and the position would be responsible for not only further developing effective recruiting plans and strategies, but also for analyzing and recommending modifications to policies, Civil Service Rules, and Personnel Regulations in order to enhance the Personnel Department's service delivery.

Status of FY 2023 Budgeted Versus Filled Positions

As of mid-April 2023, the Personnel Department had 78.00 filled FTEs as compared to its 82.00 budgeted FTEs. These positions are all "non-hourly" positions (standard hour positions). The 4.00 unfilled FTEs translate to a 4.9% vacancy rate for the Department.

Personnel anticipates filling three of these positions by the end of FY 2023. For the fourth position, the Department is currently evaluating the overall departmental workload to align the position with the highest needs.

Department Review: Police

Police

Impacts of Mayor’s FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Police Department is approximately \$617.1 million for the General Fund, an increase of \$32.4 million or 5.5% from the FY 2023 Adopted Budget. The Proposed Budget includes 2,687.14 FTEs, which is an increase of 23.00 FTEs. Budgeted revenue totaling \$52.7 million represents a \$776,000 decrease from FY 2023. The FY 2024 Proposed Budget does not include any service cuts to the Police Department.

Police Overtime

The FY 2024 Proposed Budget adds \$9.2 million in overtime expenditures for a total Police overtime budget of \$49.3 million (all General Fund). The overall increase is attributed to several adjustments which, when taken together, are intended to align the Department’s budget with FY 2023 Mid-Year Budget Monitoring projections which projected a \$9.2 million overtime expenditure overage at fiscal year-end. The specific adjustments are as follows:

- \$6.0 million ongoing increase specifically for Extension of Shift overtime, including \$3.0 million for Patrol Staffing Backfill;
- \$5.0 million one-time increase for Patrol Staffing Backfill;
- \$2.4 million ongoing increase to reflect POA and MEA salary increases;
- \$2.6 million ongoing increase in Patrol Staffing Backfill overtime offset by a \$2.6 million ongoing reduction in Neighborhood Policing and CleanSD overtime;
- Removal of \$4.0 million of Patrol Staffing Backfill overtime funded on a one-time basis in FY 2023; and
- Removal of \$200,000 in one-time overtime expenditures funded in FY 2023 to conduct Street Racing and Sideshow Enforcement.

Offsetting the proposed increase in budgeted overtime expenditures is a \$3.3 million one-time increase in Budgeted PE savings. This increase, which is effectively a reduction in personnel expenditures, accounts for anticipated savings from sworn staffing vacancies.

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	2,664.14	\$ 500,902,237	\$ 83,803,929	\$ 584,706,166	\$ 53,496,725
Programmatic Changes					
<i>Overtime Adjustments</i>	-	9,174,577	-	9,174,577	328,909
<i>Deployment of Smart Streetlights</i>	-	-	4,000,000	4,000,000	-
<i>Police Firearm Training Facility Rental</i>	-	-	975,000	975,000	-
<i>Addition of Civilian Positions (PISOs)</i>	10.00	717,010	21,384	738,394	-
<i>Addition of Assistant Police Chief (Police Operations)</i>	1.00	502,132	-	502,132	-
<i>Revised Revenue</i>	-	-	-	-	(1,105,324)
Other Changes					
<i>Salary and benefit Adjustments</i>	-	19,353,697	-	19,353,697	-
<i>Budgeted PE Adjustment (Overtime Offset)</i>	-	(3,301,495)	-	(3,301,495)	-
<i>Addition of FY 2023 Supplemental Positions</i>	12.00	1,452,229	8,000	1,460,229	-
<i>Various Contractual Cost Increases</i>	-	-	1,044,780	1,044,780	-
<i>Non-Discretionary Adjustments and IT Support</i>	-	-	(212,823)	(212,823)	-
<i>One-Time Additions and Annualizations</i>	-	(291,707)	(1,673,795)	(1,965,502)	-
<i>Other Adjustments</i>	-	-	661,980	661,980	-
FY 2024 Proposed Budget	2,687.14	\$ 528,508,680	\$ 88,628,455	\$ 617,137,135	\$ 52,720,310
Difference from 2023 to 2024	23.00	\$ 27,606,443	\$ 4,824,526	\$ 32,430,969	\$ (776,415)

Department Review: Police

Police Overtime - Historical Budget vs. Actuals (in Millions)										
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019*	FY 2020*	FY 2021*	FY 2022	FY 2023	FY 2024
Budget	\$11.1	\$18.0	\$21.0	\$26.3	\$24.6	\$35.9	\$38.1	\$30.7	\$40.2	\$49.3
Actual	\$23.1	\$25.0	\$26.0	\$29.7	\$31.9	\$44.8	\$37.2	\$40.9	\$49.3	-
<i>Overage</i>	<i>\$12.0</i>	<i>\$7.0</i>	<i>\$5.0</i>	<i>\$3.4</i>	<i>\$7.3</i>	<i>\$8.9</i>	<i>(\$0.9)</i>	<i>\$10.2</i>	<i>\$9.2</i>	<i>-</i>

* FY 2019, FY 2020 and FY 2021 included \$2.7 million, \$3.9 million and \$4.3 million, respectively, budgeted in the Seized Asset Fund.

As shown in the table above, actual overtime expenditures have increased significantly over the past decade and, with the exception of FY 2021, have consistently exceeded budgeted levels. While the specific cause for these overages has differed over this period of time, overages in the last two years (FY 2022 and FY 2023) are primarily due to sworn staffing shortages. As discussed in the “Issues for Council Consideration” section of this Department Review, these staffing issues are likely to continue in FY 2024 and potentially worsen in subsequent years. For this reason, we support the proposed overtime adjustments and believe that they are necessary to ensure overtime is appropriately budgeted.

Smart Streetlights

The FY 2024 Proposed Budget includes the addition of \$4.0 million in ongoing non-personnel expenditures to deploy up to 1,000 new Smart Streetlights with video and automated license plate recognition (ALPR) technology throughout the City. According to the Department, the primary purpose of Smart Streetlights is to facilitate the investigation of violent crimes and traffic offenses that result in the loss of life, significant destruction of property, and/or erode the public safety of community members. In March 2023, the Department conducted a series of community presentations in accordance with the City’s new Surveillance Ordinance and will seek review by the new Privacy Advisory Board (PAB) on April 27, 2023 before seeking City Council approval.

According to the Department, actual costs are unknown given that contract negotiations are still ongoing. The budget adjustment assumes an annual (ongoing) per unit cost of \$4,000 which includes use of the equipment,

operating systems for the video and ALPR functions, and wireless connectivity. We note that this differs from the City’s previous deployment of smart streetlights where the City purchased the equipment/lights and incurred operating costs under separate agreements; here all ongoing costs are expected to be included on a per unit basis. A separate one-time installation cost, which would include maintenance over the contract term, is also being negotiated but is not included in the Proposed Budget. The Department stated that they are planning for the initial deployment of this technology to occur at 500 locations (which would equate to an ongoing cost of \$2.0 million based on the current estimated per unit cost of \$4,000) and would fund installation costs with remaining ongoing funding. **Considering the General Fund’s current structural budget imbalance, our Office recommends that the Police Department work with the Department of Finance to more precisely determine anticipated ongoing and one-time costs associated with expected deployment plans and consider including these updates in the May Revision.**

Addition of Various Sworn and Civilian Staffing

The FY 2024 Proposed Budget includes the addition of 23.00 FTEs, including 2.00 sworn and 21.00 civilian FTEs, and \$2.7 million in associated expenditures. The additions include:

- 10.00 Police Investigative Service Officers (PISOs) and \$738,000 in associated expenditures. PISOs assist sworn personnel by, among other functions, conducting lower-level investigative work and responding to lower-priority calls. This frees

Department Review: Police

up sworn officers to move on to higher-priority calls/cases. The Department has expressed the importance of PISOs, particularly during a time when the Department is facing significant sworn staffing shortages. The proposed addition will increase the total number of budgeted PISOs from 19.00 FTEs in the FY 2023 Adopted Budget to 29.00. We note that the Department requested a total of 20.00 PISOs, of which 10.00 FTEs were funded in the Proposed Budget.

- 1.00 Assistant Police Chief and \$502,000 in personnel expenditures to oversee a new “Office of Constitutional Policing and Strategic Planning” within the Police Department. According to the Department, the issues that are most closely associated with constitutional policing that the new office would focus on include: police use of force, racial bias and profiling, unlawful stops, searches, and arrests, interactions with mentally ill persons and those experiencing homelessness, and the use of surveillance technologies. The Council may wish to hear more about this new office and the role of the proposed position.
- 12.00 FTEs and \$1.5 million in associated expenditures for 1.00 sworn and 11.00 civilian positions that were added supplementally (unbudgeted) in FY 2023. The positions include 1.00 Police Lieutenant (filled), 1.00 Program Coordinator (filled), 1.00 Payroll Specialist 2 (filled), 1.00 Account Clerk (filled), 5.00 Laboratory Technicians (unfilled), 1.00 Payroll Supervisor (unfilled), 1.00 Payroll Specialist 2 (unfilled), and 1.00 Police Dispatch Administrator (unfilled).

Other Adjustments

The FY 2024 Proposed Budget also includes the following expenditure additions:

- \$975,000 in one-time non-personnel expenditures associated with the temporary rental of a private firing range to serve as the Police Firearm Training Facility. The Department has been leasing this private firing range located in the City of Poway since mid-2022 after the Department’s longtime firing range was shut down. Finding a more permanent solution is a high priority for the Department given State mandated firearm training requirements for police officers. The Department is exploring options for a permanent firing range which include building a facility at Police Plaza (the former Chargers headquarters) or purchasing an existing firing range.
- \$1.0 million in ongoing funding to account for various contractual increases associated with the cost of ammunition (\$409,000), ballistic vests (\$272,000), sexual assault examinations (\$191,000), and janitorial services (\$173,000). These increased contractual expenditures do not represent service level increases.
- \$358,000 in ongoing non-personnel expenditures to outfit all sworn personnel, including patrol officers with assigned cell phones.
- \$304,000 to account for negotiated provisions under the City’s Memorandum of Understanding (MOU) with the POA. This includes \$172,000 in ongoing funding for Police Management Incentive Pay that provides POA employees in management positions (i.e., Police Lieutenant and higher) in eligible classifications an annual \$3,000 cash incentive; and \$132,000 in additional ongoing funding for the Tuition Reimbursement Program that would provide up to 1,000 eligible POA represented employees a maximum of \$2,000 in tuition reimbursement annually.

Department Review: Police

Significant Revenue Adjustments

The FY 2024 Proposed Budget includes a net revenue reduction in the amount of \$776,000, including the following:

- \$926,000 ongoing increase in the Police Department's allocation of projected Safety Sales Tax revenue.
- \$417,000 ongoing increase based on approved user fee adjustments that will go into effect for non-profit special events on July 1, 2023.
- \$350,000 ongoing increase in reimbursement revenue from the TOT Fund for tourism related safety services.
- \$329,000 in additional ongoing revenue anticipated from special events where Police overtime expenditures are reimbursed.
- \$1.4 million ongoing reduction in municipal court revenues based on a significant reduction in vehicle code violation citations that have been issued over the last several months. The Department attributes this reduction primarily to sworn staffing shortages which have resulted in the Department reassigning officers typically responsible for traffic enforcement to assist patrol operations instead.
- \$891,000 ongoing reduction in revenue received from expired vehicle registration citations as a result of SB-1359, which requires law enforcement to verify non-current registration stickers/tags against DMV records before issuing a citation. The Department anticipates a 50% reduction in revenue generated from expired vehicle registration violations due to this verification requirement.
- \$428,000 ongoing reduction in Criminal Justice Administration Fee (also known as booking fee) revenue. The imposition and collection of this fee was repealed by AB-1869.

Unfunded Requests

The Department had two notable budget requests that were not funded in the FY 2024 Proposed Budget. These include:

- 15.00 civilian FTEs and \$1.4 million in personnel expenditures to respond to Public Request Act (PRA) requests received by the Department. Currently, 6.00 FTEs (including 4.00 sworn FTEs) are dedicated to responding to PRA requests. According to the Department, the number of PRA requests has increased significantly from approximately 700 requests in 2017 to more than 2,000 in 2022. The additional civilian staff requested by the Department would ultimately be utilized to replace the 4.00 sworn officers that are currently performing this function, allowing them to be re-assigned to other duties.
- \$625,000 in ongoing non-personnel expenditures to enhance sworn recruiting efforts. This includes \$400,000 to continue the Lateral and Recruitment Incentive Programs and \$225,000 primarily to retain a consultant to develop a branding and marketing strategy for the implementation of a recruitment campaign exclusively for the SDPD.

Issues for Council Consideration

Sworn Officer Retention and Recruitment

As our Office has noted in past reports, the most pressing issue impacting the Police Department continues to be significantly high levels of sworn officer attrition. The most recent staffing report from the Department as of April 24, 2023 indicates a current average attrition rate for FY 2023 of approximately 16 sworn departures per month. While this is down from FY 2022 (20 departures per month), it is elevated compared to historical levels which had remained relatively constant at 13-14 departures per month between FY

Department Review: Police

2014 through FY 2021. For FY 2024, the Department anticipates that attrition will continue in the range of 16-18 departures per month (192-216 total annually). Beyond that, an even higher level of attrition is anticipated in FY 2025 and FY 2026 based on the number of personnel currently in the DROP program. Over 90 sworn personnel are scheduled to retire by June 2025 and more than 60 others by June 2026. No new initiatives aimed at improving Police retention rates are included in the Proposed Budget.

Four Police Academies are budgeted with a capacity of up to 50 recruits each. While 50 recruits is the Department's goal, recent academy sizes have ranged between 30-40 recruits. Assuming this trend continues, the Department will experience a net loss of between 32 and 96 officers over the course of FY 2024.

As noted earlier, the Department requested, but did not receive funding for resources to enhance its sworn recruiting efforts, including \$225,000 to retain a consultant through a competitive request for proposals (RFP) process to develop a branding and marketing strategy for a new recruitment campaign. If funding were to be received for these services, the Department, which had most recently contracted these services with Loma Media in FY 2019 and FY2020, believes their goal of reaching 50 recruits per academy could be achieved. At best, the 200 new incoming recruits/officers would, more or less, offset the 192-216 officers that are anticipated to leave SDPD in FY 2024.

In FY 2023, \$100,000 was funded on a one-time basis to enhance recruitment efforts. Approximately \$75,000 was utilized for various advertising methods and \$25,000 was for recruitment efforts at community events. The total non-personnel expenditure budget for recruiting in the Proposed Budget is \$50,000.

Department Review: Public Utilities

Public Utilities

The Public Utilities Department is responsible for providing water and sewer services throughout the City of San Diego. Three major enterprise funds support the Public Utilities Department's operations: the Metropolitan Sewer Utility Fund, Municipal Sewer Revenue Fund, and the Water Utility Operating Fund. Additionally, the Department manages recreational use of the City's reservoirs via the General Fund.

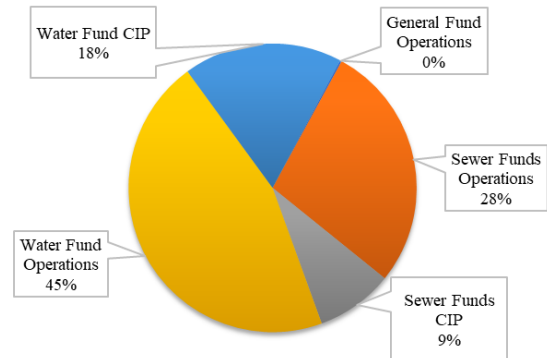
Impacts of Mayor's FY 2024 Budget Proposal

A summary of operating budget expenditure and position changes for the Public Utilities Department (PUD) is shown in the table below broken out by fund. For FY 2024, the Proposed Operating Budget for all funds combined is approximately \$1,156.7 million, which is an increase of \$105.0 million, or 10.0%, from the FY 2023 Adopted Budget. Positions are increased by 38.64 FTEs for a total of 1,931.83 FTE positions in the Department.

The table below only includes the operating budget for PUD, which will be discussed in this section. However, the pie chart to the right displays the allocation of the Department's full \$1.6 billion FY 2024 Proposed Budget, including new allocations for the Capital Improvements Program (CIP). For more information on the CIP, see the *Capital Improvements Program* section earlier in this report.

The CIP represents approximately 26.5% of the Department's proposed expenditures for FY 2024. When combined, the operating and

PUBLIC UTILITIES FY 2024 PROPOSED BUDGET



CIP components of the Water Fund represent 63.3% of the Department's total proposed budget, with Sewer operations and CIP constituting 36.5% of expenditures. The General Fund, at \$2.8 million, represents 0.2% of the Department's total proposed budget for FY 2024.

The following discussion of budget adjustments will start with the General Fund, followed by Department-wide activities that span both the Sewer and Water Funds, followed by adjustments that are unique to each funding source.

General Fund

The City offers recreational use of the Department's water reservoirs. Recreational activities are fully supported by the General Fund to avoid any impacts on PUD's enterprise funds or rate payers. Expenses are partially offset by recreation fees.

The FY 2024 Proposed Budget for the reservoir recreation program is \$2.8 million, which is virtually unchanged from the FY 2023

SUMMARY OF PUBLIC UTILITIES DEPARTMENT OPERATING BUDGET						
Fund	FY 2023 FTE	FY 2024 FTE	Change	FY 2023 Expense	FY 2024 Expense	Change
General Fund	-	-	-	2,831,991	2,835,811	3,820
Sewer Funds	945.60	951.97	6.37	418,989,205	438,011,957	19,022,752
Water Fund	947.59	979.86	32.27	629,797,577	715,802,721	86,005,144
Combined Public Utilities Funds	1,893.19	1,931.83	38.64	\$ 1,051,618,773	\$ 1,156,650,489	\$ 105,031,716

Department Review: Public Utilities

Adopted Budget.

Revenue to support the program is budgeted at approximately \$1.8 million for FY 2024, which is the same as the FY 2023 Adopted Budget. There are no staff budgeted in this program as the General Fund reimburses Water Fund staff for running the program.

Department-Wide Activities

The table on the top right of this page summarizes the total Department impact of various budget adjustments that span both the Sewer and Water Funds. For specific amounts by fund, including the breakdown of personnel and non-personnel expenses for these activities, refer to each detailed fund summary tables shown later in this section.

For the purposes of this review, we will discuss these department-wide activities holistically across the Department, rather than by fund.

Significant Budget Adjustments

Discretionary IT Support

The largest department-wide increase is for additional discretionary Information Technology (IT) costs. This increase, totaling \$10.5 million across the sewer and water funds, increases support for environmental monitoring and distributed control systems. Many of these additions were included in the [Public Utilities Department's FY 2024-2028 Five-Year Financial Outlook](#) as important upgrades to improve the safety and resiliency of the system overall, and as such are related to the System Resiliency increases, which include 8.00 FTEs and \$780,000. These positions will be responsible for collecting additional information on cathodic protection systems,

DEPARTMENT-WIDE ACTIVITIES		
Description	FTE	Expense
Discretionary IT Support	-	\$ 10,499,346
Regulatory Compliance	6.00	6,156,407
Customer Support and Engagement	8.00	2,594,599
Pure Water Positions	8.50	1,077,654
System Resiliency	8.00	779,582
Accountant Increase	0.50	51,908
Human Resources Decentralization	2.00	(163,611)

providing oversight and maintenance of distribution system valves, and working to inventory the Department's assets in the Enterprise Asset Management (EAM) system.

Regulatory Compliance

Regulatory Compliance additions were also noted in the PUD Outlook, and include 6.00 FTEs and \$6.2 million in the Proposed Budget. These positions support compliance in the areas of laboratory accreditation, discharge regulations, and cross connection inspections. Non-personnel expenditures of \$5.6 million is one-time funding for various replacement parts and construction costs, mostly for the Alvarado Water Treatment Plant.

Customer Support and Engagement

One major increase that was not included in the PUD Outlook but is included in the Proposed Budget is 8.00 FTEs and \$2.6 million for Customer Support and Engagement. The Department recognizes that current service levels for customer service are not meeting expectations, and thus the Department requested additional positions and resources to help address these deficiencies. Additions include a new Customer Information & Billing Manager position to oversee the New Services Program, which seeks to improve the

SUMMARY OF PUBLIC UTILITIES GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	-	\$ -	\$ 2,831,991	\$ 2,831,991	\$ 1,786,075
Other Changes					
<i>Non-Discretionary Adjustments</i>	-	-	3,820	3,820	-
FY 2024 Proposed Budget	-	\$ -	\$ 2,835,811	\$ 2,835,811	\$ 1,786,075
Difference from 2023 to 2024	-	\$ -	\$ 3,820	\$ 3,820	\$ -

Department Review: Public Utilities

customer experience when setting up new utility services. This was identified as a significant challenge for customers and a main cause for the majority of the calls received by the Department. Other positions will support this program, as well as other tasks including the management and preparation of large data sets as newer meters begin to provide additional data that the Department can utilize to improve long-term decision making.

As part of these measures, the Department is currently working with the Performance and Analytics Department to further streamline and improve the utilities customer service experience. Some of these adjustments are discussed in the *Performance and Analytics Department Review* section of this report.

Pure Water Positions

The Proposed Budget also includes additional positions for the Pure Water program as it moves closer to completion. This includes 8.5 FTEs and \$1.1 million for additional positions related to both the operations of the new and expanded treatment facilities as well as new positions to begin work on the Phase 2 CIP and task orders. Additional positions will still need to be added in future years as Phase 1 moves towards completion.

Other Adjustments

Finally, there are two smaller changes happening across the Department. The first is to increase an accountant position from half-time to full-time in order to improve the recruitment prospects for this position, which has been vacant for a number of years. The second is a combination of actions related to the ending of a Service Level Agreement (SLA) with the Human Resources Department (HR). Previously, Human Resources provided certain services to PUD that went above and beyond what they provide to other departments citywide, for which PUD reimbursed HR. Going forward, PUD will handle those activities within the Department by hiring two additional positions, which is more than offset

by ending the payments from PUD to the General Fund for HR.

Sewer Funds

The FY 2024 Proposed Budget for operating expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals \$438.0 million, which is an increase of \$19.0 million, or 4.5%, from FY 2023. Revenues in the Sewer Funds are budgeted at \$706.8 million, which is a decrease of \$1.2 million from FY 2023 primarily due to a combination of various financing actions to support CIP projects, as well as increased revenues due to previously approved rate increases. Positions are proposed to increase by 6.37 FTEs to 951.97 FTEs for FY 2024.

Significant Budget Adjustments

Department-wide activities that were discussed previously under the *Department-Wide Activities* header and are noted by an asterisk in the table below, and additional support for those activities is provided by the Water Fund. This section discusses adjustments that are unique to the sewer system.

The largest adjustment within the Sewer Funds is the addition of \$11.1 million in expenditures associated with additional costs for treatment chemicals. As a result of supply chain shortages, the costs for various chemicals vital to the wastewater treatment process - including chlorine, peroxide, and peptides - dramatically increased over the past 18 months. This led to the Department bringing numerous contract modifications to Council to allow for higher prices. The budgeted increase reflects the new costs for these chemicals and does not represent an increase in the quantity of purchased chemicals. The new contracts which included higher prices did include price verification clauses, so if the costs for the suppliers to purchase the chemicals go down, the City's costs should also decrease.

Department Review: Public Utilities

Another major addition for the Sewer Funds is 1.00 FTE and \$1.5 million related to upgrades required for Pump Stations 1 & 2. Non-personnel costs of \$1.3 million fund non-capital construction repairs at both stations due to deferred maintenance which were identified during condition assessments for both facilities. These are one-time costs for FY 2024 only. The additional position will oversee a major CIP replacement and rehabilitation project for both pump stations, which are two of the most critical assets for the entire Metropolitan Sewer System.

Finally, the last significant addition in the Sewer Funds is \$1.3 million for upgrades to the natural gas backup generators at Pump Station 2 to support the Climate Action Plan (CAP). A major part of the CAP is the removal of natural gas as a source of energy from municipal facilities. However, Pump Station 2 requires natural gas powered generators as part of its operations. These

generators provide a backup source of power in the event that electricity is cut off to the pump station. Without a backup source of power, massive sewage backups would occur in the event of power disruptions. In order to ensure that Pump Station 2 has a reliable backup power source, and to also adhere to the policies of the CAP, the Department identified a supply of renewable natural gas for the backup generators. This supply does require additional costs, which is the \$1.3 million that is budgeted. Of this amount, \$500,000 is one-time.

Water Fund

Expenditures in the FY 2024 Proposed Budget for the Water Utility Operating Fund total \$715.8 million, which is an increase of \$86.0 million, or 13.7%, from FY 2023. Revenues in the Water Fund are proposed at \$986.7 million, a decrease of \$180.5 million from the FY

SUMMARY OF SEWER FUNDS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	945.60	\$ 112,622,236	\$ 306,366,969	\$ 418,989,205	\$ 708,017,933
Programmatic Changes					
<i>Treatment Chemicals</i>	-	-	11,057,031	11,057,031	-
<i>Discretionary IT*</i>	-	-	1,998,092	1,998,092	-
<i>Pump Stations 1&2 Upgrades</i>	1.00	175,289	1,314,125	1,489,414	-
<i>Customer Support and Engagement*</i>	4.15	592,181	725,000	1,317,181	-
<i>Climate Action Plan for Pump Station 2</i>	-	-	1,250,000	1,250,000	-
<i>Pure Water Positions*</i>	2.76	341,365	-	341,365	-
<i>Regulatory Compliance*</i>	2.50	284,411	-	284,411	-
<i>System Resiliency*</i>	0.55	73,184	-	73,184	-
<i>Accountant Increase*</i>	0.13	13,675	-	13,675	-
<i>Human Resources Decentralization*</i>	1.06	153,376	(240,090)	(86,714)	-
Other Changes					
<i>Non-Discretionary Adjustments</i>	-	-	8,537,181	8,537,181	-
<i>Salary and Personnel Cost Changes</i>	0.48	3,725,894	-	3,725,894	-
<i>Fringe Benefit Adjustments</i>	-	719,240	-	719,240	-
<i>Hourly Position Adjustments</i>	-	12,406	-	12,406	-
<i>Position Restructures</i>	(6.26)	(1,591,732)	-	(1,591,732)	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(10,117,876)	(10,117,876)	-
<i>Municipal Sewer Revenue</i>	-	-	-	-	14,000,000
<i>Metro JPA Revenue</i>	-	-	-	-	15,000,000
<i>Recycled Water Revenue</i>	-	-	-	-	7,000,000
<i>AB 1600 Revenue</i>	-	-	-	-	800,000
<i>Other Revenue and Financing Actions</i>	-	-	-	-	(38,000,000)
FY 2024 Proposed Budget	951.97	\$ 117,121,525	\$ 320,890,432	\$438,011,957	\$ 706,817,933
Difference from 2023 to 2024	6.37	\$ 4,499,289	\$ 14,523,463	\$ 19,022,752	\$ (1,200,000)

* Department-wide activity

Department Review: Public Utilities

2023 Adopted Budget, primarily due to decreases in financing revenues supporting the CIP as well as a true up of water sales estimates. Positions are proposed to increase by 32.27 FTEs to 979.86 FTEs for FY 2024.

Significant Budget Adjustments

Department-wide activities were discussed previously under the *Department-Wide Activities* section and are noted by an asterisk in the table below, and additional support for those activities is provided by the Sewer Funds. Notable FY 2024 budget adjustments unique to the water system are discussed below.

The largest expenditure increase for the Water Fund is an addition of \$33.2 million in water purchases costs. Water purchases from the San Diego County Water Authority (SDCWA) are the largest non-personnel cost across the entire City budget, and this increase brings the total budget for water purchases to \$307.3 million.

The next largest addition in the Water Fund is 16.00 FTEs and \$7.0 million for dam and reservoir funding. These positions will be

utilized to cover a wide range of functions, including overseeing the maintenance of dams and the planning and implementation of dam repair and rehabilitation projects, many of which are maintenance projects that are not covered under the CIP but are vital to maintain regulatory compliance with the Division of Dam Safety. All funding here is being added on an ongoing basis as part of a more holistic approach to considering the long-term lifecycle of the Department's nine reservoirs and dams. These additions were also included as a Critical Strategic Expenditure in the PUD Outlook.

It should be noted that the Department is currently conducting condition assessments on the dams owned and operated by the City, and there is an expectation that some dams will require extensive repairs or replacement, with eventual costs expected to range from hundreds of millions to over a billion dollars. The first dam likely to require complete replacement is Lake Hodges, and efforts are underway to begin designing that project, with a financing plan expected within the next three

SUMMARY OF WATER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	947.59	\$ 105,355,898	\$ 524,441,679	\$ 629,797,577	\$ 1,167,152,877
Programmatic Changes					
<i>Water Purchases</i>	-	-	33,175,000	33,175,000	-
<i>Dams and Reservoirs</i>	16.00	1,935,291	7,027,488	8,962,779	-
<i>Discretionary IT*</i>	-	-	8,501,254	8,501,254	-
<i>Regulatory Compliance*</i>	3.50	281,996	5,590,000	5,871,996	-
<i>Customer Support and Engagement*</i>	3.85	552,418	725,000	1,277,418	-
<i>Pure Water Positions*</i>	5.74	736,289	-	736,289	-
<i>System Resiliency*</i>	7.45	706,398	-	706,398	-
<i>Accountant Increase*</i>	0.37	38,233	-	38,233	-
<i>Human Resources Decentralization*</i>	0.94	136,013	(212,910)	(76,897)	-
Other Changes					
<i>Non-Discretionary Adjustments</i>	-	-	24,892,443	24,892,443	-
<i>Salary and Personnel Cost Changes</i>	(0.84)	4,883,325	-	4,883,325	-
<i>Fringe Benefit Adjustments</i>	-	3,084,628	-	3,084,628	-
<i>Position Restructures</i>	6.26	1,591,732	-	1,591,732	-
<i>Hourly Position Reductions</i>	(11.00)	(441,850)	-	(441,850)	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(7,197,604)	(7,197,604)	-
<i>AB 1600 Revenue</i>	-	-	-	-	1,500,000
<i>Water Sales</i>	-	-	-	-	(32,000,000)
<i>Other Revenue and Financing Actions</i>	-	-	-	-	(150,000,000)
FY 2024 Proposed Budget	979.86	\$ 118,860,371	\$ 596,942,350	\$715,802,721	\$ 986,652,877
Difference from 2023 to 2024	32.27	\$ 13,504,473	\$ 72,500,671	\$ 86,005,144	\$ (180,500,000)

* Department-wide activity

Department Review: Public Utilities

years. Other reservoirs that could require replacement in the future, and are pending condition assessments, include El Capitan reservoir, Lake Murray, and Lake Morena. It will be important to monitor the cost estimates for these projects as condition assessments are completed. **The Council should seek a status update from the Department on the dam condition assessments and the timeline for developing project costs.**

Issues for Council Consideration

Rate Case/Cost of Service Study

In 2021, the Public Utilities Department underwent an extensive Cost of Service Study (COSS) and rate increase process for the wastewater (sewer) portion of the Department. After almost a year of review, including reviews from our Office with the assistance of Stantec, a new COSS was approved in September of 2021, including rate increases ranging from 3.0% to 5.0% from January 1, 2022 through January 1, 2025. These revenue assumptions are included in the FY 2024 Proposed Budget, and the expenditures for the Sewer Funds roughly match what was included in the most recent Five-Year Financial Outlook for the Public Utilities Department (PUD).

A *Water* COSS was also planned for 2021, but was delayed due to ongoing litigation. In November 2022, along with the PUD Five-Year Outlook, the Department released a new [Water COSS](#) covering only FYs 2024-2025. The Water COSS calls for general rate revenue increases (which were also included in the Outlook) of 9.3% in FY 2024 (beginning November 1, 2023) and 7.6% in FY 2025 (beginning January 1, 2025). Additionally, the Water COSS also allocates costs and revenue requirements among the various customer classes to determine new rates in line with Proposition 218.

The prior Water COSS was approved by

Council in November 2015, and included rate increases ranging from 5.0% to 9.8% for 2016-2020. Since then, only passthrough rate adjustments to account for increasing costs for water purchased from the SDCWA have been approved: a 3.0% increase on January 1, 2022, and a 2.5% increase on January 1, 2023. For the current Water COSS, approximately one-third of the rate increase is due to increased projected costs to purchase water from the SDCWA.

To assist the Council in their consideration of the Water COSS, our Office, again with the assistance of Stantec, released [IBA Report 23-07REV Independent Review of the Public Utilities Department's Water Cost of Service Study and Request for Rate Increase for FY 2024-2025](#) which contained numerous recommendations. That analysis supports the conclusions of PUD, and its consultant Raftelis on the overall Water rate revenue needs, and includes suggestions for potential adjustments to cost allocations.

The Water COSS still requires approval from the City Council, and we expect that PUD will bring forward the Water COSS shortly, including any revisions that they deem appropriate that were recommended in Stantec's review.

Notably, the FY 2024 Proposed Budget does not include additional revenue from potential rate increases. However, as discussed in [IBA Report 22-34 IBA Review of the Public Utilities Department FY 2024-2028 Five-Year Financial Outlook](#), even with the proposed rate increases the Water Utility Funds will be very close to falling below some of its reserve policy requirements. Not approving additional rate increases would likely result in even higher rate increases needed in the future to maintain continued levels of service and investment in the Department's infrastructure.

Department Review: Public Utilities

SUMMARY OF PUBLIC UTILITIES ENTERPRISE FUNDS BUDGETS					
Fund	FTE	Operating Expense	CIP Expense	Total Expense	Revenue*
Sewer Funds	951.97	438,011,957	136,411,094	574,423,051	706,817,933
Water Funds	979.86	715,802,721	280,753,141	996,555,862	986,652,877
Total FY 2024 Proposed Budget	1,931.83	\$ 1,153,814,678	\$ 417,164,235	\$ 1,570,978,913	\$ 1,693,470,810

**Revenues include AB 1600 revenues of \$22.5 million for the Sewer Funds and \$16.0 million for the Water Fund.*

Enterprise Funds - Combined CIP and Operating Budgets for FY 2024

The table above shows the combined budgets for the Capital Improvements Program (CIP) and operating budgets of the water and sewer funds, totaling \$1.6 billion in proposed appropriations for FY 2024. The revenue amounts reflected in the previous tables for the Sewer and Water Funds support both operations and the Public Utilities Department's substantial CIP. The combined revenue for operations and CIP is proposed at \$1.7 billion for FY 2024.

Department Review: Purchasing and Contracting

Purchasing and Contracting

The Purchasing & Contracting Department oversees transactions for procuring and/or contracting goods and services (including professional services), the procurement of Capital Improvement Program (CIP) construction contracts, minor repairs, and associated professional consulting services, as well as contract management functions to ensure contracts are meeting the City’s needs. It also manages the centralized advertising and award of all contracts for goods, services, and public works in conformance with the City’s Charter and Municipal Code.

In addition, the Department manages the Equal Opportunity Contracting (EOC) and Central Stores programs. Publishing Services, previously managed by Purchasing & Contracting, is being transferred to Communications Department as part of the FY 2024 Proposed Budget.

Key departmental goals include:

- Promote transparency regarding requirements within the procurement process.
- Increase efficiency of the procurement process.
- Promote small and local, disadvantaged, minority, and woman- owned business participation in City procurement.
- Ensure excellent customer service.

KPIs to measure progress toward these goals, several of which have been updated as part of

the Proposed Budget, are shown in the table on the top of the next page.

Budget Equity Considerations

Key adjustments to the Proposed Budget intended to address disparity include:

- Adding electronic bidding software to enable more members of the public, including potential bidders, to be informed and have access to City bid opportunities.
- Adding 1.00 FTE position to provide procurement support, which is intended to address internal and external disparities. Internally, workload and assignments will be distributed in an equitable manner and help existing staff to provide better service to external City departments.

Impacts of Mayor’s FY 2024 Budget Proposal

The Purchasing & Contracting Department’s proposed budget for FY 2024 totals approximately \$18.8 million. This reflects a decrease of approximately \$176,000, or just under 1.0% from the FY 2023 Adopted Budget. Off-setting revenues of \$10.1 million are included in the Proposed Budget.

Publishing Services, with 8.00 FTE positions and \$1.6 million in related expenditures and revenue, is being transferred from Purchasing & Contracting to the Communications Department. Departmental changes are summarized in the table below.

SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES						
Fund	FY 2023 FTE	FY 2024 FTE	Change	FY 2023 Expense	FY 2024 Expense	Change
General Fund						
Purchasing & Contracting	51.00	53.00	2.00	7,906,711	9,485,252	1,578,541
Equal Opportunity Contracting	12.00	11.00	(1.00)	1,980,894	1,566,025	(414,869)
General Fund Total	63.00	64.00	1.00	\$ 9,887,605	\$ 11,051,277	\$ 1,163,672
Central Stores Fund	21.00	21.00	-	7,376,573	7,751,638	375,065
Publishing Services Fund	8.00	-	(8.00)	1,714,930	-	(1,714,930)
Total Combined	92.00	85.00	(7.00)	\$ 18,979,108	\$ 18,802,915	\$ (176,193)

Department Review: Purchasing and Contracting

Updates	Performance Measure	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Estimated FY 2023	Goal FY 2024
<i>Previous</i>	Average number of days to award a contract	73	73	131	163	N/A	N/A
<i>Replacement</i>	Percentage of low bid contracts awarded within 90 days	N/A	N/A	N/A	N/A	N/A	85%
<i>Reworded</i>	Percentage of total dollar value of contracts awarded to Small Local Business Enterprises (SLBEs)	24%	N/A	28%	23%	20%	20%
<i>New</i>	Percentage of total dollar value of contracts awarded to minority- and woman-owned firms	N/A	N/A	N/A	N/A	N/A	31%
<i>New</i>	Number of training events held related to procurement process	N/A	N/A	N/A	N/A	N/A	5
<i>New</i>	Number of outreach events conducted promoting how to do business with City and/or Small Local Business Enterprises (SLBE) Program.	N/A	N/A	N/A	N/A	N/A	10
<i>Discontinued</i>	Percentage of purchase orders processed within 10 days	90%	88%	85%	97%	N/A	N/A
<i>Discontinued</i>	Percentage of on-line Quick Copy services requests processed for production within 1 business day	92%	92%	94%	56%	N/A	N/A

General Fund

The FY 2024 Proposed Budget for the Department's General Fund activities is \$11.1 million and includes funds for Purchasing & Contracting and the EOC Program. This is an increase of approximately \$1.2 million or 12.0% from the FY 2023 Adopted Budget. General Fund revenue remains the same at \$2.4 million. These adjustments are summarized in the table below.

The Department's General Fund budget has a proposed programmatic addition of 1.00 FTE and personnel expenses of \$157,000 for a Supervising Procurement Contracting Officer to support P&C operations.

The General Fund also includes a salary and fringe adjustment of \$933,000, which reflect savings resulting from vacant positions, retirement contributions, retiree health contributions, and offsetting projected salary and benefits increases as a result of ongoing labor negotiations. Note that these are expected to change in the May Revision. This issue is discussed in more detail in the *General Fund Expenditures Overview* section of this report.

Central Stores

The Central Stores Fund has a proposed FY 2024 budget of \$7.8 million, as shown in the table at the top of the next page. This is an increase of \$375,000, or 5.1%, from the FY 2023 Adopted Budget. Revenue is \$7.6 million, or about \$38,000 less than the prior year.

The FY 2024 Proposed Budget includes a programmatic addition of \$200,000 in ongoing non-personnel expenditures for Inventory Scanning Software to enhance Central Stores' inventory processing system. The software and related scanning equipment are intended to assist employees in streamlining work efforts, such as helping staff identify real-time inventory levels and assisting with entering inventory into the SAP system. The software will also provide internal controls for inventory management.

Issues for Council Consideration

Pandemic-Related Impacts

While the City has rebounded from the immediate economic impacts of the COVID-19

SUMMARY OF PURCHASING & CONTRACTING GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	63.00	\$ 8,268,606	\$ 1,618,999	\$ 9,887,605	\$ 2,422,363
Programmatic Changes					
<i>Addition of 1.00 Supervising Procurement Contracting Officer</i>	1.00	157,193	-	157,193	-
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	933,302	-	933,302	-
<i>Information Technology Adjustments</i>	-	-	55,715	55,715	-
<i>Pay-in Lieu of Annual Leave Adjustments</i>	-	(12,104)	-	(12,104)	-
<i>Non-Discretionary Adjustment</i>	-	-	29,566	29,566	-
FY 2024 Proposed Budget	64.00	\$ 9,346,997	\$ 1,704,280	\$ 11,051,277	\$ 2,422,363
Difference from 2023 to 2024	1.00	\$ 1,078,391	\$ 85,281	\$ 1,163,672	\$ -

Department Review: Purchasing and Contracting

SUMMARY OF CENTRAL STORES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	21.00	\$ 1,512,046	\$ 5,864,527	\$ 7,376,573	\$ 7,675,019
Programmatic Changes					
<i>Inventory Scanning Software</i>	-	-	200,000	200,000	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	18,595	-	18,595	-
<i>Information Technology Adjustments</i>	-	-	(8,413)	(8,413)	-
<i>Non-Discretionary Adjustments</i>	-	-	164,883	164,883	-
<i>Revised Revenue</i>	-	-	-	-	(38,256)
FY 2024 Proposed Budget	21.00	\$ 1,530,641	\$ 6,220,997	\$ 7,751,638	\$ 7,636,763
<i>Difference from 2023 to 2024</i>	-	\$ 18,595	\$ 356,470	\$ 375,065	\$ (38,256)

pandemic, Purchasing & Contracting officials noted they continue to experience both inflation and supply chain delays for the delivery of materials. This is resulting in higher overall costs for projects and related contract bids. To address contractor concerns about these risks and to provide flexibility in advertising for new contracts, Purchasing & Contracting has been issuing one-year contracts with four additional one-year option renewals rather than the previous standard five-year contract terms. For existing contracts, Purchasing & Contracting officials told us that vendors experiencing supply chain and inflation issues can request increases to contracts above of the City's standard allowable 5.0% annual cost escalator. Those deemed valid are taken to Council for approval.

Departmental Vacancies

Purchasing & Contracting continues to experience a high number of vacancies and difficulties both filling positions and retaining staff. The Department currently has 17.00 vacancies out of 64.00 budgeted positions, or 26.6%, as shown in the table below.

SUMMARY OF VACANCIES		
Division/Program	Job Classification	Vacancies
Administration	Senior Management Analyst	1.00
	Associate Management Analyst	1.00
	Program Coordinator	1.00
EOCP	Senior Management Analyst	3.00
	Associate Management Analyst	4.00
Goods & Services	Senior Procurement Contracting Officer	2.00
	Associate Procurement Contracting Officer	1.00
Public Works Contracts	Contract Specialist	4.00
	Total	17.00

In particular, the EOC Program has the biggest challenges with 7.00 of 12.00 total

FTE positions currently vacant. Department officials told us, given the workload of the EOC Program, having this high number of vacancies has led to a backlog, increased the time it takes to complete reviews, and added time to the City's overall bid and award process.

The Department previously determined the difficulty attracting and retaining staff was because the positions were in the Management Analyst series, which is related to budget and finance. However, the actual work that is done in the EOC Program is more related to a Contract Compliance Officer job classification.

Purchasing & Contracting (working with the Compliance Department which had a similar issue) requested the Personnel Department conduct a job study for the type of work being performed. As a result, a new classification for Contract Compliance Officer has been created and Purchasing & Contracting will reclassify 10.00 FTE positions within the EOC Program via an optional classification process, which is being allowed by the Personnel Department to expedite this process. Purchasing & Contracting is currently working with Personnel and hopes to have the vacant Contract Compliance Officer positions posted by the end of May 2023 with interviews conducted in July. Pay for this classification will be commensurate with the work being performed (similar to the Procurement Contracting Officer compensation) and therefore is anticipated to be competitive with other similar agencies.

Department Review: Purchasing and Contracting

Beyond this, Council may also wish to ask about ways that the Department can work to encourage more diverse firms that meet EOC goals to respond to City Requests for Proposals (RFPs).

Real Estate & Airport Management

The Department of Real Estate & Airport Management (DREAM) manages the City’s real estate portfolio, including the administration of leases, permits and operating agreements. The Department also provides direction for operations of the City Concourse and Parking Garages, the City’s Airports, and the Joint Use Management Agreement for PETCO Park.

DREAM has the following teams:

- 1) Acquisitions Team
- 2) Airport Operations Team
- 3) Airport Programs/Noise Abatement Team
- 4) Dispositions Team
- 5) Financial and Records Management Team
- 6) Lease Administration Teams
- 7) Municipal Asset Services Team
- 8) Valuations Team

Impacts of Mayor’s FY 2024 Budget Proposal

The table below summarizes the entire DREAM budget. In the FY 2023 Adopted Budget, there were 66.00 FTE positions and expenditures of \$38.5 million. The FY 2024 Proposed Budget for the Department increases FTE positions by 4.00, and decreases total expenditures across all areas by \$1.4 million.

The budgets for each of the Department’s funds are discussed on the following pages.

General Fund

As shown in the table on the next page, the FY 2024 Proposed Budget for the General Fund portion of DREAM is approximately \$7.5 million with 38.75 FTE positions. This is a decrease of \$1.5 million in expenditures and 0.25 FTE position from the FY 2023 Adopted Budget.

General Fund departmental revenue in the Proposed Budget totals \$66.1 million, which is an increase of \$10.3 million from the FY 2023 Adopted Budget. Additional details on changes to revenue are further discussed in this section.

Significant Budget Additions

Downtown Office Space Analysis

The Proposed Budget includes the addition of \$250,000 in non-personnel expenditures for continuing an existing consultant contract with Jones Lang LaSalle Americas, Inc. (JLL) for an office space optimization analysis and a pilot program in the downtown Civic Core area. The results of the analysis are expected to allow the City to optimize office space utilization, align space utilization strategy with the City’s Telework Program adopted in September 2022, and inform the Civic Center Revitalization Project. Specifically, the analysis will provide an estimated square footage for a new City Hall and estimated square footage ranges per workstation based on mobility profiles. As the City starts to plan for a new City

SUMMARY OF REAL ESTATE & AIRPORT MANAGEMENT BUDGET CHANGES						
Fund	FY 2023 FTEs	FY 2024 FTEs	Change	FY 2023 Expense	FY 2024 Expense	Change
Real Estate Assets (General Fund)	39.00	38.75	(0.25)	8,911,626	7,452,456	(1,459,170)
Airports	24.00	28.25	4.25	9,485,826	8,899,812	(586,014)
Councourse & Parking Garages	2.00	2.00	-	2,724,454	2,963,909	239,455
PETCO Park	1.00	1.00	-	17,402,909	17,797,794	394,885
Total Combined	66.00	70.00	4.00	\$ 38,524,815	\$ 37,113,971	\$ (1,410,844)

Department Review: Real Estate & Airport Management

Hall, the timeliness of this analysis is crucial, as stated in the [Civic Center Revitalization Committee Final Report](#).

We note that the \$250,000 included in the Proposed Budget is \$150,000 less than what DREAM anticipates needing in FY 2024 for this contract. The total not-to-exceed value of this contract is \$725,000. DREAM expects to spend approximately \$300,000 in FY 2023 and \$400,000 in FY 2024. The remaining \$150,000 will be requested in May Revision. Not fully funding this request could result in delays in completing the space optimization analysis or impairment to the scope of the analysis, which could impact the timeline to design and construct a new City Hall.

Sports Arena Development and Lease Support

The Proposed Budget includes the addition of \$200,000 in non-personnel budget for continuing an existing consultant contract with JLL to support the redevelopment and leasing negotiations at Sports Arena – Midway District (Midway Rising).

The contract has a not-to-exceed amount of \$250,000 per fiscal year and a maximum not-to-exceed amount of \$1,250,000 over a maximum five-year period if the City elects to

extend the contract annually. DREAM anticipates spending approximately \$119,000 in FY 2023 and \$200,000 in FY 2024.

The City has entered into an exclusive negotiation agreement (ENA) with Midway Rising and will continue to rely on services provided through this contract during the ENA period.

Civic Center Plaza Security Services

The Proposed Budget includes an ongoing increase of \$102,000 for additional security coverage at the Civic Center Plaza (CCP). Currently, two unarmed security guards are on duty at this location during day shifts (from 6:30 a.m. to 3:30 p.m.) on weekdays. During other times, only one unarmed security guard is on duty. Due to a rise in incidents, one armed security guard is needed to provide additional coverage on weekdays. Additionally, a screening process using x-ray machines/metal detectors will be put in place at CCP this summer. An armed security guard is required to respond in the event a weapon is detected. The addition of one armed security guard will be provided through a subcontract under the property management contract for CCP.

SUMMARY OF REAL ESTATE & AIRPORT MANAGEMENT GENRAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	39.00	\$ 5,517,859	\$ 3,393,767	\$ 8,911,626	\$ 55,795,989
Programmatic Changes					
<i>Downtown Office Space Analysis</i>	-	-	250,000	250,000	-
<i>Sports Arena Development and Lease Support</i>	-	-	200,000	200,000	-
<i>Civic Center Plaza Security Services</i>	-	-	102,000	102,000	-
Other Changes					
<i>Transfer from General Fund to Airports Fund</i>	(0.25)	(47,748)	-	(47,748)	-
<i>Budgeted PE Savings Adjustment</i>	-	(509,948)	-	(509,948)	-
<i>Other Wage and Benefit Adjustments</i>	-	62,983	-	62,983	-
<i>Information Technology Adjustments</i>	-	-	102,751	102,751	-
<i>One-Time Additions and Annulizations</i>	-	-	(1,619,208)	(1,619,208)	(2,111,292)
Lease Revenue Adjustments					
<i>Mission Bay Lease Revenue Adjustment</i>	-	-	-	-	8,756,191
<i>Pueblo Lands Lease Revenue Adjustment</i>	-	-	-	-	1,807,635
<i>Belmont Park Lease Revenue Adjustment</i>	-	-	-	-	875,643
<i>Sports Arena Lease Revenue Adjustment</i>	-	-	-	-	512,430
<i>Other Lease Revenue Adjustments</i>	-	-	-	-	332,457
<i>Open Space Revenue</i>	-	-	-	-	175,490
FY 2024 Proposed Budget	38.75	\$ 5,023,146	\$ 2,429,310	\$ 7,452,456	\$ 66,144,543
Difference from 2023 to 2024	(0.25)	\$ (494,713)	\$ (964,457)	\$ (1,459,170)	\$ 10,348,554

Department Review: Real Estate & Airport Management

Other Adjustments

The Proposed Budget includes the transfer of 0.25 FTE Program Manager position and \$48,000 in personnel expenditure from the General Fund to the Airports Fund. The Program Manager of Financial and Records Management supervises staff and provides support to both the Real Estate and Airport Management divisions. This transfer will reimburse General Fund for Airport Management's proportionate share of the cost related to this position.

Significant Revenue Changes

DREAM is a significant revenue-generating department, with revenue mostly derived from numerous lease agreements the City maintains with other entities for the use of City properties. The Proposed Budget includes \$66.1 million in General Fund lease revenue. This is an increase of \$10.3 million from the FY 2023 Adopted Budget. A breakdown of this increase is shown in the "Lease Revenue Adjustments" section of the table on the previous page.

Mission Bay and Pueblo Lands lease revenue is largely derived from Sea World and hotel properties, with many leases requiring tenants to pay to the City a percentage of their gross revenue. Those operations were significantly impacted by the COVID-19 pandemic, with closures and reduced operating capacities in response to health orders. However, consistent with projections in the FY 2023 Mid-Year Budget Monitoring Report that revenues would come in over budget, there are corresponding increases in lease revenue projected in the FY 2024 Proposed Budget.

We note that, per Charter Section 55.2, Mission Bay lease revenue in excess of \$20 million is to be transferred to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund. Based on the Charter formula for allocation, \$6.9 million and \$12.9 million will be transferred to

the Regional Park Improvement Fund and the Mission Bay Park Improvement Fund, respectively.

Issue for Council Consideration

Unfunded Requests

DREAM submitted requests that were not funded. The potential exists for unfunded requests to hinder DREAM's operations, pose compliance risk to the City, and/or adversely affect services provided to other City departments or the general public.

Real Estate Administration Software

One significant unfunded request is \$375,000 in one-time expenses to cover 75% of the costs of new real estate administration software. This request is in response to one of the recommendations by the City Auditor's Office. DREAM's current system does not meet the City's requirements regarding liability insurance and updated IT standards. The current purchase order would allow the existing system to operate until the end of FY 2023 to avoid a lapse in service; however, if a new system is not in place by the beginning of FY 2024, DREAM's real estate and airport operations would be significantly impacted due to the lack of access to a real estate administration system.

Furthermore, according to DREAM, the Department of Finance uses data from the real estate administration system for GASB lease accounting compliance. GSD/Facilities Services also use this data for portfolio management. Not funding this request could hamper other departments' operations as well.

The other 25% of costs would be covered by the Airports Fund. We note that the Proposed Budget *did include* \$125,000 in expenditures from the Airports Fund for this software. However, DREAM will not be able to implement the system with only partial funding in place.

Department Review: Real Estate & Airport Management

Insourcing Real Estate Sales and Leasing Services

Another unfunded request is the addition of 2.00 Program Coordinator positions to bring disposition and third-party leasing services in-house. These services are currently provided by commercial real estate brokers. However, the City Attorney's Office advised that using commercial real estate brokers could create conflicts with Government Code 1090, which bars government employees from entering into contracts in which they have a financial interest. Liability could extend to independent contractors who are entrusted with transacting on behalf of the government. Insourcing these services would help ensure compliance with Government Code 1090.

Under commercial real estate broker contracts, brokers are paid on a percentage fee structure, based on the final sales price or total rent over the term of a lease. If the City were to in-house dispositions and leasing services, DREAM estimated that the City could save approximately \$235,000 per year and \$163,000 per year in brokerage fees paid for dispositions and third-party leasing, respectively. These estimates were developed based on average historical transaction costs and estimated capacity of additional staffing. The estimated savings would likely completely offset the salaries and wages of the requested positions.

Administrative and Information System Support

DREAM requested 1.00 Administrative Aide 2 position to support a variety of payroll, budgetary, recruiting and hiring, and administrative tasks. The Real Estate division currently has one administrative position – the Executive Assistant to the Director; the Airport Management division also has one enterprise-fund supported Administrative Aide position. The Department does not have a Payroll Specialist position. Other City departments of comparable size on average have three administrative staff and one Payroll

Specialist.

DREAM also requested 1.00 FTE for an Information Systems Analyst 2 position to maintain a public-facing City-owned property map and respond to other departments' mapping requests, handle IT related issues currently handled by non-IT staff, as well as support the rollout of the new real estate administration software requested by the Department.

101 Ash Street Building

DREAM continues to provide property management functions for the 101 Ash Street building through a third-party contract. The property management contract costs total \$2.4 million in FY 2024, an increase of approximately \$208,000 from FY 2023.

Airports

Airport Management is responsible for operations and maintenance of the two City-owned airports: the Montgomery-Gibbs Executive Airport and the Brown Field Airport. Expenditures in the FY 2024 Proposed Budget for both airports total approximately \$8.9 million, which is a decrease of approximately \$586,000 from the FY 2023 Adopted Budget. Revenues in the Proposed Budget show an increase of \$1.8 million, for total revenues of \$8.9 million. FTE positions are budgeted at 28.25 which is an increase of 4.25 FTEs. The Airports budget is summarized in the table on the following page.

Significant Budget Additions

Airport Maintenance and Repairs

The Proposed Budget includes the addition of \$1.4 million for various maintenance and repair projects at Montgomery-Gibbs Executive Airport and Brown Field Airport. Of the \$1.4 million addition, \$500,000 is ongoing and approximately \$915,000 is one-time. The one-time expenditure increase is mainly attributed to ongoing maintenance and repairs to the

Department Review: Real Estate & Airport Management

SUMMARY OF REAL ESTATE & AIRPORT MANAGEMENT AIRPORTS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	24.00	\$ 2,770,585	\$ 6,715,241	\$ 9,485,826	\$ 7,103,341
Programmatic Changes					
<i>Commercial and Retail Center Repairs and Maintenance</i>	-	-	914,950	914,950	-
<i>Repairs and Maintenance at Airports</i>	-	-	500,000	500,000	-
<i>Airport Operations Support</i>	3.00	215,832	-	215,832	-
<i>Airport Management Support</i>	1.00	141,266	-	141,266	-
<i>Lease Management Software</i>	-	-	125,000	125,000	-
Other Changes					
<i>Transfer from General Fund to Airports Fund</i>	0.25	47,748	-	47,748	-
<i>Other Salary and Benefit Adjustments</i>	-	82,405	-	82,405	-
<i>One-Time Additions and Annualizations</i>	-	-	(2,871,198)	(2,871,198)	-
<i>Other Adjustments</i>	-	-	257,983	257,983	-
Lease Revenue Adjustments					
<i>Commercial Leasing Revenue Adjustment</i>	-	-	-	-	1,388,261
<i>Airport Parking Revenue Adjustment</i>	-	-	-	-	250,000
<i>Brown Field Airport Flowage Fee Revenue Adjustment</i>	-	-	-	-	150,000
FY 2024 Proposed Budget	28.25	\$ 3,257,836	\$ 5,641,976	\$ 8,899,812	\$ 8,891,602
Difference from 2023 to 2024	4.25	\$ 487,251	\$ (1,073,265)	\$ (586,014)	\$ 1,788,261

Commercial and Retail Center at the Montgomery-Gibbs Executive Airport.

Airport Operations and Management Support

The Proposed Budget includes 3.00 FTE Airport Operations Assistant positions to allow for 24/7 coverage at both airports to ensure airport safety and operations efficiency. These additional positions will enable the City to be more responsive to potential emergency and security situations, and other operational needs including runway and taxiway safety inspections, responding to user calls, and overseeing construction operations for upcoming City and lessee sponsored projects. Additionally, increased staffing levels also allow for a rotating schedule, which will provide more shift flexibility when employees need to take leaves.

The Proposed Budget also includes 1.00 FTE Program Coordinator position to support airport project management at both airports. The Program Coordinator will assist the Airport Program Manager in identifying, planning, and coordinating the delivery of infrastructure and planning projects at both airports.

Real Estate Administration Software

The Proposed Budget includes the addition of \$125,000 in non-personnel expenditures to cover 25% of the costs of a new real estate

administration software. As discussed in the General Fund section above, the General Fund portion of this request (\$375,000) was not funded in the Proposed Budget. DREAM relies on the real estate administration software to support its departmental core functions. Not having a new system in place before the current one expires could put the Department's critical operations at risk.

Airport Revenues

The Proposed Budget includes a \$1.4 million increase in Airports Fund revenue for additional rent revenue associated with leased office space for Development Services Department (\$600,000), Engineering & Capital Projects Department (\$534,000), and Transportation Department (\$200,000) at the Montgomery-Gibbs properties. We note that DSD and Transportation both requested funding for tenant improvements at this location but neither request was funded in the Proposed Budget. As such, projected increases in rent revenues could be affected. Updated revenue projections will be reflected in the FY 2023 Third-Quarter Budget Monitoring Report.

Additional projected revenue increases include \$250,000 from monthly parking fees at the Montgomery-Gibbs Executive Airport and \$150,000 from flowage fees at the Brown Field Airport.

Department Review: Real Estate & Airport Management

Concourse & Parking Garages

The FY 2024 Proposed Budget for the Concourse & Parking Garages Operating Fund includes \$3.0 million in expenditures and \$2.7 million in revenues. Both figures are increases from FY 2023 Adopted Budget, with expenditures increasing by approximately \$239,000 and revenues by approximately \$129,000. The planned expenditure overages will be covered by existing fund balance. The table below summarizes the budget for this fund.

The Proposed Budget includes the addition of \$160,000 in non-personnel expenditures to enhance security services at the Concourse Parkade. Funding will cover two additional security guards. Another addition included in the Proposed Budget is \$15,000 to support maintenance and janitorial services for the homeless shelter at Golden Hall.

We note that the Concourse & Parking Garages Operating Fund is expected to receive a \$600,000 reimbursement from the Homeless Strategies and Solutions Department for operation of the shelter at Golden Hall. The \$600,000 is based on the costs of a full year's operation. Given the City is anticipated to close Golden Hall homeless shelter in October 2023, DREAM will revise the revenue projections at mid-year based on prorated months of shelter operations in FY 2024.

PETCO Park

The FY 2024 Proposed Budget for the PETCO Park Fund includes \$17.8 million in expenditures, an increase of approximately \$395,000 from FY 2023 Adopted Budget primarily attributed to an inflationary cost increase for contractual services related to joint ballpark operations between the City and the Padres. Revenues to the Fund are projected to increase by approximately \$142,000. FTE positions for PETCO Park remain flat at 1.00.

SUMMARY OF DREAM CONCOURSE AND PARKING GARAGE OPERATING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	2.00	\$ 210,624	\$ 2,513,830	\$ 2,724,454	\$ 2,521,718
Programmatic Changes					
<i>Security Services at Concourse Parkade</i>	-	-	160,000	160,000	-
<i>Maintenance and Janitorial Services at Golden Hall</i>	-	-	15,000	15,000	-
<i>Reimbursement for Golden Hall Operating Expenditures</i>	-	-	-	-	600,000
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	25,670	-	25,670	-
<i>One-Time Additions and Annualizations</i>	-	-	251,151	251,151	(600,000)
<i>Other Adjustments</i>	-	-	(212,366)	(212,366)	-
<i>Parking Revenue Adjustment</i>	-	-	-	-	99,269
<i>Lease Revenue Adjustment</i>	-	-	-	-	30,086
FY 2024 Proposed Budget	2.00	\$ 236,294	\$ 2,727,615	\$ 2,963,909	\$ 2,651,073
Difference from 2023 to 2024	-	\$ 25,670	\$ 213,785	\$ 239,455	\$ 129,355

Department Review: Risk Management

Risk Management

The Risk Management Department manages the City’s self-insured Workers’ Compensation Program; coordinates public liability and loss control measures; and oversees the City’s insurance program, flexible benefits, employee savings plans, and the Long-Term Disability Plan.

The Risk Management Administration (RMA) 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 RMA Fund revenues, on a per employee basis, as part of fringe benefit expenditures.¹ The FY 2024 amount budgeted for these fringe benefits contributions is \$14.8 million, including \$9.8 million from the General Fund (66.3%) and

\$5.0 million from non-general fund departments (33.7%).

The \$14.8 million in fringe expenditures from departments is \$986,000 lower than the \$15.8 million in revenue budgeted in the RMA Fund for these contributions. There is also \$79,000 in budgeted revenue related to reimbursable insurance reviews (discussed later), yielding a total available revenue budget of \$14.9 million. This \$14.9 million in revenue is close to the \$15.1 million in Risk Management’s budgeted expenditures. The Department will be requesting a May Revision adjustment to ensure its revenue budget aligns with budgeted fringe benefits contributions to the RMA Fund, as well as its budgeted expenditures.

Further, if there is available fund balance at FY 2023 year-end, it could be used to pay for a portion of FY 2024 expenditures, although

SUMMARY OF RISK MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	87.23	\$ 11,676,602	\$ 2,306,672	\$ 13,983,274	\$ 14,122,276
Programmatic Changes					
<i>3.00 Workers' Compensation Claims Representative IIs</i>	3.00	306,324	1,500	307,824	-
<i>1.00 Claims Clerk in Public Liability & Loss Recovery Division</i>	1.00	66,591	500	67,091	-
<i>1.00 Program Coordinator for New Claims Management System</i>	1.00	161,285	500	161,785	-
<i>1.00 Financial Program Coordinator</i>	1.00	161,285	500	161,785	-
<i>1.00 Associate Management Analyst for City's Commercial Insurance Program (partially reimbursable)</i>	1.00	104,278	3,000	107,278	79,000
<i>Removal of Hourly Clerical Assistant II FTEs</i>	(0.23)	(10,412)	-	(10,412)	-
<i>Adjustment to Revenue (support from citywide fringe contributions to Risk Management)</i>	-	-	-	-	1,652,656
<i>Removal of One-time Funding for COVID-19 Testing</i>	-	-	(100,000)	(100,000)	-
Other Changes					
<i>Other Salaries & Wages</i>	-	524,668	-	524,668	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	124,789	-	124,789	-
<i>Non-Discretionary - Rent Expense Adjustment</i>	-	-	(200,752)	(200,752)	-
<i>Other Adjustments</i>	-	-	874	874	-
FY 2024 Proposed Budget	94.00	\$ 13,115,410	\$ 2,012,794	\$ 15,128,204	\$ 15,853,932
Difference from 2023 to 2024	6.77	\$ 1,438,808	\$ (293,878)	\$ 1,144,930	\$ 1,731,656

¹ 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

Risk Management does not anticipate significant fund balance for FY 2023 year-end. Updated projections will be provided by Risk Management as part of the Third Quarter Budget Monitoring Report.

Impacts of Mayor's FY 2024 Budget Proposal

The table on the previous page presents a summary of budget changes from the FY 2023 Adopted Budget to the FY 2024 Proposed Budget. The number of FTE positions has increased by 6.77, from 87.23 in FY 2023 to 94.00 in FY 2024. Expenditures are increasing by \$1.1 million (from \$14.0 million to \$15.1 million), or 8.2%.

Personnel Expenditures (PE) increases include the addition of the following six positions, which although not included in the FY 2023 Adopted Budget are anticipated to be filled as supplemental positions in FY 2023:

- 3.00 Workers' Compensation Claims Representative IIs and \$308,000 to better manage employee workload, which exceeds industry standards by over 33%
- 1.00 Claims Clerk and \$67,000 in the Public Liability and Loss Recovery Division to better manage the workload, which also exceeds industry standards
- 1.00 Program Coordinator and \$162,000 to manage procurement and implementation of a new claims management system
- 1.00 Financial Program Coordinator and \$162,000 for management of Department funds, which in addition to the RMA Fund include funds for flexible benefits, employee savings plans, Public Liability, Workers'

Compensation, and Long-Term Disability.

Additionally, 1.00 Associate Management Analyst and \$107,000 have been added to the Proposed Budget to support the City's commercial insurance program. Unlike the other positions being added, this is not a supplemental position.

This position's duties will largely entail review of an estimated 2,300 special events permits annually, including assisting community groups with understanding and meeting insurance requirements.

Revenue for this position, budgeted at \$79,000, relates to the estimated portion of time devoted to special events-related insurance review – this revenue will be received from the Transient Occupancy Tax Fund. Time not spent on special events-related insurance reviews will be spent assisting with the management of all City insurance policies.

Lastly, there is one notable decrease to Risk Management's NPE budget: a \$201,000 reduction in non-discretionary (ND) rent expense, from \$476,000 to \$275,000. ND rent is allocated by the Department of Real Estate and Airport Management.

Issues for Council Consideration

Unfunded Requests

Risk Management requested two additional positions which were not included in the FY 2024 Proposed Budget:

- 1.00 Workers' Compensation Program Coordinator and \$161,000 to assist employees in returning to work

This position would focus on improving recovery time and morale for injured employees – coordinating with

Department Review: Risk Management

the employee's doctor, the employee's department, and the Human Resources Reasonable Accommodation Coordinator. This would include the facilitation of light duty in the employee's department or other departments as appropriate.

- 1.00 Claims Representative II and \$103,000 in the Public Liability and Loss Recovery Division

This position would assist in the over 1,000 annual cases in the Division and help reduce the case backlog. Responsibilities include investigation and cost recovery associated with third-party damage to City assets or injury to employees, as well as pursuit of claims with the City's insurance carriers. Estimated revenue (cost recovery) for these activities is \$150,000, which would be received directly by the affected departments.

funds is included in this report's *Reserves* section.

Status of FY 2023 Budgeted Versus Filled Positions

As of mid-April, Risk Management had 75.00 of its 87.00 budgeted "non-hourly positions" (standard hour positions) filled. The 12.00 unfilled FTEs translate to a 13.8% vacancy rate for the Department. Primary causes of Risk Management's vacancies are promotions and retirements. Of the 12.00 FTE vacancies, 7.00 are in the Workers' Compensation Division.

The Department is in the process of filling 6.00 of the 12.00 vacant FTEs with entry level staffing found through the City's March 2023 career fair, and is actively working to fill the other 6.00 vacancies.

Other Risk Management Funds

Risk Management oversees the Public Liability, Workers' Compensation, and Long-Term Disability Funds. Information on these three

Department Review: Special Promotional Programs

Special Promotional Programs

Impacts of the Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed Budget for Special Promotional Programs is approximately \$161.2 million, which is an increase of \$33.6

million or 26.4% over the FY 2023 Adopted Budget. Total expenditures from the TOT Fund include additional transfers of \$3.4 million, outside of Special Promotional Programs, to support the Cultural Affairs and Special Events and Filming Departments,

SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS/TOT FUND BUDGET CHANGES				
	FY 2023 ADOPTED	FY 2024 PROPOSED	CHANGE (\$)	(%)
Revenue				
<i>Transient Occupancy Tax (TOT) - (5.0 cents)</i>	\$ 121,494,044	\$ 151,325,320	\$ 29,831,276	25%
<i>Use of Fund Balance</i>	9,388,763	13,109,216	3,720,453	40%
<i>Special Events Department</i>	91,932	120,000	28,068	31%
Total Revenue	\$ 130,974,739	\$ 164,554,536	\$ 33,579,797	26%

Allocations				
	FY 2023 ADOPTED	FY 2024 PROPOSED	CHANGE (\$)	(%)
Arts, Culture, and Community Festivals				
<i>Creative Communities San Diego</i>	1,388,935	2,040,912	651,977	47%
<i>Organizational Support</i>	10,065,625	10,163,648	98,023	1%
<i>Cultural Affairs Department (Arts & Culture)</i>	2,214,640	1,966,091	(248,549)	-11%
<i>Impact Pilot</i>	-	500,000	500,000	-
<i>ACCF - Mayoral / Council Allocations</i>	500,000	500,000	-	0%
<i>Public Art Fund</i>	85,000	85,000	-	0%
Major Events Revolving Fund	\$ -	\$ 150,000	\$ 150,000	\$ -
Capital Improvements				
<i>Convention Center Debt Service</i>	12,094,581	12,092,175	(2,406)	0%
<i>Mission Bay Park/Balboa Park Imps. Debt Service</i>	733,000	738,000	5,000	1%
<i>PETCO Park Debt Service</i>	9,291,500	9,290,125	(1,375)	>1%
<i>Trolley Extension Reserve Debt Service</i>	1,060,875	-	(1,060,875)	-100%
Economic Development Programs	\$ 1,527,200	\$ 2,027,200	\$ 500,000	33%
<i>Economic Development & Tourism Support (EDTS)</i>	500,000	1,000,000	500,000	100%
<i>Business Expansion, Attraction, and Retention</i>	847,200	847,200	-	0%
<i>Other Economic Development Program Admin.</i>	180,000	180,000	-	0%
Safety & Maintenance of Visitor-related Facilities				
<i>Mission Bay Park/Balboa Park Imps. Operations</i>	445,378	709,826	264,448	59%
<i>Convention Center</i>	3,904,395	8,984,045	5,079,650	130%
<i>PETCO Park Operations</i>	4,935,240	4,638,463	(296,777)	-6%
<i>Special Events & Filming Department</i>	1,225,452	1,426,338	200,886	16%
<i>Discretionary TOT Support for General Fund Activities</i>	23,798,809	29,765,064	5,966,255	25%
<i>Risk Management Fund</i>	-	79,000	79,000	-
TOTAL ALLOCATIONS	\$ 73,270,630	\$ 85,155,887	\$ 11,885,257	16%

General Fund Reimbursements				
	FY 2023 ADOPTED	FY 2024 PROPOSED	CHANGE (\$)	(%)
<i>Reimbursements for Homelessness Services</i>	-	31,000,000	31,000,000	-
<i>Reimbursements for Fire-Rescue (Lifeguards)</i>	25,028,460	25,000,000	(28,460)	>1%
<i>Reimbursements for Parks & Recreation (Tourism Sup.)</i>	30,877,000	20,000,000	(10,877,000)	-35%
<i>Reimbursement for Storm Water (Street Sweeping)</i>	1,470,649	1,470,649	-	0%
<i>Reimbursement for City Treasurer (TOT Fund Admin)</i>	-	1,250,000	1,250,000	-
<i>Reimbursement for Special Events (Public Safety)</i>	250,000	600,000	350,000	140%
<i>Reimbursement for Mission Bay Park Security Services</i>	78,000	78,000	-	0%
TOTAL ALLOCATIONS	\$ 57,704,109	\$ 79,398,649	\$ 21,694,540	38%

TOTAL	\$ 130,974,739	\$ 164,554,536	\$ 33,579,797	26%
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Department Review: Special Promotional Programs

bringing total TOT Fund expenditures to \$164.6 million, as reflected in the table.

The increases are primarily due to a 24.3% projected increase in transient occupancy tax (TOT) revenue from the FY 2023 Adopted Budget, as was discussed in our review of Major General Fund Revenues.

Funding for Special Promotional Programs comes from 5.0 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 directly into the General Fund to support general government services, while the remaining 5.0 cents is deposited into the TOT Fund. Of this 5.0 cents, the Municipal Code requires that 4.0 cents be used solely for the purpose of promoting the City, while the remaining 1.0 cent can be used for any purpose as directed by the City Council. The total amount of TOT revenue budgeted in FY 2024 is \$319.3 million, with the General Fund portion being \$168.0 million and the non-General Fund portion being \$151.3 million.

The expenditure budget displayed in the table on the previous page incorporates allocations that support the FY 2024 proposed operating budget for the Cultural Affairs Department (included under Arts, Culture, and Community Festivals), the Special Events and Filming Department (included under Safety and Maintenance of Visitor-Related Facilities), as well as the City Treasurer (for the administration of the fund).

Discretionary TOT to the General Fund

The majority of revenue from the 1.0 cent of City Council discretionary TOT is transferred to the General Fund. In FY 2024, the transfer is approximately \$29.8 million, a \$6.0 million increase over the FY 2022 Adopted Budget. The remaining \$500,000 is utilized in the FY 2024 Proposed Budget for the Mayoral and Council allocations for Arts, Culture, and Community Festivals which is the same as the FY 2023 Adopted Budget.

Reimbursements from TOT Fund to the General Fund

In the FY 2024 Proposed Budget, \$79.4 million is being transferred from TOT Fund to the General Fund for eligible promotional-related expenditures. This is an increase of 37.6% compared to the FY 2023 Adopted Budget of \$57.7 million. The largest year-over-year increase is driven by the \$31.0 million reimbursement to the Homelessness Strategies and Solutions Department.

Historically, the two Departments receiving the largest TOT reimbursement have been Fire-Rescue (Lifeguards) receiving \$25.0 million this year (a decrease of \$30,000) and Parks & Recreation, receiving \$20 million (a decrease of \$10.9 million).

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 2024 arts and culture funding, economic development program funding, funding allocated to the Mission Bay Park/Balboa Park Improvements Fund and for TOT administration and promotional activities.

Arts and Culture Funding

The FY 2024 proposed Arts and Culture funding is approximately \$15.3 million, an increase of \$1.0 million or 7.0% from the FY 2023 Adopted Budget.

Of the \$15.3 million in FY 2024 funding, \$2.0 million is directed in the Proposed Budget to support the Cultural Affairs Department. The remaining \$13.3 million will be allocated to the Organizational Support Programs (OSP) with \$10.2 million, Creative Communities San Diego (CCSD) with \$2.0 million, \$500,000 for Arts, Culture and Community Festivals, \$500,000 for an Impact Pilot, and \$85,000 for the Public Arts Fund.

Department Review: Special Promotional Programs

We note that all nine Councilmembers expressed support for increasing overall funding for arts and cultural programs in the City. While proposed funding levels varied, several Councilmembers suggested a FY 2024 funding level equal to 7% of Citywide Transient Occupancy Tax (TOT), with the ultimate goal of fully achieving the Penny for the Arts Blueprint goal of one cent of the City's 10.5 cent TOT. To reach the 7% of TOT funding level in the FY 2024 Proposed Budget, an additional \$7.0 million would be required and to reach the Penny for the Arts goal (one cent of the City's 10.5 cent TOT) an additional \$15.0 million would be required.

Economic Development Funding

The FY 2024 proposed funding for Economic Development Programs is approximately \$2.0 million, an increase of \$500,000 from FY 2023. The increase is the result of funding restoration for the Economic Development and Tourism Support (EDTS) at \$1.0 million. Other allocations include \$847,000 for Business Expansion, Attraction & Retention (BEAR) and \$180,000 for other economic Development programs.

Department Review: Stormwater

Stormwater

The Stormwater Department is responsible for the maintenance and upkeep of storm drains and associated pump stations for flood risk management, and leads the City’s efforts to protect and improve water quality in the City’s waterways and the ocean, including leading on activities that ensure compliance with various water quality measurements, such as Total Daily Maximum Loads (TMDL), sediment regulations, and other compliance requirements set by the Regional Water Quality Control Board (RWQCB) and other regulators.

Impact of the Mayor’s FY 2024 Proposed Budget

Expenditures in the Proposed Budget for the Department total \$60.9 million, which is a decrease of \$5.5 million (8.3%). The total number of positions is 302.00 FTEs, which is an increase of 7.00 FTEs. Department revenues remain unchanged at \$12.2 million.

Significant Budget Adjustments

Time Schedule Order

The largest budget adjustment is an increase of \$2.5 million for a Time Schedule Order (TSO) to address missed compliance deadlines from the RWQCB. This TSO is required due to the City’s noncompliance with the Dry Water Bacteria TMDL, for which the City has not met its interim or final dry weather

regulatory discharge requirements by either compliance deadline (April 2019 and April 2021, respectively). The Stormwater Department had previously put significant resources towards attempting to achieve these requirements, as well as negotiate with the RWQCB to establish requirements that are manageable and feasible for the City to achieve. However, even with negotiations, the Department indicates that more resources will be needed to achieve compliance in the future. Stormwater permit compliance issues are discussed in more detail later in this section.

Due to missed deadlines, the City is currently subject to Mandatory Minimum Penalties of at least \$3,000 per violation per location per day, with began accruing on April 4, 2021, and will continue to accrue until the City achieves compliance. The City can receive additional time to come into compliance through the TSO, but in order to do so must fully implement and comply with all the requirements listed in the TSO. Doing so will require additional funding, but it is unknown what the magnitude of that funding request from the RWQCB will be until more work is done. This funding would allow the Department to begin to quantify additional compliance activities in FY 2024. Of note, funding in the Proposed Budget does not include any penalty payments, which are still to be assessed by the

SUMMARY OF STORMWATER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	295.00	\$ 31,593,043	\$ 34,864,040	\$ 66,457,083	\$ 12,201,322
Programmatic Changes					
<i>Time Schedule Order</i>	-	-	2,500,000	2,500,000	-
<i>Management Interns</i>	6.00	218,112	-	218,112	-
<i>Executive Assistant</i>	1.00	85,838	4,500	90,338	-
<i>One-Time Expenses Removal</i>	-	-	(11,111,622)	(11,111,622)	-
Other Changes					
<i>Salary and Personnel Cost Changes</i>	-	1,987,868	-	1,987,868	-
<i>Fringe Benefit Adjustments</i>	-	116,093	-	116,093	-
<i>Non-Discretionary Adjustments</i>	-	-	688,738	688,738	-
FY 2024 Proposed Budget	302.00	\$ 34,000,954	\$ 26,945,656	\$ 60,946,610	\$ 12,201,322
Difference from 2023 to 2024	7.00	\$ 2,407,911	\$ (7,918,384)	\$ (5,510,473)	\$ -

Department Review: Stormwater

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	Goal
Percentage of Stormwater Pump Stations operating at 100% capacity	90%	90%	93%	87%	100%
Percentage of reported illegal discharge cases investigated	100%	100%	100%	100%	100%
Percentage of required storm drain inlet cleanings completed	77%	90%	90%	76%	100%
Percentage of progress towards achieving the final bacteria TMDL wet weather storm sample compliance threshold	86%	88%	86%	TBD	88%
Planned miles of streets swept annually	N/A	N/A	61,000	61,000	115,000
Miles of storm drain pipe repaired	N/A	N/A	0.75	1.00	2.00

RWQCB.

Positions Additions

The other two significant increases to the Stormwater Department are for additional positions. The first of these position increases is for 6.00 FTEs for hourly intern positions. These positions work 20 hours per week during college sessions and 40 hours per week during summer and winter break, for a total of 1,040 hours in one year. These interns will assist the Department across a number of functions and will complete tasks including conducting research, plan checks, field data collection, data entry, mapping, and other tasks.

The other position adjustment is the addition of 1.00 FTE for an Executive Assistant position. This position will support the operations of the Department and will help right size the Department following its separation from Transportation in FY 2021.

Budget Reductions

The largest budget reductions are associated with the removal of one-time expenditures that were included in the FY 2023 Adopted Budget. The largest of these reductions is \$5.3 million that was associated with the ramp up of activities related to the CIP and the recently secured WIFIA loan. More on the WIFIA program and its status is discussed below.

Other reductions of one-time expenses include \$3.1 million related to Street Sweeping, \$1.7 million related to Pump Station Repair and Automation, and \$1.0 million related to Education & Outreach. The Stormwater Department requested additional funding for these activities in the FY 2024 Proposed

Budget, but none of those requests were included in the Proposed Budget. More information about each of these activities is provided below.

Unfunded Budget Requests

As has been the case for many years, the Stormwater Department continues to have a much higher level of need than what ends up being funded in the Proposed Budget. While our Office expresses concern about the structural imbalance of the Proposed Budget, Council should also be aware of the full extent of the needs that departments face in order to make informed decisions about the budget and overall service levels. More context on what is driving Stormwater's needs is provided in the *Issues for Council Consideration* section of this department review; this section covers Stormwater's unfunded requests for 167.00 FTEs and over \$76.1 million.

For the purposes of discussion, requests are divided into four distinct categories: Departmentwide & Current Operations; Deferred Maintenance; New Assets; and Inspections, Compliance, & Street Sweeping. The categories, as well as the requests within each category, the requests are presented in the Department's priority order.

Departmentwide & Current Operations

The first set of unfunded requests addressed current operational deficiencies or supported department-wide operations. These four requests were also considered the highest priorities for the Department.

- Space Planning - \$5.5 million. Includes \$500,000 in one-time funding for

Department Review: Stormwater

consultants and \$5.0 million for additional rental and leasing options as the Chollas Operations Yard no longer has space for additional employees.

- Right Sizing Current Budget - \$3.2 million. The Department is still finding instances where resources that used to be used across the formerly combined Transportation and Stormwater Department are now missing within the standalone Stormwater Department, such as the Executive Assistant position, or were not properly allocated during the split. Funding was requested for various activities, mostly related to software and supply costs.
- Education & Outreach – 1.00 FTE, \$1.7 million. This position and funding would replace the one-time funding from FY 2023, which was added in response to the recognition that outreach efforts were necessary to promote a dedicated stormwater funding measure. Without these resources, the Department will need to step back down to the level of outreach that was taken prior to FY 2023.
- CIP WIFIA Ramp-up – 16.00 FTEs and \$5.6 million. Funding to ramp up activities

to prepare the Department to expend the new Water Infrastructure Finance and Innovation Act (WIFIA) financing on time was split over multiple years. The FY 2023 Adopted Budget included 15.00 FTEs and \$8.8 million for this purpose. To date, 12 of those 15 positions have been filled. Not funding these additional resources is expected to put a strain on current staff in meeting project deliverable deadlines, particularly if these resources are not subsequently provided in later years. This could result in the Department not being able to fully draw down on the WIFIA resources available during the five-year window.

Deferred Maintenance

The next category of requests was for new personnel and associated costs to reduce the large backlog of deferred maintenance that exists for Stormwater assets within the City. Not funding these requests could lead to additional asset failures, which have been a recurring issue in the City.

- Levee Maintenance – 26.00 FTEs, \$12.0 million. This would establish a new levee maintenance and repair team to correct hundreds of deficiencies with various

STORMWATER UNFUNDED REQUESTS					
Programmatic Request	FTE	Personnel	NPE	Total	Revenue
Levee Maintenance	26.00	\$ 2,627,621	\$ 9,345,516	\$ 11,973,137	-
TCBMP Maintenance	24.00	1,977,533	8,133,783	10,111,316	-
Third Pipe Repair Team	27.00	2,427,737	6,247,029	8,674,766	\$ 4,547,458
Structure and Repair Team	25.00	2,324,798	5,878,738	8,203,536	1,838,319
CIP WIFIA Ramp Up	16.00	1,959,021	3,618,850	5,577,871	1,861,841
Space Planning	-	-	5,500,000	5,500,000	-
Channel Cleaning	3.00	358,899	4,569,443	4,928,342	-
Street Sweeping Efficiency and Expansion	12.00	955,101	3,842,450	4,797,551	800,000
Trash Capture Devices	13.00	896,502	3,496,959	4,393,461	-
Pump Stations	6.00	508,182	3,277,170	3,785,352	-
Right Sizing Current Budget	-	-	3,247,000	3,247,000	-
Education & Outreach	1.00	138,059	1,557,700	1,695,759	-
Inspectors for SBMP & Businesses	7.00	719,263	661,366	1,380,629	-
WQIP Updates and Pilot Studies	1.00	132,699	867,590	1,000,289	-
Dig Alert Team	3.00	202,158	263,130	465,288	-
Officers to Abate Discharges	3.00	219,467	163,381	382,848	-
Totals	167.00	\$ 15,447,040	\$ 60,670,105	\$ 76,117,145	\$ 9,047,618

Department Review: Stormwater

levees throughout the City discovered during inspections in 2015 and 2017 by various federal authorities. Current City staff, utilizing overtime, continue to inspect levees in order to maintain conditional status within the US Army Corp of Engineers' Rehabilitation Program, but these inspections continue to find additional deficiencies that require significant work contributing to the backlog of projects needed to maintain the levees. If the City does not correct these deficiencies, it could lose the ability to have federal assistance through the Federal Rehabilitation Program in the event that a levee fails during an emergency and causes significant damage.

- Structure and Repair Team – 25.00 FTEs, \$8.2 million. The current structure and repair team receives an average of 300 repair projects per year, which are projects that are not put through the CIP. However, current capacity only allows for 200 repairs per year, resulting in a backlog of over 1,600 projects. Not providing these resources will contribute to a continued increase in this backlog.
- Third Pipe Repair Team – 27.00 FTEs, \$8.7 million. Stormwater pipes continue to fail across the City due to years of neglect and a lack of adequate maintenance resources; when pipes fail the City must utilize existing CIP resources for emergency projects. Previously added Pipe Repair Teams have led to decreases in the number of emergency repairs by providing needed maintenance up front. In line with a recommendation from the City Auditor from the June 2018 Performance Audit, the Department was seeking a third team in FY 2024.
- Pump Stations – 20.00 FTEs, \$4.1 million. This request was for additional staff to maintain new automation systems, as these new systems require different levels of expertise than that held by existing

staff. Automation of pump stations began with an FY 2023 addition of 20.00 FTEs and \$4.1 million for the repair and automation of the City's stormwater pump stations. This request would have more than doubled the amount of staff dedicated to the maintenance of pump stations, and would have resulted in several modernization and automation projects at various stormwater pump stations. To date, 19 of the 20 positions approved in FY 2023 have been filled.

- Channel Cleaning – 3.00 FTEs, \$4.9 million. This request would increase the annual number of channel cleanings from four to six per year.

New Assets

The next category of requests is for the maintenance of new assets, and the installation of new assets that are not part of the CIP. Not funding these requests could result in assets failing to fulfill the regulatory requirements for which they were created, or failing to meet regulatory standards by not installing assets in a timely manner.

- TCBMP Maintenance – 24.00 FTEs, 10.1 million. Treatment Control Best Management Practices (TCBMPs) are typically referred to as “green infrastructure” and are assets that improve water quality in the watershed. These assets include dry detention bases, infiltration devices, green street corridors, as well as others. This specific request was to enhance the resources for maintenance of these assets, which are expected to grow rapidly due to the enhanced CIP funding available from the WIFIA program.
- Trash Capture Devices – 13.00 FTEs, \$4.4 million. The installation of Trash Capture Devices are required for the City to comply with the State Trash Amendment. Under the Amendment, the City is required to install 1,500 trash capture devices by 2030. To date, the City has

Department Review: Stormwater

installed 11. This funding would have installed 317 trash capture devices in FY 2024 to keep the City on track, with 92% of the devices proposed for various disadvantaged communities.

Inspections, Compliance, & Street Sweeping

The final category of unfunded requests was for inspections staff, permit compliance staff, or staff and funding related to street sweeping activities. These are the lowest priority items for the Department.

- Inspectors for SBMP & Businesses – 7.00 FTEs, \$1.4 million. These inspector positions would bring the City into compliance with SBMP inspection requirements, as well as to implement inspection and reinspection fees in line with a recent audit recommendation. In regard to the fee, starting this process this year could make the Inspections program partially cost recoverable in FY 2025.
- Officers to Abate Discharges – 3.00 FTEs, \$383,000. Currently, the Department is required to close and/or abate discharge cases within 30 days to maintain permit compliance. Current staff are required to utilize overtime to meet these requirements, but the number of cases continues to climb, and current code compliance staff is 100% reactive to discharge complaints.
- Street Sweeping Efficiency and Expansion – 12.00 FTEs, \$4.8 million. FY 2023 included 10.00 FTEs and \$4.1 million for new street sweeping teams and activities, which were planned to be phased in over time. This included enough personnel to provide 6,000 additional miles of street sweeping, and the conversion of 40 existing, non-posted routes to posted routes. To date, all ten positions have been filled. In order to cover all of the new posted routes, the initial plan was to add new street sweeping resources over time. This request would have provided the resources

for an additional 5,000 miles of additional street sweeping per year, with a particular focus on routes in Council Districts 8 and 9. Adding these additional resources was also a recommendation from the FY 2021 Street Sweeping Audit from the City Auditor.

- WQIP Updates and Pilot Studies – 1.00 FTE, \$1.0 million. This request is to bring back resources that were removed from the budget prior to the COVID-19 pandemic and would fund numerous pilot studies that identify inefficiencies to increase effectiveness, as well as studies related to updating the City's Water Quality Improvement Plans (WQIP).
- Dig Alert Team – 3.00 FTEs, \$465,000. The Dig Alert Team request was for additional positions to increase compliance with Dig Alert calls. Positions were previously added for this purpose in FY 2022, but the number of calls has increased to 140 daily tickets, with at least 60 tickets per day currently being covered with overtime expenses.

Issues for Council Consideration

Storm Water Permit Compliance

In May 2012, the Municipal Storm Water Permit (permit) was adopted by the RWQCB. This permit mandates stringent regulations which require a significant increase in expenditures over the next several decades to ensure compliance.

In FY 2014, the Department prepared a Watershed Asset Management Plan (WAMP) that incorporated 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 TMDLs, Areas of Special Biological Significance, upcoming

Department Review: Stormwater

compliance deadlines, the deferred capital backlog, and the Department's operational activities. As part of the lead up to the release of the Funding Strategy report in January 2021, the WAMP underwent an extensive update.

At the time of the WAMP update, compliance costs estimates through FY 2040 totaled almost \$5.5 billion. This included a total of \$1.1 billion in flood risk management needs and \$4.3 billion in water quality compliance needs. The City currently does not have a dedicated financial resource to cover these costs and based on FY 2021 levels of funding the estimated average funding gap was \$225.1 million per year.

While the Department has received some resources, and in particular received significant additional resources in FY 2023, the Department is still not at the operations funding levels envisioned by the WAMP. The Proposed Budget of \$60.9 million is \$176.2 million below the \$237.1 million in operating funding called for in the WAMP, and as this section has discussed the FY 2024 Proposed Budget did not fund \$76.1 million in operating budget requests from the Department.

Notably, there is also a projected \$1.6 billion deficit projected in the latest Five-Year Capital Infrastructure Planning Outlook, which included the financing resources required under the WIFIA program. It is worth noting that the FY 2024 Proposed Budget does contain almost \$23.3 million for the Stormwater CIP beyond the WIFIA program, including \$20.0 million in General Fund Debt Financing. However, even with these funds, there are over \$1.8 billion in unmet stormwater needs.

Department staff continue to work proactively with environmental stakeholders and the RWQCB to refine regulations and decrease compliance costs. Previous achievements include a reduction in compliance costs of roughly \$0.8 billion as a result of changes to the Chollas Creek Dissolved Metals TMDL. However, as shown with the penalties and

need for the TSO for the Dry Bacteria TMDL, negotiations can only get the City so far, and even when negotiations are successful, compliance costs remain large. The City lacks a dedicated funding source sufficient to address the full costs of permit compliance. Penalties for not complying with the permit could be up to \$10,000 per day per violation.

The City is out of compliance with the Dry Bacteria TMDL. Other regulatory deadlines that are approaching in the next several years, including the interim deadline for the Wet Bacteria TMDL in FY 2024, and numerous other deadlines related to sediment investigations and notice of violations for annual report deficiencies in subsequent years. As these deadline approach, the City's noncompliance could lead to either fines, or requirements to begin funding investigative order tasks, such as the TSO, at which point the City has less control over the potential costs incurred. **The Department should comment on its ability to continue to meet these compliance deadlines, rectify noncompliant orders, and avoid fines.**

Storm Water Funding Strategy

The City continues to lack a dedicated funding source sufficient to address the full costs of compliance detailed in the WAMP.

In response to an audit recommendation as well as previous IBA reports on this issue, in January 2021 Stormwater released an initial Funding Strategy document, which included an assessment of the needs of the Department, as well as an initial analysis on various funding mechanisms the Department could pursue to close this funding gap. An important conclusion of this Funding Strategy is that the City will likely need to seek a ballot measure to increase fees related to the stormwater system.

Following Council approval of the document, the Department began working on a proposed ballot measure that would create a dedicated stormwater funding mechanism. Their work

Department Review: Stormwater

included designing a measure, determining how much revenue it would generate, and seeking public feedback on the measure to see if it was viable. In February 2022, the Department presented its final analysis of a potential ballot measure, which focused on the creation of a tax on the impermeable surface area of properties in the City at a rate between 4 to 5 cents per square foot of impermeable surface. Such a measure, which would cost the typical single-family residence between \$10 and \$14 per month, would generate between \$74 million to \$93 million per year for stormwater activities. Currently, the City's storm drain fee costs single family residences less than \$1 per month and generates approximately \$5.7 million.

Polling conducted by a consultant noted that a majority of voters would support such a measure, but that support was within the margin of error of the two thirds threshold required for passage. The Department indicated that it would continue educational efforts, which were supported by one-time budget additions in FY 2023, and continue to pursue outside financing mechanisms. However, the one-time funding from FY 2023 was not replaced in the Proposed Budget, and the Department's outreach budget is back at its previous levels.

Ensuring appropriate funding is available for stormwater will only become more important in future years, as the debt service payments on capital financing such as the WIFIA program begin to come due. Based on the estimate provided when the WIFIA program was approved, total annual repayments for the program could be as high as \$35 million (including WIFIA repayment as well as lease revenue bond repayment at maximum) starting in FY 2029.

Significantly more revenue will be required to lower Stormwater's compliance and capital funding gap. The City has many needs that cannot be fully supported by existing revenue, and the need to establish a funding source that

can provide for those needs – including clear regulatory demands like those for Stormwater, is critical.

For more information on the Stormwater Funding Strategy and these issues, please refer to [IBA Report 21-04 Analysis of the Stormwater Division Funding Strategy Report](#).

Department Review: Strategic Capital Projects

Strategic Capital Projects

Key Performance Measure	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Estimate FY 2023	Target FY 2024
Percentage of Capital Improvement Projects awarded on annual baseline schedule	N/A	N/A	N/A	N/A	N/A	80.0%
Percentage of Capital Improvement Projects completed on annual baseline schedule	N/A	N/A	N/A	N/A	N/A	80.0%
Number of information-sharing meetings with industries supporting City infrastructure	N/A	N/A	N/A	N/A	N/A	12
Percentage of all Construction Change Orders due to changed/unforeseen conditions and design errors (at notice of completion)	N/A	N/A	N/A	N/A	N/A	4.0%

The Strategic Capital Projects Department (SCP) was created in 2022 to focus on specialized, large, and complicated projects such as the Pure Water program. These services are targeted to support the delivery of capital projects that are beyond the capabilities of the Engineering & Capital Projects Department (E&CP), which provides engineering services to deliver the City's Capital Improvements Program (CIP).

SCP was included within E&CP in the FY 2023 Adopted Budget. The FY 2024 Proposed Budget reflects a separation of the departments' operating budgets that was approved by City Council in fall 2022. E&CP and SCP continue to share the E&CP special revenue fund and administrative staff.

Key goals for SCP include:

- Provide quality, safe, reliable, and equitable infrastructure and related services.
- Provide timely and efficient delivery of projects.
- Effect change and promote innovation.

KPIs to measure achievement or progress toward these goals are shown in the table above.

Impacts of Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed Budget for SCP is \$5.9 million, with offsetting revenue totaling \$5.8 million. SCP has 35.00 FTE positions and \$5.7 million in personnel expenditures which were transferred from E&CP. A summary of budget changes is included in the table below.

Key projects currently or planned to be managed by SCP include:

- Pure Water Phase I (9 projects)
- Pure Water Phase II Demo Facility and Future Projects
- Ocean Beach (OB) Pier Replacement
- Fenton Bridge (San Diego State University)
- East County Residual Line
- Mission Gorge Force Main Rehabilitation

SUMMARY OF STRATEGIC CAPITAL PROJECTS DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	-	\$ -	\$ -	\$ -	\$ -
Programmatic Changes					
<i>Transfer to Strategic Capital Projects Department</i>	35.00	5,708,679	57,260	5,765,939	5,814,266
<i>Software Licenses (Power BI, and Bluebean)</i>	-	-	2,176	2,176	-
Other Changes					
<i>Pay-in Lieu of Annual Leave Adjustments</i>	-	96,881	-	96,881	-
<i>Information Technology Adjustments</i>	-	-	53,333	53,333	-
FY 2024 Proposed Budget	35.00	\$ 5,805,560	\$ 112,769	\$ 5,918,329	\$ 5,814,266
Difference from 2023 to 2024	35.00	\$ 5,805,560	\$ 112,769	\$ 5,918,329	\$ 5,814,266

Department Review: Sustainability and Mobility

Sustainability and Mobility

The Sustainability and Mobility Department was created in the FY 2023 Adopted Budget, following the decision to combine the formerly separate Sustainability Department and Mobility Department. This new department leads the implementation of the City's Climate Action Plan (CAP) and facilitates innovative efforts across multiple City departments to enhance economic, social, and environmental sustainability. These efforts promote renewable electricity; water and energy efficiency; zero waste; bicycling, walking, transit, smart growth and land use; and resiliency measures. This Department also directly oversees the entire City's energy use and oversees discreet programs such as Americans with Disabilities Act (ADA) Compliance, Parking Meter Districts, and Shared Mobility Device regulations.

Impact of Mayor's FY 2024 Budget Proposal

The FY 2024 Proposed Budget for the Department is approximately \$15.0 million, which is an increase of \$1.9 million (14.3%) from the FY 2023 Adopted Budget. The Proposed Budget includes 59.94 FTE positions, which is a decrease of 0.06 FTE positions from FY

2023. The operating budget for the Sustainability and Mobility Department is split between the General Fund and the Energy Conservation Program Fund, which is one of the City's internal service funds.

General Fund

The General Fund Proposed Budget for the Sustainability and Mobility Department is \$7.5 million, which is an increase of \$0.3 million (4.1%) from the FY 2023 Adopted Budget. Total FTEs within the General Fund decrease by 0.66 due to adjustments in the intern budget for the Department. The intern adjustments also contained an increased revenue adjustment, which may have been made in error. The Department is continuing to look into this, and if necessary will provide an adjustment in the May Revision.

Significant Budget Adjustments

ADA Plan

The largest increase in General Fund expenditures is \$262,000 for consultant spending to begin the Federally mandated evaluation and remediation plan for the City's right-of-way for ADA compliance. This funding consists of matching funds for a grant received for this

SUMMARY OF SUSTAINABILITY AND MOBILITY (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	32.75	\$ 4,314,597	\$ 2,935,682	\$ 7,250,279	\$ 2,848,201
Programmatic Changes					
<i>ADA Plan</i>	-	-	262,000	262,000	-
<i>Franchise Audits</i>	-	-	150,000	150,000	-
<i>Hourly Intern Adjustments</i>	(0.66)	(12,784)	-	(12,784)	112,228
<i>Removal of Climate Ambassadors</i>	-	-	(100,000)	(100,000)	-
<i>Removal of EV Charging Stations</i>	-	-	(360,000)	(360,000)	-
<i>Removal of Public Power Study FY 2023</i>	-	-	(400,000)	(400,000)	-
<i>Revenue Realignment</i>	-	-	-	-	(353,201)
Other Changes					
<i>Salary and Personnel Cost Changes</i>	-	306,349	-	306,349	-
<i>Fringe Benefit Changes</i>	-	353,219	-	353,219	-
<i>Non-Discretionary Adjustments</i>	-	-	96,516	96,516	-
FY 2024 Proposed Budget	32.09	\$ 4,961,381	\$ 2,584,198	\$ 7,545,579	\$ 2,607,228
Difference from 2023 to 2024	(0.66)	\$ 646,784	\$ (351,484)	\$ 295,300	\$ (240,973)

Department Review: Sustainability and Mobility

work; the total budget for the plan itself is \$1.5 million, with the remainder coming from a grant from the San Diego Association of Governments (SANDAG). Depending on the plan's eventual findings, additional funding may be required in future budgets for ADA-related projects. However, the Department is currently working with various asset-owning departments, such as Transportation, on how to finance and implement future workloads.

While the Department did receive funding for consultant services, the Department also requested 1.00 FTE and \$133,000 for an Associate Engineer position to help oversee the planning and execution of the evaluation and updated plan, which was unfunded. This workload will have to be absorbed by existing staff.

Franchise Audits

The Proposed Budget also includes \$150,000 for the biannual audits of SDG&E as called for in the new franchise agreements. These compliance audits will be presented and reviewed by the Franchise Compliance Review Committee (FCRC), and then the City Council. These audits, as well as the recommendations of the FCRC, are designed to help inform the Mayor and Council on whether or not the City should exercise the option to cancel the franchise agreements at the end of 10 years.

Reductions for One-Time Activities

Reductions totaling \$860,000 are shown in the chart on the previous page and are related to various programs that were added to the FY 2023 budget on a one-time basis. The EV Charging Stations project will be completed soon, although the original plan to implement the project at the Evan Jones Parkade had to be changed due to site restrictions at the Parkade. Staff have been evaluating alternative sites, and the EV chargers themselves will be portable so that they can be moved if needs change.

The Climate Ambassadors program is a

program dedicated to educating the public on the CAP and other climate initiatives. This program will require additional funding sources to continue at previous levels, but staff are working with Community Benefit Organizations to try to identify ways to keep the program operating at existing levels.

Finally, there is a General Fund reduction of \$400,000 for the Public Power Feasibility Study. However, the Proposed Budget also includes a \$1.0 million appropriation proposed for this study from the Energy Independence Fund, so work on the study is expected to continue. A major component of funding is also slated for additional public engagement, as the work of the study to date is anticipated to be made public this summer.

The Energy Independence Fund is a new fund that was established to set money aside for the required partial repayment of the bid proceeds in the event that the City decides to end the SDG&E franchise agreements after 10 years. The fund receives a portion of minimum bid proceeds from the new SDG&E franchise agreements for this and other purposes. Paying for public power studies was also identified as a potential use for the fund, which is projected to have a fund balance of \$3.4 million at the end of FY 2024 inclusive of this appropriation.

Unfunded Requests

CAP Staffing Analysis

In response to an audit recommendation from the Office of the City Auditor, in FY 2023 the Department developed a staffing analysis for the CAP. The analysis called for the addition of nine total positions, with six added in FY 2023, two proposed to be added in FY 2024, and one in FY 2025. The six positions proposed for FY 2023 were all included in the FY 2023 Adopted Budget, and the position that was originally called for in FY 2025 has been moved up to FY 2024 and has been included in the Proposed Budget for the Energy Conservation Program Fund, as called for in the

Department Review: Sustainability and Mobility

analysis. However, the final two positions called for in the analysis were *not* included in the Proposed Budget.

These positions would have been dedicated to the Building Decarbonization program and the Zero Emissions Vehicles program, which focuses on improving public EV adoption. As noted in the *Key Citywide Issues: Climate Action Plan* section earlier in this report, our Office recently completed a new Council Policy on Climate Action Implementation Prioritization, which provided a scoring rubric and prioritization scores for each action contained within the CAP. **These two programs and the actions associated with them are the two highest scoring items under the new Council Policy.** The Department also indicates that not having a Program Manager for the Building Decarbonization program will create significant difficulties. The decarbonization of existing buildings, and in particular the development of the Building Decarbonization Roadmap, which this position would have been responsible for implementing, is the highest rated action under the new Council Policy. **Council may therefore wish to consider budget adjustments that would fund these positions.**

Additional Technical Support

Other unfunded requests were for additional technical support to refine plans for CAP implementation. These requests include:

- \$200,000 for CAP Strategy 1, which is funding that would have focused on the Building Decarbonization Roadmap’s development and public engagement;
- \$150,000 for CAP Strategy 3, which is funding that would have focused on developing additional safe and sustainable mobility options, focusing on mode shift for first- and last-mile travel as well as other strategies; and
- \$100,000 for Zero Emission Vehicle infrastructure, including costs associated with transformer upgrades and addressing other distribution grid capacity issues.

The Department will seek to leverage the technical assistance funding that is currently budgeted in order to attempt to make progress on each of these initiatives. **The Department should discuss its ongoing technical services budget, and how it intends to deploy those dollars for further implementation of the CAP in FY 2024.**

Energy Conservation Program Fund

The FY 2024 Proposed Budget for the Energy Conservation Program Fund (ECPF) is \$6.5 million, which is an increase of \$588,000 (10.0%) from the FY 2023 Adopted Budget. There is also an increase of 0.60 FTEs, bringing the total number of FTEs supported by the

SUMMARY OF ENERGY CONSERVATION PROGRAM FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	27.25	\$ 4,147,491	\$ 1,734,233	\$ 5,881,724	\$ 5,644,231
Programmatic Changes					
<i>Investment Grade Audit</i>	-	-	390,000	390,000	-
<i>CAP Staffing Analysis</i>	1.00	175,289	-	175,289	-
<i>Hourly Intern Adjustments</i>	(0.40)	(7,814)	-	(7,814)	67,192
<i>Solar Contracts</i>	-	-	(40,000)	(40,000)	-
<i>Removal of E-Infrastructure Assessment</i>	-	-	(350,000)	(350,000)	-
Other Changes					
<i>Salary and Personnel Cost Changes</i>	-	412,026	-	412,026	-
<i>Fringe Benefit Changes</i>	-	67,386	-	67,386	-
<i>Non-Discretionary Adjustments</i>	-	-	(58,675)	(58,675)	-
FY 2024 Proposed Budget	27.85	\$ 4,794,378	\$ 1,675,558	\$ 6,469,936	\$ 5,711,423
Difference from 2023 to 2024	0.60	\$ 646,887	\$ (58,675)	\$ 588,212	\$ 67,192

Department Review: Sustainability and Mobility

ECPF to 27.85. The ECPF is an internal service fund of the City, with revenue derived from charging other City departments based on their respective energy use. The increase in revenue is due to an adjustment tied to the budget for interns.

Significant Budget Adjustments

The largest increase to the ECPF is \$390,000 for contingency funds to cover the costs of Investment Grade Audits. As the City has begun condition assessments for all the City buildings in response to the new Zero Emissions in Municipal Buildings and Operations Policy (ZEMBOP), various deficiencies are being identified that cannot be included in energy savings performance contracts or other energy financing solutions. This funding will provide resources to rectify those deficiencies so that overall ZEMBOP-related projects can continue to move forward.

The ECPF Proposed Budget also includes 1.00 FTE and \$175,000 for the position called for in the CAP Staffing Analysis, which was previously discussed. This position will oversee the efforts to decarbonize municipal buildings and implement the ZEMBOP.

The reduction associated with the E-Infrastructure Assessment is associated with a FY 2023 one-time addition that is no longer required as the assessment is almost complete.

Issues for Council Consideration

Municipal Energy Costs

The Sustainability and Mobility Department controls the cost allocation process for the City's electric and gas utility billing. One of the largest increases in the FY 2024 Proposed Budget is associated with the costs of electric and gas services, which is handled through the City's non-discretionary budget process. As noted in the *General Fund Expenditure Overview* section, these costs increase by \$14.0 million in FY 2024, but overall costs for these services increases by \$41.6 million, with

notable increases in the Public Utilities Sewer Funds (\$23.2 million) and Recycling Fund (\$2.3 million).

As mentioned in [IBA Report 22-33 IBA Review of the FY 2023 First Quarter Budget Monitoring Report](#), the FY 2023 Adopted Budget for energy costs is significantly lower than year-end projections for actual costs, mostly due to when the projection for the Adopted Budget was produced. Primary causes of this discrepancy relate to volatility in the energy market, rate increases that were not anticipated at the time of the projection's development, and energy switches by high utilizers, such as Public Utilities, from gas to electric power. For the General Fund in particular, the Mid-year Budget Monitoring Report noted that Energy and Utilities costs were projected to be \$3.9 million higher in FY 2023. These costs were not included in the FY 2023 Adopted Budget.

For the FY 2024 Proposed Budget, the Sustainability and Mobility Department updated projections to include the increases experienced in FY 2023 due to rate increases and other known changes, as well as rate increases projected by SDG&E as part of their General Rate Case, which is currently under consideration by the California Public Utilities Commission.

The Department did indicate there still could be changes required to overall energy expenditure allocations, as projections for FY 2024 are still based upon FY 2022 actuals, and as such the Department could not include usage changes that might be happening in FY 2023. These changes should be monitored by both the Department of Finance and the Sustainability and Mobility Department to see if any additional changes to the Energy and Utilities budgets for FY 2024 are warranted.

Finally, the Department also indicated it is planning on taking additional steps to ensure greater accuracy in the energy bills that the City receives, as well as potentially claw back

Department Review: Sustainability and Mobility

any overcharges that might be discovered, particularly for electric bills. These efforts will be particularly important as the City's efforts under the ZEMBOP and CAP will lead to additional electricity usage, and thus additional electric billing costs moving forward. **The Department should comment on their efforts to improve energy billing processes for the City.**

Department Review: Transportation

Transportation

Impact of the Mayor’s FY 2024 Proposed Budget

The Transportation Department operates and maintains streets, sidewalks, and street trees; plans and coordinates the City’s rights-of-way; and performs traffic and transportation engineering. The Department has three main divisions: Administration & Right-of-Way (ROW), Street, and Transportation Engineering Operations (TEO).

In addition to the General Fund, the Department receives operating and Capital Improvement Program (CIP) funds from various sources, including transfers from the Underground Surcharge Fund, the Gas Tax, the Road Maintenance and Rehabilitation Act (RMRA) Fund, and TransNet.

2023 Adopted Budget. The total number of positions for the Department is 475.94, which is an increase of 4.24 FTEs.

Significant Budget Adjustments – Administration and Right-of-Way

The largest programmatic change for the Department is within the Administration and ROW Division, and includes the addition of 3.00 FTEs and \$1.1 million in funding for the Urban Forestry program, consistent with a settlement agreement with the Air Pollution Control District (APCD). Of this amount, \$408,000 is associated PE and NPE directly tied to the positions. Those positions will coordinate and support tree planting, watering, and outreach with the remaining \$709,000 of the total allocation. This action will support the planned planting of at least 1,000 trees annually within historically underserved neighborhoods, as outlined in the settlement. The program will run for five years, after which additional decisions will need be made about additional tree planting in other areas.

General Fund

The FY 2024 Proposed General Fund Budget for Transportation is \$99.8 million, which is an increase of \$6.1 million (6.5%) over the FY

SUMMARY OF TRANSPORTATION GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	471.70	\$ 51,637,805	\$ 42,009,161	\$ 93,646,966	\$ 61,595,235
Programmatic Changes					
Administration / Right-of-Way Division					
<i>Urban Forestry (APCD Settlement)</i>	3.00	349,173	767,355	1,116,528	-
<i>Removal of One-Time FY 2023 Items</i>	-	-	(157,450)	(157,450)	-
<i>FY 2023 TransNet Revenue - Admin</i>	-	-	-	-	(5,058)
Street Division					
<i>Materials Supply Costs</i>	-	-	275,642	275,642	-
<i>Senior Electrical Engineer</i>	1.00	154,519	-	154,519	-
<i>Removal of One-Time FY 2023 Items</i>	-	-	(2,522,175)	(2,522,175)	-
<i>Development Services Permit Fees</i>	-	-	-	-	(62,000)
<i>Qualified Energy Conservation Bond & CalTrans Revenue Adjustment</i>	-	-	-	-	(79,000)
Transportation Engineering Operations					
<i>Removal of One-Time FY 2023 Items</i>	-	-	(300,000)	(300,000)	-
Other Changes					
<i>Salary and Other Personnel Cost Changes</i>	-	1,499,529	-	1,499,529	-
<i>Fringe Benefit Adjustments</i>	-	724,039	-	724,039	-
<i>Hourly Personnel Adjustments</i>	0.24	33,017	-	33,017	-
<i>Non-Discretionary Adjustments</i>	-	-	5,307,959	5,307,959	-
FY 2024 Proposed Budget	475.94	\$ 54,398,082	\$ 45,380,492	\$ 99,778,574	\$ 61,449,177
Difference from 2023 to 2024	4.24	\$ 2,760,277	\$ 3,371,331	\$ 6,131,608	\$ (146,058)

Department Review: Transportation

Significant Budget Adjustments – Street Division

There are two significant additions in the Proposed Budget for the Street Division. The first is \$276,000 for supply costs related to asphalt and concrete materials. This increase aligns the Proposed Budget to the amounts contained in the newly executed contract for asphalt as well as recent price increases for concrete.

The second addition is for a Senior Electrical Engineer position. This position was approved as a supplemental position during FY 2023 to provide additional oversight and expertise for the City’s streetlight, traffic signal, and undergrounding programs.

The largest adjustment to the Proposed Budget for the Street Division, however, is the removal of \$2.5 million in one-time funding provided in FY 2023. The majority of this decrease (\$2.0 million) was for one-time funding tied to the purchase of equipment and vehicles for positions added to the budget last year. The remaining \$500,000 decrease is associated with the Street Condition Assessment, which is nearing completion and does not require funding in FY 2024.

Significant Budget Adjustments – Transportation Engineering Operations

The only significant budget adjustment within TEO is the removal of one-time funding from FY 2023 in the amount of \$300,000. This funding was provided to begin the development of a new Traffic Management Center (TMC). A TMC is a center where City staff can centrally control all of the traffic signals within the City, allowing for better monitoring during emergency situations and providing more up to date information on maintenance needs. Funding has now been allocated in the CIP for this purpose in the amount of \$500,000.

Issues for Council Consideration

Unfunded Requests and Potential Service Level Impacts

Beyond items noted above that were funded in the Proposed Budget, the Department requested an additional 57.00 FTEs and \$13.7 million that were not funded. The table on the next page outlines the various requests made by the Department. While the City lacks the available resources to fund all department requests, it is important for the Council to be aware of unfunded requests and potential impacts on service levels. This section highlights some of the more significant unfunded requests.

Sidewalk High Priority Repair

Transportation’s largest unfunded request was for 15.00 FTEs and \$4.0 million for additional sidewalk repair teams and resources. This request included one 13-person concrete repair team which would repair 2,500 locations per year, with part of their costs covered by CIP projects related to sidewalk replacement. The other two positions would form a ramping team, which would increase the Department’s response time for ramping requests to mitigate sidewalk deficiencies until they can be permanently repaired.

Tied to this request is also the request for one Horticulturalist. This position would be dedicated to supporting tree evaluations for sidewalk repair and replacement.

Electrical Engineering Support

The next largest unfunded request was for 9.00 FTEs and \$3.3 million for additional electricians and associated positions. These positions would improve the Department’s electrical expertise, as well as provide additional electricians that would be dedicated to either the support and upkeep of existing streetlights to keep them operational, or reducing the streetlight knock over backlog.

Department Review: Transportation

Gibbs Facility Improvements

The next largest request is \$1.5 million for facility improvements for Transportation staff at Montgomery Gibbs Airport. The Department plans to relocate TEO and the right-of-way divisions to the airport, where some staff are already currently housed. While there is enough physical space to achieve this, the amount of office space currently built out is only about 20% of what is needed.

Street Preservation Ordinance

This request was for 6.00 FTEs and \$1.1 million for additional support for the City’s Street Preservation Ordinance (SPO). Currently, staff have been working to update the SPO, including requiring greater levels of repair required after trenching as well as making trench cut fees cost recoverable. These positions in particular would provide greater code compliance to ensure that the potential new SPO provisions could be enforced.

Additionally, per the City’s franchise

agreements with SDG&E, the City must cover trench cut fees that would otherwise be owed by SDG&E. Increased trench cut fees, should they be adopted, are therefore estimated to cost an additional \$660,000. This was not requested in the Proposed Budget, but our Office has been informed that this will be addressed in the May Revision.

Street Resurfacing Program

The Department requested 4.00 FTEs and \$629,000 for additional support for the Street Resurfacing program to maintain current operational service levels of maintenance and inspections of roadways, and would be partially reimbursable from the various resurfacing programs. These positions are needed to maintain existing services levels for two main reasons. First, the Department is adding more types of resurfacing treatments to the overall resurfacing program that will require inspections. Second, the amount of bicycle infrastructure that is being added as part of the slurry seal program is increasing, and this

Transportation Unfunded Requests					
Programmatic Addition	FTE	PE	NPE	Total	Revenue
Sidewalk High Priority Repair	15.00	\$ 1,081,182	\$ 2,886,724	\$ 3,967,906	\$ 540,591
Electrical Engineering Support	9.00	835,290	2,435,062	3,270,352	-
Gibbs Facility Improvements	-	-	1,500,000	1,500,000	-
Street Preservation Ordinance	6.00	581,334	550,160	1,131,494	-
Street Resurfacing Program	4.00	418,759	210,640	629,399	418,759
Sign Shop Expansion	2.00	126,022	431,200	557,222	-
Asset Planning and Maintenance	3.00	349,493	5,400	354,893	-
Safety and Information Team	3.00	332,736	20,918	353,654	248,807
Assistant Department Director	1.00	344,141	2,235	346,376	-
Legal Action Support	2.00	247,590	4,470	252,060	-
Right-of-Entry Team	2.00	223,158	4,470	227,628	-
Traffic Management Center	2.00	207,047	6,420	213,467	-
Finance Support	1.00	163,641	2,235	165,876	-
Grant Coordinator Support	1.00	149,554	2,235	151,789	-
Horticulturalist	1.00	92,310	52,885	145,195	-
Public Works Dispatch	2.00	133,820	11,000	144,820	92,600
Contract Management Support	1.00	101,993	2,235	104,228	-
Human Resources, Safety, and Training Support	1.00	101,993	2,235	104,228	-
Communication Support	1.00	86,147	2,235	88,382	-
Land Survey Monitoring	-	-	39,337	39,337	-
Totals	57.00	\$ 5,576,210	\$ 8,172,096	\$ 13,748,306	\$ 1,300,757

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increase requires an additional inspection time as more field work and review is required when the project is in construction.

Asset Planning and Maintenance

The next significant request was for 3.00 FTEs and \$355,000 for Asset Planning and Maintenance. These staff would be newly dedicated staff to help the Department improve its utilization of the Enterprise Asset Management (EAM) and the Asset Management Planning (AMP) programs. These additions would be in line with recommendations made by our Office in [IBA Report 23-05 Review of Citywide Asset Management Practices and Use of the Enterprise Asset Management \(EAM\) System](#).

Safety and Information Team

Transportation requested an additional 3.00 FTEs and \$354,000 for the Safety and Information Team. This request would help support the Vision Zero and Climate Action Plan by improving the Department's ability to better catalog and analyze crash report data, including data related to Public Records Act requests and other litigation related requests, as well as design five additional roundabouts per year. Revenue associated with these positions could potentially come from other Transportation Funds or future capital projects, though this would require more growth in Transportation Funds than is currently projected.

Departmentwide Support Positions

Many unfunded requests were related to providing additional support across the department and addressing span of control issues. These include additions such as an Assistant Deputy Director position, Legal Action Support, Finance Support, Contract Management Support, and Human Resources, Safety, and Training Support.

Of these additions, the Department identified Legal Action Support as critical. This addition would include 2.00 FTEs and \$252,000 in associated expenditures to assist the Department in responding to an increasing number of

claims and litigation related to incidents in the right-of-way. At present, field employees and supervisors that would otherwise be maintaining assets are spending significant time (sometimes up to 40% of their hours) responding to Risk Management and the City Attorney's Office for these claims. Adding these positions would allow existing staff to remain in the field, and could allow the City to respond to initial claims more quickly prior to them escalating to litigation.

Traffic Management Center

The Department requested 2.00 FTEs and \$213,000 for the initial staffing for the Traffic Management Center. As mentioned previously, this center received one-time funding last year, and is currently being funded in the CIP for design. This request would have been the first step in staffing the center, with an additional positions requested in FY 2025.

Street Repaving Program and Other Transportation Funds

Street repaving continues to be a high priority for the Council and public. Since street repaving is an activity that spans many funds across both the CIP and operating budget (overlay is in the CIP, and slurry seal is in the operating budget), our Office compiled a summary of the street repaving budget and changes between the FY 2023 Adopted Budget and the FY 2024 Proposed Budget, as displayed in the table on the following page.

The increase in slurry seal funding is mainly due to continuing appropriations, which represent funding from prior years that have not been spent by the end of the fiscal year. New funding for slurry seal projects decreases by \$2.0 million in FY 2024.

For overlay projects, which are funded in the CIP, the FY 2024 Proposed Budget contains significantly higher levels of new funding. Whereas the FY 2023 Adopted Budget primarily consisted of continuing appropriations, the FY 2024 Proposed Budget increases the funding of overlay by appropriating additional

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ROAD REPAVING ALLOCATIONS		
Slurry Seal		
Funding Source	FY 2023	FY 2024
Continuing Available Appropriations	\$21.4	\$33.7
TransNet Fund	5.3	1.4
RMRA Fund	32.2	34.1
Total	\$58.9	\$69.2
Overlay		
Funding Source	FY 2023	FY 2024
Continuing Available Appropriations	\$82.0	\$28.0
Financing	-	83.4
Gas Tax Fund	7.0	4.7
TransNet Fund	6.7	10.1
Trench Cut Fund	2.0	2.0
GF/Infrastructure/Other	4.8	4.1
Total	\$102.5	\$132.3

financing revenues for overlay projects. The amount of new cash from non-financing sources, including Gas Tax, TransNet, and other funding sources increase by \$0.4 million.

The following table provides a summary of various transportation related funds, as well as

TRANSPORTATION FUNDS		
Gas Tax	FY 2023	FY2024
Fund Admin	66,250	66,250
Street Median Maintenance	1,023,454	1,279,318
Traffic Engineering Support	5,742,077	5,742,077
Streets Maintenance	26,016,998	26,016,998
MADs	1,480,831	1,612,444
CIP - Overlay	6,993,631	4,742,656
Total	\$41,323,241	\$39,459,743
RMRA	FY 2023	FY 2024
Streets Slurry Seal	\$32,164,043	\$34,125,003
TransNet	FY 2023	FY 2023
RAMS	\$67,600	\$67,600
Fund Administration	476,680	469,350
Traffic Engineering Support	3,283,730	3,283,730
Bikes and Signals	500,000	500,000
Streets Maintenance	12,511,719	12,511,719
Bike STAT Team	1,350,000	1,350,000
Slurry Seal	5,345,677	1,427,976
CIP Projects	27,832,594	27,324,625
Total	\$51,368,000	\$46,935,000

RAMS: Regional Arterial Management System

a comparison of the programmatic activities that they support.

Funding from many of these sources remains static from year to year, and many of these funds support General Fund services and are accounted for as revenues. This includes items for Traffic Engineering Support, Streets Maintenance, Fund Administration, and some others.

Both TransNet and Gas Tax revenues are projected to decline in FY 2024, and adjustments to expenditures have been made accordingly. For the Gas Tax, while allocations to Maintenance Assessment Districts (MADs) and Street Median Maintenance have increased modestly, most of the decrease in the Gas Tax Fund is for funding of the CIP – Overlay projects. TransNet decreases are proposed for CIP Projects and slurry seal. Road Maintenance and Rehabilitation Act (RMRA) funds, however, are anticipated to increase, with the entirety of the RMRA appropriation proposed for the slurry seal program.

Underground Surcharge Fund

Impact of the Mayor's FY 2024 Proposed Budget

The Underground Surcharge Fund collects fees that are contributed by electricity rate payers within the City for the purpose of undergrounding electric utility lines within the City. The FY 2024 Proposed Budget for the Underground Surcharge Fund includes \$93.4 million in expenditures and 22.16 FTEs. This is an increase of only \$379,000 from the FY 2023 Adopted Budget.

The large increase of \$21.4 million in franchise fee revenue is due to the same factors that are contributing to increased Franchise Fee revenue in the General Fund. For more information, refer to the *General Fund Revenues Overview* section.

The expenditure budget for the fund remains

Department Review: Transportation

relatively unchanged, as the FY 2024 proposed appropriation still matches what the Department expects to expend within the next year. As was noted in the Status of the Utilities Undergrounding Program presented to the Environment Committee in October 2022, projects are ramping up following the adoption of the Undergrounding Memorandum of Understanding with SDG&E. The number of projects that can happen at any one time is a matter of fund balance available rather than appropriation amounts, and as such if additional appropriation is necessary, staff will propose adjustments during FY 2024. The projected funding balance at the beginning of FY 2024 is \$281.9 million.

Unfunded Budget Request

The Department did request an additional position for the Utilities Undergrounding Program that is unfunded in FY 2024. This request was for an Associate Management Analyst that would provide additional financial and administrative support to the program given increasing needs associated with the undergrounding MOU.

SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2023 Adopted Budget	22.16	\$ 3,203,051	\$ 89,839,211	\$ 93,042,262	\$ 79,539,423
Programmatic Changes					
<i>Revenue Adjustment Based on Franchise Fee</i>	-	-	-	-	21,446,328
Other Changes					
<i>Salary and Other Personnel Cost Changes</i>	-	244,505	-	244,505	-
<i>Fringe Benefit Adjustments</i>	-	150,988	-	150,988	-
<i>Non-Discretionary Adjustments</i>	-	-	14,526	14,526	-
<i>Removal of One-Time Expenditures from FY 2023</i>	-	-	(30,577)	(30,577)	-
FY 2024 Proposed Budget	22.16	\$ 3,598,544	\$ 89,823,160	\$ 93,421,704	\$ 100,985,751
<i>Difference from 2023 to 2024</i>	-	\$ 395,493	\$ (16,051)	\$ 379,442	\$ 21,446,328

Other Departments

Ethics Commission

The FY 2024 Proposed Budget for the Ethics Commission is approximately \$1.6 million, an increase of approximately \$106,000, or 7.2%, from the FY 2023 Adopted Budget. The Department is independent, not reporting to the Mayor or Council, and is responsible for monitoring, administering, and enforcing the City's governmental ethics laws. The budget increase is primarily associated with salary and benefit adjustments, including pending negotiated compensation increases for unclassified employees. The Department includes 6.00 FTE positions, unchanged from FY 2023. There are no programmatic or significant budget adjustments.

Special Events and Filming

The FY 2024 Proposed Budget for Special Events and Filming is approximately \$1.6 million, an increase of \$351,000 or 28.6% from the FY 2023 Adopted Budget with an increase of 0.35 FTEs for non-standard hour personnel. Additionally, the Department was awarded \$150,000 in ongoing funding to restore a Major Events Revolving Fund. The remaining budget increase is largely attributed to \$180,000 in salary and benefit adjustments. The Special Events and Filming Department is funded with TOT funds and is budgeted in Special Promotional Programs. Additional information on Special Promotional Programs funding is included in the corresponding section of this report.

Office of Emergency Services

The FY 2024 Proposed Budget for the Office of Emergency Services is approximately \$4.0 million, an increase of \$281,000 or 7.5% from the FY 2023 Adopted Budget. The increase is primarily attributable to \$286,000 in salary and benefit adjustments, including pending negotiated compensation increases, for the Office's 20.33 FTEs. Budgeted revenue totaling \$1.6 million is largely unchanged.