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# GUIDE TO THE BUDGET

## **Volume I – Citizens’ Budget**

### **City Manager’s Budget Message**

A memo from the City Manager to the Mayor and City Council introducing the Annual Fiscal Year 2005 Budget.

### **Executive Summary**

The Executive Summary outlines important aspects and changes to the funds that comprise the City’s Total Combined Annual Budget.

- Revenue and Expenditures
- Personnel Resources
- General Fund Revenues
- Nominal v. Real Growth
- Revenue Forecasting
- New & Increased Revenue Sources
- Significant General Fund Changes from the Annual Fiscal Year 2004 Budget
- Personnel-Related Obligations
- Non-Discretionary Expenses
- New and Annualized Facilities
- Department Additions
- Department Reductions
- Restructuring/Reorganization
- State Budget
- City Reserves

### **Goals and Priorities**

This section outlines the City of San Diego’s priorities and the Budget Process.

### **Public Safety**

- Background
- Revenue Requirements
- Safety Sales Tax
- Commitment to Public Safety
- Five-Year Plan
- Year One: Fiscal Year 2005 Additions
- Public Safety Communications Project
- Year 2-5: Fiscal Year 2006-2009
- Public Safety Priority
- Revenues
- San Diego Public Safety Performance
- Long Term Budget Approach
- Conclusion

# Guide to the Budget

## Volume I

### Service Level Impacts

Outlines the impact the Annual Fiscal Year 2005 Budget will have on the level of services provided.

- General Fund Departments
- Non-General Fund Departments

### City Funds

- Enterprise Fund Expenditures
- Capital Improvements Program
- Special Revenue Funds
- Debt Service Funds
- Tax Funds
- Business Improvement Districts Funds
- Maintenance Assessment Districts Funds

### San Diego at a Glance

San Diego at a Glance is a review of the history of the San Diego area in addition to current issues, statistics and data about the City of San Diego.

- City Profile
- Basic Data
- State and Local Legislative Highlights
- San Diego in Brief

### Guide to the Budget

The Guide to the Budget outlines:

- Volume I
- Restructuring
- The Allocation Process
- Budget Process Timeline

### Annual Budget Financial Summary

This section contains financial schedules of general information about expenditures, revenues and positions, and provides the reader with a condensed version of the budget, including:

- General Fund Revenue
- Economic Indicators
- Budget Summary Schedules
- Debt Management

### Performance Management Program

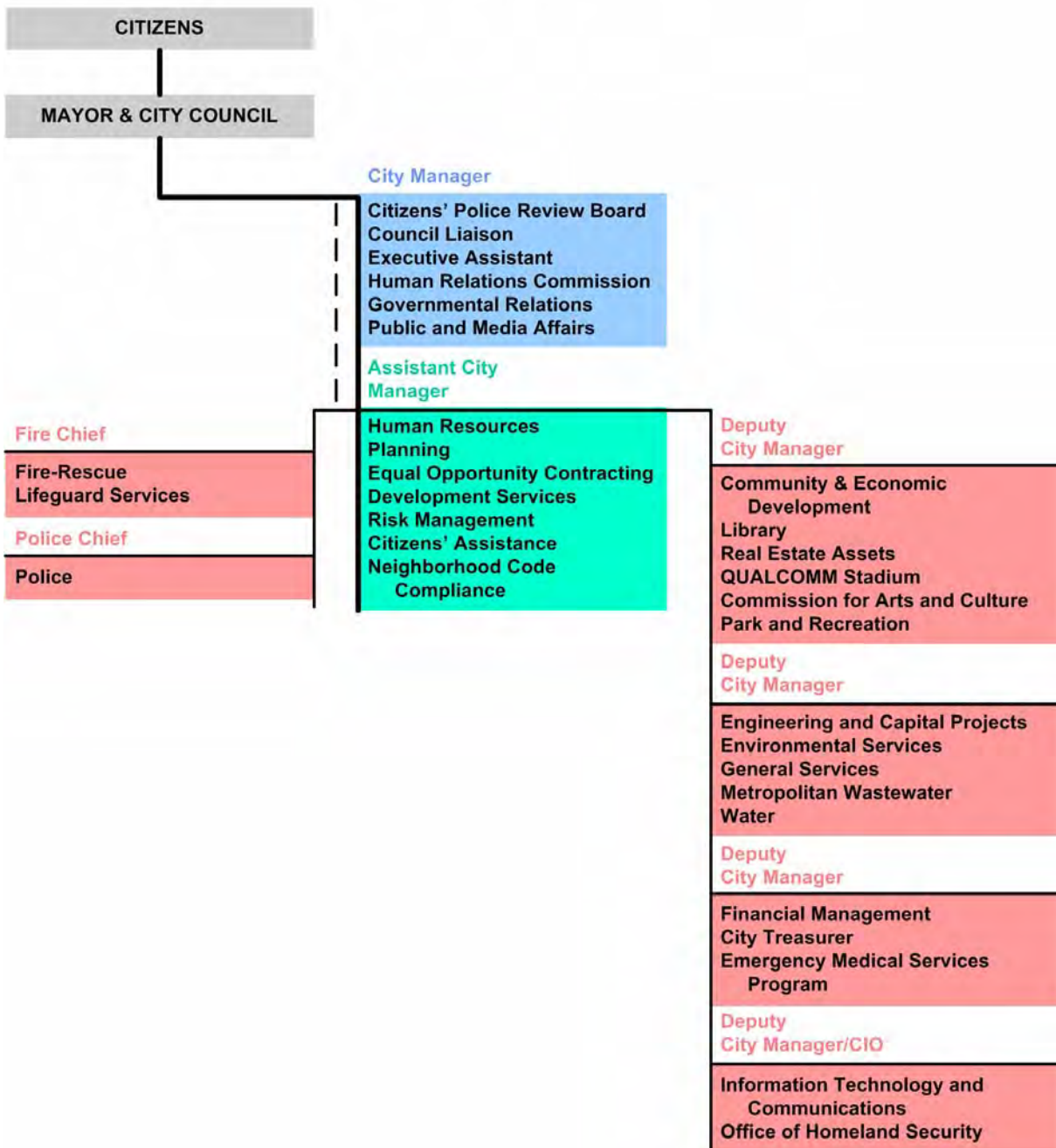
The Performance Management Program includes the following:

- Service Efforts and Accomplishments
- Benchmarking in the City of San Diego
- Citywide Surveys

## City of San Diego Restructuring

In preparing the Annual Fiscal Year 2005 Budget, innovative measures were taken to ensure that quality services would be provided despite budget constraints. Restructuring was implemented in several departments to save money in the General Fund and increase efficiency and streamlining of services. Departments that were restructured in Fiscal Year 2005 include: General Services, Purchasing, Financial Management, Public and Media Affairs, Citizens' Assistance, Metropolitan Wastewater.

### Fiscal Year 2005 Organizational Structure



# Guide to the Budget

## The Allocation Process

### Allocation Process

The City of San Diego is a chartered city operating under the Council-Manager form of government. The City Council is comprised of eight Councilmembers, elected by district, who serve overlapping four-year terms. The Mayor, elected at large, serves a four-year term and presides over the City Council. The Mayor and City Council, which act as the City's legislative and policy-making body, appoint the City Manager. The City Manager is the City's chief administrator, responsible for implementing policies and programs adopted by the Mayor and City Council.

Throughout the Proposed Budget Process, departments submit operating budget and Capital Improvements Program requests to the City Manager for review by the Financial Management Department. Considering Citywide service level requirements, the City Manager evaluates submitted operating budget and Capital Improvements Program requests, determines resources available through a careful forecasting of revenues, and develops budget priorities for a balanced proposed budget. The Mayor and City Council review the Proposed Budget during May and June. The first step of the budget review process invites citizens for public comment on allocating resources for the upcoming fiscal year. A schedule of the City Council hearings is available from the City Clerk's office in May. Citizens are also encouraged to contact the Mayor's or respective Councilmember's office to provide input to budget priorities. The Proposed and Final Budget documents are available at City public libraries and on the City of San Diego's Web Site (<http://www.sandiego.gov/budget/>) for review.

The preparation of the City of San Diego's Annual Budget is the culmination of an annual budget process. Since the City's fiscal year begins July 1 and ends June 30 the following year, the budget process for an upcoming fiscal year commences in the preceding fall. After gathering public input on services and programs during the winter months through Community Budget Forums, the City Manager develops priorities for the proposed budget. During the first Council meeting in May, the City Manager presents a balanced proposed budget to the Mayor and City Council, as dictated by the City Charter. After public hearings and Mayor and City Council deliberations, the final budget is adopted by June 30, the last day before the new fiscal year starts.

### Amendments to the Budget

The Financial Management Department works with the Office of the City Auditor and Comptroller to monitor fund balances throughout the fiscal year in order to avoid expenditures in excess of available funds. In case of a revenue shortfall, planned expenditures are reduced or deferred.

In addition, during the fiscal year, circumstances may arise that result in the need to adjust spending priorities. Procedures for amending the budget depend upon the type of amendment that is required. If the amendment does not affect the total appropriation for a department, then the department director has the authority to reallocate funds. Unexpected revenue is appropriated within the respective funds through language in the Annual Appropriation Ordinance. However, changes within specific accounts require approval from the Financial Management Department, the City Manager, or the Mayor and City Council. Mayor and City Council approval for budget amendments is necessary if the amendment is to the adopted budget. The Annual Appropriation Ordinance also includes direction on the transfer of allocations during the fiscal year and the authority for such transfers.

### **Proposition 4 (Gann Limit) Appropriation**

Pursuant to Article XIII B of the California Constitution (known as the Gann Limit), the City must compute an annual appropriations limit, which places a ceiling on the total amount of tax revenues the City can appropriate annually. The limit is adjusted each year using the following factors: (1) the percentage change in California per capita income or the change in the City's Assessed Valuation due to new non-residential construction, whichever is greater and (2) the percentage change in the Citywide or countywide population, whichever is greater.

## **Accounting Policies and Basis of Budgeting**

### **Significant Policies and Practices**

The City's budgetary policies conform to Generally Accepted Accounting Principles applicable to governmental units. The accounts of the City are organized on a fund basis, each of which is considered a separate accounting entity. The City's Governmental Funds use the modified accrual basis of accounting. Governmental Fund Types are those through which most governmental functions of the City are financed and include the General Fund, Permanent Funds, Special Revenue Funds, Debt Service Funds, and Capital Project Funds. Agency Funds and Pension Trust Funds are of the Fiduciary Fund type used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Under the modified accrual basis, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received, as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred, except for (1) principal of and interest on general long-term debt, which are recognized when due; and (2) employee annual leave and claims and judgments for litigation and self-insurance, which are recorded in the period due and payable. Proprietary Funds and Pension Trust use the accrual basis of accounting. Proprietary Fund types include the City's Enterprise and Internal Service Funds. Under the accrual basis, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

### **Encumbrances**

The City budget is prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increases/decreases in reserve for advances and deposits to other funds and agencies are considered additions/deductions of expenditures. Encumbrances outstanding for the City of San Diego at year-end are reported as reservations of fund balances since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

### **Budgetary Control**

Budgetary control for the City's General Fund is exercised at the salaries and wages level, and non-personnel expense level. Budgetary control for other budgeted funds is maintained at the total fund appropriation level. The City's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared in conformity with GAAP for governmental entities, which is audited by an independent certified public accounting firm.

# Guide to the Budget

## Budget Process Timeline

### Budget Process Timeline

The following schedule outlines the major dates and tasks involved in preparing the Annual Budget. The budget calendar overlaps fiscal years and the steps listed below cover one complete budget cycle.

#### September

The Financial Management Department develops the guidelines and schedule for the budget preparation process.

#### October through November

Financial Management distributes the City Manager's budget policy guidelines to departments instructing them on preparing their base budget.

Departments submit their base budget requests via the online Financial Management Information System (FMIS) for review by the Financial Management Department. The departmental base budgets reflect current levels of services that have been adjusted for allowable increases or decreases, i.e. salary adjustments, energy, utilities or existing contractual services. Base budgets may also reflect a reallocation of resources within departmental budgets based upon historical information. Special Promotional Programs and Community Development Block Grant applications are made available and submitted by interested organizations.

#### November through March

In accordance with Council Policy 000-20, the City Manager provides a report to the Mayor and City Council that includes a discussion of current budgetary policies and priorities, a high-level forecast of revenue growth and expenditure requirements for the upcoming fiscal year, and recommendations for application of City resources.

The Mayor and City Council solicit public input and engage in discussions of Citywide goals and objectives, program priorities, and other budget policy guidelines. The City Manager conveys the Mayor and City Council's budget policies and priorities to departments to assist them in the development of their budgets for the upcoming fiscal year.

Departments submit further budget requests based upon: (1) clear and refined objectives that reflect operations at the highest possible level of economy and efficiency, and (2) budget priorities provided by the Mayor and City Council. Several City Manager Executive Team Meetings are held to conduct high level budget policy issue discussions and make budget decisions based upon the Citywide priorities and projected resources. In general, those who attend each Executive Team Meeting include: the City Manager, Assistant City Manager, Deputy City Managers, Financial Management Director, and Budget Director.

In March, the City Manager recommends a program of projects to be funded by Community Development Block Grant funds. A public hearing is held to review the program. Recommendations for funding are presented to the Mayor and City Council for consideration.

#### April

The Proposed Budget is finalized and the Financial Management Department prepares the Proposed Budget document.

# Guide to the Budget

## Budget Process Timeline

### **May**

The City Manager submits the Proposed Budget to the Mayor and City Council at the first City Council meeting in May, per the City Charter, and files a copy with the City Clerk's Office. The Mayor and City Council conduct budget meetings to review the Proposed Budget. Public comment is received at this time.

### **June**

The budget meetings are conducted as City Council workshops, focusing on policy issues. The Mayor and City Council adopt the Annual Budget no later than the last City Council meeting in June.

### **July**

The Mayor and City Council adopt the Annual Appropriation Ordinance, which requires two noticed public hearings, usually held on consecutive days. This gives City officials the legal authority by the Mayor and City Council to expend resources.

### **August**

The Mayor and City Council adopt the Annual Tax Rate Ordinance no later than the last City Council meeting in August.

### **September**

The Financial Management Department prepares the Annual Budget.

### **October**

The Annual Budget is printed and distributed.

(The Fiscal Year 2005 Annual Budget has been delayed due to financial statements for Fiscal Year 2003 not being available.)



# Guide to the Budget

## Budget Process Timeline

### Budget Process Timeline

