

CITY OF SAN DIEGO
FISCAL YEAR
2008 ANNUAL
BUDGET

Executive Summary



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Introduction

The Fiscal Year 2008 Annual Budget continues the corrective fiscal actions that began in Fiscal Year 2007. The road to fiscal recovery presents a significant challenge, but with the appropriate vision and financial plan, the City of San Diego will regain fiscal stability. In November 2006, the Mayor released the Five-Year Financial Outlook. This document not only presented the City of San Diego's first critical examination of its long-range fiscal condition and financial challenges, but also served as a road map in the development of the Fiscal Year 2008 Annual Budget.



The Financial Outlook identified eight significant areas that require immediate City attention and resources:

1. Funding deferred maintenance and capital needs
2. Funding the City's ADA obligations
3. Funding the City's obligations under Storm Water Runoff Permits
4. Funding the City's contributions to the Pension Plan
5. Funding Retiree Health-Other Post Employment Benefits (OPEB)
6. Funding the General Fund Reserves
7. Funding the City's Public Liability Fund
8. Funding the City's Workers' Compensation Fund

The funding for each of these significant areas in the Fiscal Year 2008 Annual Budget is described in the Fiscal Recovery Section of this Volume.

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City Budget Overview

The City of San Diego's Fiscal Year 2008 Annual Budget of \$2.92 billion is comprised of six main funds: the General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Improvements Program Funds, Enterprise Funds, and Internal Service Funds. **Table 1** shows the change in funding from Fiscal Year 2007 to Fiscal Year 2008 by fund.

TABLE 1 TOTAL CITY FUND CHANGES FY 2007-2008				
FUND TYPE	FY 2007 BUDGET	FY 2008 BUDGET	CHANGE	
General Fund	\$ 1,021,203,098	\$ 1,106,330,952	\$ 85,127,854	8.3%
Debt Service Funds	\$ 12,136,700	\$ 16,384,472	\$ 4,247,772	35.0%
Special Revenue Funds	\$ 242,930,505	\$ 247,057,937	\$ 4,127,432	1.7%
Enterprise Funds	\$ 839,812,640	\$ 856,744,292	\$ 16,931,652	2.0%
Internal Service Funds	\$ 106,664,199	\$ 155,249,532	\$ 48,585,333	45.5%
Capital Improvements Program	\$ 293,671,493	\$ 491,636,238	\$ 197,964,745	67.4%
Other Funds	\$ 39,908,893	\$ 42,637,236	\$ 2,728,343	6.8%
TOTAL	\$ 2,556,327,528	\$ 2,916,040,659	\$ 359,713,131	14.1%

Citywide Personnel Reductions

The Fiscal Year 2008 Annual Budget reflects a total reduction of 629.71 Full-Time Equivalent (FTE) positions in the City, from 11,416.35 positions in Fiscal Year 2007 to 10,786.64 positions in Fiscal Year 2008. The Fiscal Year 2008 Proposed Budget included the elimination of 671.53 FTE positions, however, the Fiscal Year 2008 Budget deliberations resulted in 41.82 positions being added with a total net reduction of 629.71 FTE positions. The net position reduction is a combination of vacancy reductions, streamlining, Business Process Reengineering (BPR), and Council recommendations. The cost of these positions has been removed from the Fiscal Year 2008 Annual Budget.

General Fund

Departments within the General Fund provide core community services such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection as well as vital support functions such as finance and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

The City's Fiscal Year 2008 Annual Budget reflects General Fund revenues and expenditures totaling \$1.11 billion, representing an increase of \$85.1 million, or an 8.3 percent increase over the Fiscal Year 2007 Annual Budget. The Fiscal Year 2008 Annual General Fund budget includes 7,257.93 budgeted positions, a decrease of 259.69 positions from the Fiscal Year 2007 Annual Budget.

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Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Metropolitan Wastewater, Development Services, Refuse Disposal and Recycling, Golf, and Airports. Typically these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2008 Annual Budget for all Enterprise Funds is \$857 million, representing an increase of \$16.9 million, or a 2.0 percent increase from the Fiscal Year 2007 Annual Budget. Increases are primarily due to additional capital expenditures of approximately \$175 million in Water and Metropolitan Wastewater Departments. The increased spending will support State and federal mandated projects and other needs.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include TransNet, Gas Tax, and Special Promotional Programs. The Fiscal Year 2008 Annual Budget for Special Revenue Funds is \$247 million, representing an increase of \$4.1 million, or a 1.7 percent increase from the Fiscal Year 2007 Annual Budget.

Debt Service And Tax Funds

Debt Service Funds are used for the payment of principal and interest on the General Obligation Public Safety Communication Bonds and for maintenance of zoological exhibits. Related financing and issuance costs are budgeted in the debt service funds. Tax Funds contain monies that are borrowed from the sale of Tax and Revenue Anticipation Notes (TRANs) on a short-term basis to meet the cash-flow requirements of the City prior to the receipt of property tax revenues. For the first time this fiscal year, TRANs will be budgeted to show the expense of the borrowing along with the earned interest for greater transparency. The Fiscal Year 2008 Annual Budget for Debt Service and Tax Funds totals \$16.4 million representing an increase of \$4.2 million, or 35 percent. The increase is primarily attributable to budgeting the full debt service expense for TRANs issuance in the TRANs Fund in Fiscal Year 2008 compared to budget practice in previous years.

Capital Improvement Funds

The Capital Improvements Program (CIP) Budget supports construction projects such as the development of parkland, the construction of a sewer pump plant, the installation of a traffic signal and street lighting system, or the construction or remodeling of a City facility. These monies are derived from sources such as sewer and water fees, a half-cent local sales tax for transportation improvements (TransNet), Development Impact Fees, State and federal grants, and/or the



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issuance of bonds. The Fiscal Year 2008 Annual CIP Budget for the Capital Improvements Program totals \$491.6 million, which is an increase of \$198 million or 67.4 percent from the Fiscal Year 2007 Annual Budget.

In Fiscal Year 2007, both the Water Department and Metropolitan Wastewater Department (MWWD) successfully received rate increases that will support State and federal mandated and other necessary capital improvement projects. The Water Department Fiscal Year 2008 Annual CIP Budget increased by approximately \$114.5 million and the Department anticipates using these funds for major projects that include:

- \$44.6 million for the Miramar Water Treatment Plant
- \$31.2 million for the Water Main Replacements
- \$19.2 million for the Otay Water Treatment Plant
- \$13.2 million for the Alvarado Water Treatment Plant Expansion
- \$5.8 million for the Rancho Peñasquitos Pump Station
- \$3.9 million for Security Upgrades

The MWWD Fiscal Year 2008 Annual CIP budget increased by approximately \$61.2 million and MWWD anticipates using these funds for major projects that include:

- \$42.4 million for pipeline repair, replacement, and rehabilitation
- \$19.8 million for repair and upgrade of pump stations
- \$18.6 million for replacement of trunk sewers
- \$7.6 million for repair and upgrade of treatment plants

Internal Service Funds

Internal Service Funds are created to finance and account for services provided by one City department to another City department or division. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The Fiscal Year 2008 Internal Service Funds Annual Budget totals \$155.2 million, which is an increase of \$48.6 million, or a 45.5 percent increase from the Fiscal Year 2007 Annual Budget. This increase is primarily attributed to the restructuring of the Fleet Maintenance Program in which the City's motive equipment and personnel resources were centralized within the General Services Department, Equipment Division.

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Table 2 displays the overall net changes to both General Fund revenues and General Fund expenditures from Fiscal Year 2007 to Fiscal Year 2008.

TABLE 2	
FY 2008 GENERAL FUND REVENUE GROWTH OVER FY 2007 BUDGET	
Growth in Major Revenue Categories	(In Millions)
Property Tax	\$ 41.5
Sales Tax	\$ 4.6
Franchise Fees	\$ 4.8
Transient Occupancy Tax	\$ 12.3
Property Transfer Tax	\$ (7.3)
Vehicle License Fees	\$ (1.3)
Other Revenue Increases & Budgetary Adjustments	\$ 32.0
Departmental Revenue	\$ (1.5)
Net Revenue Growth*	\$ 85.1
*Refer to General Fund Revenue section of the budget for more detailed information about General Fund revenue growth.	
FY 2008 GENERAL FUND EXPENDITURE GROWTH OVER FY 2007 BUDGET	
Public Safety Expenditures	(In Millions)
Public Safety gross increase in contracted salaries and benefits (includes all departments within the Public Safety Business Center)	\$ 44.9
Public Safety annualization of facility operating costs	\$ 2.6
Public Safety additions	\$ 2.5
Subtotal Public Safety	\$ 50.0
Non-Public Safety Expenditures	
Non-Public Safety gross increase in contracted salaries and benefits	\$ 18.6
Non-Public Safety new facility and annualization operating costs	\$ 1.4
Non-Public Safety additions	\$ 36.5
Increase in Retiree Health Care (OPEB)	\$ 13.5
Non-discretionary accounts (insurance, energy, vehicle usage, information technology, etc.)	\$ 13.3
Public Liability	\$ 8.0
Addition for the Enterprise Resource Planning (ERP) System	\$ 0.5
Subtotal Non-Public Safety	\$ 91.8
Total Expenditure Requirements	\$ 141.8
Expenditure Reductions	
Personnel Vacancy Savings	\$ (34.7)
Department Funding Reductions	\$ (22.0)
Net Expenditure Requirements	\$ 85.1

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Table 3 represents the expenditure change in the General Fund over the last three fiscal years. **Table 4** identifies the allocation of General Fund dollars to the Police and Fire-Rescue Departments compared to the remaining General Fund departments. In Fiscal Year 2008, the General Fund increased by approximately \$85.1 million, or approximately 8.3 percent from Fiscal Year 2007 with the Police and Fire-Rescue Departments receiving \$42.6 million, or approximately 51.7 percent of the expenditure increase to the General Fund.

TABLE 3 GENERAL FUND EXPENDITURE GROWTH SUMMARY FY 2006-2008			
	FY 2006	FY 2007	FY 2008
Total General Fund Budget	\$ 864,919,912	\$ 1,021,203,098	\$ 1,103,966,742
Percent Change from previous year	5.8%	18.1%	8.3%

TABLE 4 GENERAL FUND EXPENDITURE ALLOCATION FY 2006-2008			
	FY 2006	FY 2007	FY 2008
Police and Fire-Rescue Budgets	\$ 496,815,077	\$ 529,644,385	\$ 572,279,793
Percent of Total General Fund Budget	57.4%	51.9%	51.7%
Other General Fund Department Budgets	\$ 368,104,835	\$ 491,558,713	\$ 534,051,159
Percent of Total General Fund Budget	42.6%	48.1%	51.3%

Total City Personnel

The Fiscal Year 2008 Annual Budget includes a total of 10,786.64 positions; 7,257.93 of these positions are budgeted within the General Fund. **Table 5** presents the change in positions from Fiscal Year 2007 to Fiscal Year 2008 including positions for the Maintenance Assessment Districts.

Significant position changes are reflected within the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds.

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TABLE 5 TOTAL CITY POSITIONS CHANGE FY 2007-2008				
FUND TYPE	FY 2007 BUDGET	FY 2008 BUDGET	CHANGE	
General Fund	7,517.62	7,257.93	(259.69)	-3.5%
Special Revenue Funds	301.78	251.43	(50.35)	-16.7%
Enterprise Funds	3,009.63	2,644.46	(365.17)	-12.1%
Internal Service Funds	500.23	545.98	45.75	9.1%
Maintenance Assessment Districts	25.09	22.84	(2.25)	-9.0%
Other Funds	62.00	64.00	2.00	3.2%
TOTAL	11,416.35	10,786.64	(629.71)	-5.5%

The Five-Year Financial Outlook established a framework for the development of the Fiscal Year 2008 Annual Budget. The Fiscal Year 2008 Proposed Budget included the elimination of 671.53 Full-Time Equivalent (FTE) positions.

However, the Fiscal Year 2008 Budget deliberations resulted in 629.71 positions being reduced from the Fiscal Year 2007 budget. The restored positions were in the Police, Fire-Rescue, and Park and Recreation Departments. Most of the eliminated positions had been vacant for a long period; others were eliminated as a result of Business Process Reengineering and organizational restructuring.



The Fiscal Year 2008 Annual Budget includes 10,786.64 FTE positions representing a 629.71 FTE position reduction from the Fiscal Year 2007 budgeted FTE positions totaling 11,416.35 FTE positions. The reduction, due to vacancy reductions, streamlining, and results of Business Process Reengineering includes the elimination of management and supervisory positions. These positions are no longer funded positions in the City and represent a real reduction in labor costs.

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Table 6 shows the position change in the General Fund over the last three fiscal years. **Table 7** displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. In Fiscal Year 2008, General Fund positions decreased by 259.69, or approximately 3.5 percent from Fiscal Year 2007. The Fiscal Year 2008 budgets for the Police and Fire-Rescue Departments include 3,994 positions or approximately 55 percent of total General Fund positions. The positions in these departments changed from 2,818.00 FTE positions to 2,818.50 FTE positions for Police and from 1,191.26 FTE positions to 1,175.50 FTE positions for Fire-Rescue due to a variety of factors including Business Process Reengineering. The Police and Fire-Rescue Departments reduced 104 positions due to restructuring of the Fleet Maintenance Program. The Fiscal Year 2008 Annual Budget reflects 87.50 FTE positions that were transferred to the General Services Department, Equipment Division while 16.50 FTE positions were eliminated.

TABLE 6 GENERAL FUND POSITION SUMMARY FY 2006-2008			
	FY 2006	FY 2007*	FY 2008
Total General Fund Budgeted FTE	6,765.36	7,517.62	7,257.93
Percent Change from previous year	-2.7%	11.1%	-3.5%

*The increase of positions in Fiscal Year 2007 was due to inclusion of supplemental positions.

TABLE 7 GENERAL FUND BUDGETED POSITIONS FY 2006-2008			
	FY 2006	FY 2007	FY 2008
Police and Fire-Rescue Budgeted Positions	3,883.23	4,009.26	3,994.00
Percent of Total General Fund Budget	57.4%	53.3%	55.0%
Other General Fund Department Budgeted Positions	2,882.13	3,508.36	3,263.93
Percent of Total General Fund Budget	42.6%	46.7%	45.0%

Retirement, Retiree Healthcare, and Other Benefits

The City's payment for retirement benefits in Fiscal Year 2008 is budgeted at \$165 million, which includes \$137.7 million for the Annual Required Contribution (ARC), \$20 million for ARC Plus, and \$7.3 million to begin to payback the pension plan for assets spent inappropriately in prior years on retiree health.

The Retirement Offset contribution in Fiscal Year 2008 is \$19.7 million, which represents the amount of City employees' retirement contributions that the City pays or offsets for employees. The Retiree Health Contribution is budgeted at \$23.1 million in Fiscal Year 2008, an increase of \$1.2 million over the Fiscal Year 2007 amount of \$21.9 million. This account provides for the annual health coverage of City of San Diego retirees.

The Fiscal Year 2008 Annual Budget includes a one-time revenue adjustment for the employee pickup savings. In prior years the tobacco revenue was received at the end of the fiscal year and realized as

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revenue in the following fiscal year. In the Fiscal Year 2008 Annual Budget, the employee contributions or (pickup savings) of \$10.1 million that were collected in Fiscal Year 2007 are budgeted as revenue in addition to the employee pickup savings of \$10.1 million collected in Fiscal Year 2008. Therefore, the total budgeted revenue in this category in Fiscal Year 2008 is \$20.2 million. Of this amount, \$10.1 million represents a one-time revenue adjustment. In future years, employee pickup savings will be budgeted solely in the year they are collected.

Workers' Compensation

State Workers' Compensation laws ensure that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws are intended to reduce litigation and provide benefits for dependents of workers who suffer from work-related accidents or illnesses. The Workers' Compensation contribution in the Fiscal Year 2008 Annual Budget is \$26.1 million, an increase of approximately \$2.7 million from Fiscal Year 2007.

Salary & Wages and Vacancy Factor

The budgeted salaries and wages in the Fiscal Year 2008 Annual Budget total \$713.8 million, of which \$499.2 million is budgeted within the General Fund. This represents an overall net reduction of \$5.3 million in salary and wages expense from the Fiscal Year 2007 Annual Budget. This budget reduction can largely be attributed to the elimination of 629.71 positions from all funds (which includes 259.69 position reductions in the General Fund) in the Fiscal Year 2008 Budget.

The Fiscal Year 2008 Annual Budget incorporates a 4.0 percent salary increase for employees represented by the Municipal Employees Association (MEA), AFSCME Local 127, and classified/unrepresented employees. The Fiscal Year 2008 Annual Budget incorporates a 6.0 percent salary increases for members of the Police Officers Association (POA) effective on July 1, 2007; a 2.0 percent increase effective December 29, 2007; and a 1.0 percent POST incentive to qualifying members.

The vacancy factor estimates the savings in personnel expenses attributable to vacancies, attrition, leaves of absences, etc. throughout the fiscal year. All authorized positions are generally not filled throughout the fiscal year resulting in savings from short-term vacancies, under-filled positions and newly hired employees who may start at a lower salary than the average budgeted salary for a given position. These estimates of vacancy savings will be reviewed throughout the fiscal year and adjusted if warranted to give departments as much flexibility as possible to fill approved, budgeted positions while maximizing savings.

For Fiscal Year 2008, General Fund departments projected savings from position vacancies. A 3.0 percent standard vacancy factor was established as a baseline reduction; however, if a department identified a projected vacancy savings greater than 3.0 percent, the savings amount was implemented. Departments with less than 10.00 budgeted FTE positions were not assessed a vacancy factor.



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Non-General Fund departments were assessed a 3.0 percent vacancy factor with the exception of Metropolitan Wastewater with no vacancy factor and Development Services Department with a 16.9 percent vacancy factor. These two Non-General funds have unique organizational changes and business processes in Fiscal Year 2008 that support these vacancy factors. The budgeted vacancy factor in General Fund for Fiscal Year 2008 is \$34.6 million, while the Citywide vacancy factor is \$46.8 million. This is an overall General Fund reduction from the Fiscal Year 2008 Proposed Budget. These adjustments were a result of budget deliberations which included modifications to General Services Street Division and the Police Department.



New Facilities

The Fiscal Year 2008 Annual Budget includes \$4 million in operating funds for new facilities. This funding will support start-up costs and operations of new Police, Fire-Rescue, and Park and Recreation facilities or provide annual support to facilities that opened during Fiscal Year 2007 and received partial funding.

Typically, new facilities are paid from restricted funds which support the construction or acquisition costs, referred

to as capital expenses, and operating costs are paid from the City's operating budget. These types of funds include Facilities Benefit Assessment (FBA) Fees, Development Impact Fees (DIF), and Community Development Block Grants (CDBG). In most cases, these fees are restricted for capital projects only and cannot be used for operating expenses, including maintenance. As a result, the General Fund must support the operations of the facility (such as a new library, playground or an expanded grass field) once the project is completed.

Park and Recreation – Annualizations and New Facilities

The Park and Recreation Department's Fiscal Year 2008 Annual Budget will include funding for the entire year for facilities that opened in Fiscal Year 2007:

- Camino Ruiz Neighborhood Park
- Edison Elementary School Joint Use
- Naval Training Center Phase I
- Nobel Athletic Area and Recreation Center
- Normal Heights Elementary School Joint Use
- Citywide Additional Open Space
- 400 Acres Paradise Hills Community Park Improvements
- Charles L. Lewis, III Memorial Skate Park

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The Park and Recreation Department plans to open several facilities in Fiscal Year 2008. The Fiscal Year 2008 Annual Budget includes funding for 4.30 positions and operating support for the following facilities. The operational needs for an entire year will be a total of 6.70 positions.

- Florence Joyner Elementary School Joint Use
- Kennedy Porter Elementary School Joint Use
- Ocean View Hills Elementary Joint Use
- Citywide Additional Open Space - 200 Acres
- Park de la Cruz (Phase II)
- Rancho Encantada Neighborhood Park
- Rodriguez Elementary School Joint Use
- Teralta Park Comfort Station and Bike/Pedestrian Corridors
- Thurgood Marshall School Joint Use
- Torrey Del Mar Neighborhood Park

Fire-Rescue – New Facilities

Fire Station 47 is scheduled to open in Fiscal Year 2008. The Fiscal Year 2008 Annual Budget includes the addition of 7.56 positions and operating funding totaling \$1.1 million to cover the requirements of operating this new facility. The positions reflect 7 months of staffing; the operational needs for an entire year will be a total of 12.97 positions.

Police – New Facilities

The Northwestern Area station opened in Fiscal Year 2007. The Fiscal Year 2008 Annual Budget includes



the addition 4.50 civilian positions and operational funding totaling \$1.5 million. During the Fiscal Year 2008 Budget deliberations, City Council added 19.00 sworn officer positions to the budget but not the associated funding. Due to the high vacancy rate among police officers, the Police Department did not project the need for additional funding for these new budgeted positions in Fiscal Year 2008.

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Citywide Restructuring/Reorganization

The Fiscal Year 2008 Annual Budget reflects several departmental restructures as a result of Business Process Reengineering (BPR) and department initiated reorganizations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2008 Annual Budget.



- Commission for Arts and Culture – The Commission for Arts and Culture has transitioned from Neighborhood and Customer Services Department to Community and Legislative Services Department.
- Community and Economic Development Department – As a result of restructuring, staff and related expenses from the Community and Economic Development Department were reallocated among the following departments: City Planning and Community Investment, Office of Ethics and Integrity, Public Safety and Customer Services. The department also eliminated 10.20 additional FTE positions.
- Fleet Maintenance – During the BPR of the City's Fleet Maintenance Program, it was determined that all City fleet resources should be consolidated within the General Services Department, Equipment Division. The BPR results in personnel transfers that will occur between the Police Department and General Services and Fire-Rescue and General Services and the elimination of 16.5 FTE positions. The Fiscal Year 2008 Annual Budget includes all restructures from the Fleet BPR.
- Park and Recreation, Park Planning Division – Resources from the Park and Recreation Department's Park Planning Division have been moved into the Planning Department and the Engineering and Capital Projects Department.
- Park and Recreation and Library Departments – The Park and Recreation and Library Departments have moved from Neighborhood and Customer Services into Business and Support Services.
- Office of the Chief Operating Officer (COO) – In the Fiscal Year 2008 Annual Budget, the Office of the COO as a budget department was restructured. The staff budgeted in the Office of the COO were transferred to several departments. The Deputy Chiefs are budgeted within their respective business centers (including Public Works, Land Use and Economic Development, Business Operations and Administration, Community and Legislative Services) and the COO and support staff are budgeted in the Office of the Mayor.
- Office of the Independent Budget Analyst (IBA) – In the development of the Fiscal Year 2007 Annual Budget, the Office of the IBA was created as part of City Council Administration. In the Fiscal Year 2008 Annual Budget, the Office of the IBA has been restructured into its own department.
- Disability Services – In an effort to create greater efficiencies, the Community and Economic Development Department was restructured resulting in Disability Services moving from Community and Economic Development to the Office of Ethics and Integrity.
- Storm Water Pollution Prevention Program – In the Fiscal Year 2008 Annual Budget, the Storm Water Pollution Prevention Program was moved from the Metropolitan Wastewater Department into the General Services Department.

General Fund Revenues

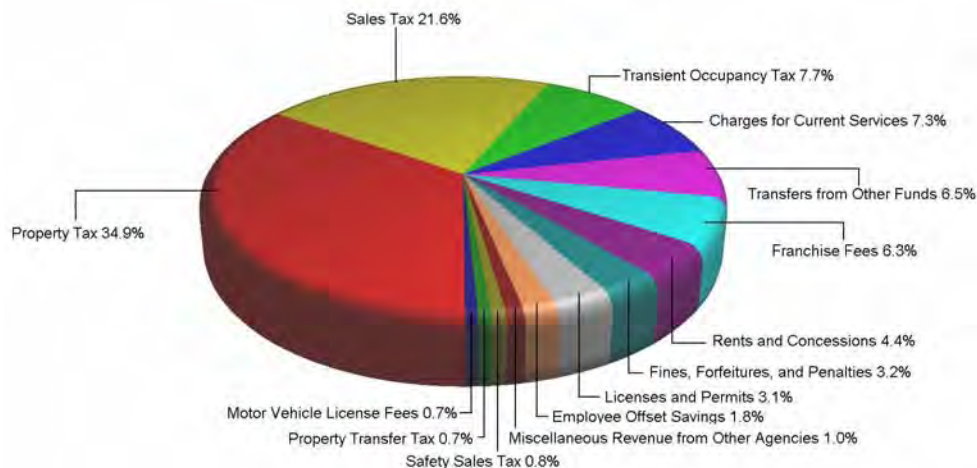
The growth in City revenue depends primarily on the economic activity in the City and the region. During an economic expansion, revenues increase and, conversely, during economic slowdown revenues decline. The key economic factors, such as population growth, unemployment and job growth rates contribute to determining revenue trends and revenue growth projections in the budget. While the majority of the City's revenue is primarily affected by local economic conditions, Statewide economic trends also affect the City's revenue sources along with the policy and resource allocation decisions at the State and federal levels.

Key economic and demographic factors that formed the basis for revenue estimates in the Fiscal Year 2008 Annual Budget include:¹

- San Diego economy will continue to show a positive growth, though at a slower pace, and is expected to exceed the State and national economic trends during the remainder of 2007 and the first-half of 2008.
- San Diego's Gross Regional Product is projected to increase by 2.5 percent in 2007, compared to 2.4 percent in California and 2.1 percent for the nation.
- San Diego's real estate market will remain in a period of relative price correction; however, the region continues to be a highly desirable place to live and work.
- San Diego's population is projected to increase by 14,663 from 1,316,837 to 1,331,500 by January 1, 2008.
- San Diego's employment is expected to grow in 2007; 16,000 jobs are estimated to be added in 2007. San Diego's unemployment rate is expected to be approximately 4 percent in 2007.
- San Diego's leisure and hospitality market will continue to moderately grow in 2007 with new hotels coming on line and the region continuing to be a top visitor destination.
- San Diego's retail sales sector of the economy is forecasted to experience some slowdown in 2007.

The Fiscal Year 2008 General Fund Revenue Budget totals \$1.11 billion with major sources, including property tax, sales tax, transient occupancy tax and franchise fee, comprising nearly 70.5 percent of the General Fund.

Fiscal Year 2008 General Fund Revenue Budget - \$1.11 Billion



¹ The following sources were used for the budget publication: City of San Diego Planning Department, San Diego Regional Chamber of Commerce Economic Bulletin, California Employment Development Department, San Diego Convention and Visitors Bureau.

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Table 8 demonstrates the growth rates for Fiscal Years 2005-2008 for the major General Fund revenues. Forecasting of revenue growth rates is important in determining funding for most General Fund expenditures. Each revenue source is forecasted independently using information from actual receipts, historical trends and State and national economic forecasts, including the UCLA Anderson Forecast, San Diego Regional Chamber of Commerce and University of San Diego Index of Leading Economic Indicators. It should be noted that for the purpose of revenue forecasting, budgeted growth rates are applied to year-end projections (of actual receipts) and do not represent the percentage increase from one year's budget to the next.

TABLE 8				
MAJOR REVENUE SOURCES	FY 2005 BUDGETED GROWTH RATE	FY 2006 BUDGETED GROWTH RATE	FY 2007 BUDGETED GROWTH RATE	FY 2008 BUDGETED GROWTH RATE
Property Tax	8.0%	7.5%	7.25%	6.0%
Sales Tax	5.0%	4.5%	4.75%	3.0%
Transient Occupancy Tax	6.0%	5.0%	6.0%	7.5%
Franchise Fees*				
SDG&E	5.0%	7.5%	7.5%	8.5%
Time Warner	5.0%	7.5%	7.5%	7.5%
Cox	5.0%	7.5%	7.5%	7.5%

*Does not reflect growth of the Utility Underground Surcharge

State Budget Impacts

In Fiscal Year 2008, the budget for the State of California includes new funds for infrastructure that are likely to have a positive impact on the City of San Diego. In Fiscal Year 2008, the City is expected to receive new funds from the State that include bond proceeds from Propositions 1B, 1C, 1E, and 84 (passed by voters in November 2006). The majority of these funds will be restricted for specific purposes and deposited into accounts outside of the City's General Fund.

In Fiscal Year 2008, the City should receive State money that is restricted for specific purposes, such as \$5.2 million for booking fee reimbursement. The remainder of the State assistance to the City consists of annual payments for the Citizen's Options for Public Safety/Juvenile Justice Crime Prevention which is expected to be \$1.5 million in Fiscal Year 2008. State revenue sources are explained in more detail in the General Fund Revenue section of this volume.

The City is also expected to receive a total of \$784,000 from the State for library related assistance. The majority of these funds are allocated through the State's Public Library Fund for Local Assistance and deposited directly into the City's Library Grant Fund. The balance is given to City libraries from the State's Teleconnect Fund with the amount allocated dependent directly on how much City libraries spend on telecommunications.

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The City will not receive any State funds related to Proposition 42 in Fiscal Year 2008 (City received \$9.5 million in Fiscal Year 2007 which were not included in the budget). The reduction in City funds resulting from the gap in Proposition 42 payments is expected to be largely offset by the allocation of Proposition 1B funding in Fiscal Year 2008. These funds are set aside for the improvements of local streets and roads as well as interstate highways. Proposition 42 payments to the City are expected to resume in Fiscal Year 2009.

Potential impacts to the City of San Diego from State funding are summarized in **Table 9**:

TABLE 9	
STATE PROGRAM	FY 2008 BUDGET IMPACT
General Fund	
Booking Fees	\$ 5.2 million
Citizen's Option for Public Safety/Juvenile Justice Crime Prevention	\$ 1.5 million
Non-General Fund	
Public Library/CA Teleconnect Fund	\$ 0.8 million
Proposition 42 "Gap Year"	\$ (9.5 million)
Proposition 1B (estimated)	\$ 12.0 million
TOTAL	\$ 10.0 million

Fiscal Year 2007 General Fund Budget Revisions

The Fiscal Year 2007 General Fund adopted budget of \$1,021,203,098 was revised through City Council actions and experienced several expenditure increases which led to a revised Fiscal Year 2007 budget totaling \$1,046,820,268. The Fiscal Year 2007 General Fund budget increased by approximately \$25.6 million, or 2.5 percent from the initial Fiscal Year 2007 adopted budget. The following items detail the significant revisions made to the Fiscal Year 2007 adopted budget (**Table 10** provides all General Fund budget adjustments):

- Citywide Program Department's expenditures related to the City's Public Liability Fund (which funds General Fund claims and designated non-claim expenditures) were increased by approximately \$9.5 million. In addition, \$3.7 million of the mid-year budget adjustment salary savings (from various departments) was transferred to fund the General Fund Reserve, and \$3.0 million was transferred to fund the Property Tax Administration (this amount was partially transferred from the City Auditor and Comptroller's Department). Finally, an increase of \$1.7 million was made to adjust the Mission Bay and Regional Parks Improvement Funds budgets per the Mission Bay Ordinance (O-19118). Other miscellaneous budget adjustments decreased the Department's expenditures by approximately \$4.7 million.
- Due to the transfer of staffing and non-personnel expenditures related to the enforcement and administration of the Parking Management Division from the General Services Department, the Police Department's budgeted expenditures increased by \$5.7 million, and the Office of the City Treasurer's budgeted expenditures increased by \$3.8 million, respectively.

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- The Fire-Rescue Department's budgeted expenditures increased by \$5.5 million, primarily due to a balancing of prior adjustments that were made as part of the department's vacancy factor savings. Other attributing expenses included higher than anticipated utility costs and the funding of reimbursable purchases made using Urban Area Security Initiative grant funding.
- The General Services, Street Division's budgeted expenditures increased by \$5.2 million primarily due to the mid-year budget adjustment that included the Proposition 42 funding for various street resurfacing projects.
- The Park and Recreation Department's Park Planning and Development Division's budgeted expenditures increased by \$1.2 million for additional funding of the Taylor Street Slope Reconstruction project. The budgeted expenditures for the Park and Recreation Department's Reservoir Recreation section also increased by \$1.5 million due to a reassignment of concession management duties.

TABLE 10 FISCAL YEAR 2007 GENERAL FUND BUDGET REVISIONS AS OF 09/26/07			
BUSINESS CENTER/DEPARTMENT	ADOPTED BUDGET	REVISED BUDGET	DIFFERENCE
Business and Support Services			
Business & Grant Administration	\$ 946,237	\$ 761,634	\$ (184,603)
Business Office	\$ 1,068,414	\$ 1,066,739	\$ (1,675)
Customer Services	\$ 2,060,780	\$ 1,944,820	\$ (115,960)
Human Resources	\$ 4,519,030	\$ 1,557,605	\$ (2,961,425)
Library Department	\$ 38,743,686	\$ 38,665,727	\$ (77,959)
Office of The CIO - Gen Fund	\$ 12,594,392	\$ 12,333,686	\$ (260,706)
Park And Recreation			
Park & Rec-Administrative Svcs	\$ 931,644	\$ 1,278,841	\$ 347,197
Community Parks I	\$ 16,195,117	\$ 16,055,785	\$ (139,332)
Developed Regional Parks	\$ 35,547,073	\$ 34,707,134	\$ (839,939)
Community Parks II	\$ 19,147,357	\$ 20,079,355	\$ 931,998
Park Planning And Development	\$ 4,824,729	\$ 6,047,766	\$ 1,223,037
Open Space Division	\$ 5,939,768	\$ 5,190,137	\$ (749,631)
Mt. Hope Cemetery	\$ 1,554,671	\$ 1,928,019	\$ 373,348
Reservoir Concessions	\$ -	\$ 1,523,940	\$ 1,523,940
Personnel Department	\$ 6,991,385	\$ 6,991,385	\$ -
Purchasing	\$ 1,981,509	\$ 2,073,978	\$ 92,469
Purchasing and Contracting	\$ 1,645,662	\$ 994,303	\$ (651,359)
Equal Opportunity Contracting	\$ 2,429,846	\$ 3,131,291	\$ 701,445
Community and Legislative Services			
Community & Legislative Services	\$ 3,804,389	\$ 4,478,322	\$ 673,933
Customer & Neighborhood Services	\$ -	\$ 379,276	\$ 379,276
Special Events	\$ 1,142,888	\$ 735,401	\$ (407,487)

Executive Summary

BUSINESS CENTER/DEPARTMENT	ADOPTED BUDGET	REVISED BUDGET	DIFFERENCE
Office of the Chief Financial Officer			
Auditor and Comptroller	\$ 13,259,804	\$ 11,127,520	\$ (2,132,284)
City Treasurer	\$ 10,089,069	\$ 13,929,417	\$ 3,840,348
Citywide Program Expenditures	\$ 46,383,612	\$ 59,415,386	\$ 13,031,774
Debt Management	\$ 1,775,697	\$ 1,775,656	\$ (41)
Department of Finance	\$ 201,356	\$ 370,979	\$ 169,623
Financial Management	\$ 4,052,574	\$ 3,809,569	\$ (243,005)
Office of the Chief Operating Officer	\$ 2,982,629	\$ 2,980,116	\$ (2,513)
Land Use and Economic Development			
City Planning Department	\$ 6,846,724	\$ 7,041,172	\$ 194,448
Community and Economic Development	\$ 10,948,786	\$ 11,221,727	\$ 272,941
Land Use & Economic Development	\$ -	\$ 238,058	\$ 238,058
Neighborhood Code Compliance	\$ 6,708,037	\$ 6,702,177	\$ (5,860)
Real Estate Assets	\$ 4,786,795	\$ 4,783,360	\$ (3,435)
Non-Mayoral			
City Attorney	\$ 36,205,158	\$ 36,388,158	\$ 183,000
City Clerk	\$ 4,124,544	\$ 4,124,544	\$ -
City Council - District 1	\$ 990,000	\$ 990,000	\$ -
City Council - District 2	\$ 990,000	\$ 990,000	\$ -
City Council - District 3	\$ 990,000	\$ 990,000	\$ -
City Council - District 4	\$ 990,000	\$ 990,000	\$ -
City Council - District 5	\$ 990,000	\$ 990,000	\$ -
City Council - District 6	\$ 990,000	\$ 990,000	\$ -
City Council - District 7	\$ 990,000	\$ 990,000	\$ -
City Council - District 8	\$ 990,000	\$ 990,000	\$ -
Council Administration	\$ 2,828,833	\$ 2,828,833	\$ -
Ethics Commission	\$ 1,008,385	\$ 1,008,385	\$ -
Office Of Ethics			
Office of Ethics & Integrity	\$ 1,194,683	\$ 1,194,611	\$ (72)
Other			
Mayor	\$ 228,658	\$ 242,522	\$ 13,864

Executive Summary

BUSINESS CENTER/DEPARTMENT	ADOPTED BUDGET	REVISED BUDGET	DIFFERENCE
Public Safety and Homeland Security			
Family Justice Center	\$ 670,728	\$ 670,534	\$ (194)
Office of Homeland Security	\$ 1,562,766	\$ 1,562,609	\$ (157)
Police Department	\$ 360,134,725	\$ 365,851,392	\$ 5,716,667
Public Safety	\$ 2,227,970	\$ 2,334,807	\$ 106,837
San Diego Fire-Rescue	\$ 169,509,660	\$ 175,028,795	\$ 5,519,135
Public Works			
Engineering and Capital Projects			
Administration	\$ 470,440	\$ 483,314	\$ 12,874
Field Engineering	\$ 14,288,511	\$ 14,277,897	\$ (10,614)
Architectural Eng & Contracts	\$ 5,122,776	\$ 5,202,492	\$ 79,716
Transp Engineering-Design	\$ 7,646,238	\$ 7,641,880	\$ (4,358)
Transp Engineering-Ops	\$ 7,713,779	\$ 7,473,735	\$ (240,044)
Environmental Services			
Environmental Protection	\$ 659,037	\$ 931,989	\$ 272,952
Refuse Collection	\$ 36,942,515	\$ 37,261,985	\$ 319,470
Resource Management	\$ 621,129	\$ 1,676,420	\$ 1,055,291
General Services			
Administration	\$ 295,985	\$ 475,423	\$ 179,438
Fac. Maintenance	\$ 15,143,790	\$ 16,461,891	\$ 1,318,101
Storm Water	\$ 13,561,608	\$ 13,569,673	\$ 8,065
Street Division	\$ 50,681,086	\$ 55,877,791	\$ 5,196,705
Parking Management	\$ 9,583,073	\$ 5,783	\$ (9,577,290)
Station 38	\$ 562,841	\$ 557,248	\$ (5,593)
Public Works	\$ 190,520	\$ 447,275	\$ 256,755
Total General Fund	\$ 1,021,203,098	\$ 1,046,820,268	\$ 25,617,170

Conclusion

The Fiscal Year 2008 Annual Budget for the City totals \$2.92 billion, with \$1.11 billion budgeted in the General Fund. A total of 629.71 positions have been removed from the City's Fiscal Year 2008 Annual Budget. The budget incorporates the fiscal policies and initiatives outlined in the Five-Year Financial Outlook which was released by the Mayor in November 2006. The annual budget funds the significant areas outlined in the Financial Outlook and maintains the City's core services.