# Executive Summary

## Introduction

The Fiscal Year 2009 Annual Budget continues the corrective fiscal actions that began in Fiscal Year 2007. In January 2008, the Mayor released an update to his Five-Year Financial Outlook. This document not only presented the update to the first critical examination of the City of San Diego's long-range fiscal condition and financial challenges, but also served as a road map in the development of the Fiscal Year 2009 Annual Budget.

The Five-Year Financial Outlook identifies eight significant areas that had been neglected or under-funded for many years and threatened to overwhelm the City's budget. These areas include funding for:

- The City's Pension Plan
- The City's General Fund reserves
- The City's deferred maintenance and capital improvement needs
- The City's Retiree Health-Other Post Employment Benefits (OPEB)
- The City's obligations under Storm Water Runoff Permits
- The City's obligations under the Americans with Disabilities Act (ADA)
- The City's Workers' Compensation Fund reserves and
- The City's Public Liability Fund reserves

The funding for each of these areas in the Fiscal Year 2009 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 2009 Annual Budget of $3.13 billion is comprised of seven main fund types: the General Fund, Debt Service and Tax Funds, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Capital Improvements Program, and other funds. **Table 1** shows the change in funding from Fiscal Year 2008 to Fiscal Year 2009 by fund type.

**TABLE 1**
**TOTAL CITY FUND CHANGES FISCAL YEAR 2008 – 2009**

| FUND TYPE | FY 2008 ANNUAL BUDGET | FY 2009 ANNUAL BUDGET | CHANGE | |
|---|---|---|---|---|
| General Fund | $ 1,106,330,952 | $ 1,192,608,391 | $ 86,277,439 | 7.8% |
| Debt Service and Tax Funds | $ 16,384,472 | $ 15,106,114 | $ (1,278,358) | -7.8% |
| Special Revenue Funds | $ 247,057,937 | $ 276,637,799 | $ 29,579,862 | 12.0% |
| Enterprise Funds | $ 856,744,292 | $ 875,953,606 | $ 19,209,314 | 2.2% |
| Internal Service Funds | $ 155,249,532 | $ 137,457,771 | $ (17,791,761) | -11.5% |
| Capital Improvements Program | $ 491,636,238 | $ 586,959,599 | $ 95,323,361 | 19.4% |
| Other Funds | $ 42,637,236 | $ 42,722,371 | $ 85,135 | 0.2% |
| **TOTAL** | **$ 2,916,040,659** | **$ 3,127,445,651** | **$ 211,404,992** | **6.8%** |

### 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 2009 Annual Budget reflects General Fund revenues and expenditures totaling $1.19 billion, representing an increase of $86.3 million or a 7.8 percent increase over the Fiscal Year 2008 Annual Budget. The Fiscal Year 2009 General Fund budget includes 7,545.22 budgeted full-time equivalent (FTE) positions, an increase of 287.29 FTE positions over the General Fund portion of the Fiscal Year 2008 budget (total City net position reduction is 57.82 FTEs). The net increase is due to the restructuring of the Engineering and Capital Projects Department where positions were transferred from Enterprise and Internal Service Funds to the General Fund. Staff and reimbursable revenue that was budgeted in these non-general funds are now budgeted in the General Fund, resulting in a net-zero effect on the City's overall budget. In addition, included in the General Fund budget is the addition of positions for mandated programs, new facilities and for facilities that received partial staffing last fiscal year, and the elimination of positions to balance the budget. Nearly 287 positions were added to the General Fund. This net increase in the number of positions is made up of approximately 273 positions transferred from other funds and that are cost recoverable, 121 actual new positions to support new mandates and initiatives, and the elimination of 107 positions from the 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. Costs related to the financing and issuance of bonds 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 and sales tax revenues. The Fiscal Year 2009 Annual Budget for Debt Service and Tax Funds totals $15.1 million.

## 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 2009 Annual Operating Budget for Special Revenue Funds is $276.6 million, representing an increase of $29.6 million or 12 percent from the Fiscal Year 2008 Annual Budget.

## 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, 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 2009 annual operating budget for all Enterprise Funds is $876.0 million, representing an increase of $19.2 million or 2.2 percent from the Fiscal Year 2008 Annual Budget.

- The Metropolitan Wastewater Department budget increased by $27.4 million.
- The Water Department budget decreased by $4.4 million.
- Other departments within the Enterprise Fund decreased by $3.9 million.

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## 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 2009 Internal Service Funds annual budget totals $137.5 million, which is a decrease of $17.8 million or 11.5 percent from the Fiscal Year 2008 Annual Budget. This decrease is primarily due to the Engineering and Capital Projects Department restructuring whereby personnel and non-personnel expenses and reimbursable revenue were transferred to the General Fund, resulting in a net-zero effect on the City's overall operating budget.

## Capital Improvement Funds

The Capital Improvements Program (CIP) budget supports construction projects, such as the development of park land, construction of sewer pump plants, acquisition of land for City use, installation of traffic signals or street lighting systems, and construction and remodeling of City facilities. These funds are derived from various sources, including sewer and water fees, a one half-cent local sales tax for transportation improvements (TransNet and TransNet Extension), development impact fees, sale of City-owned property, and State and federal grants. The City typically issues bonds to pay for large and costly projects such as deferred maintenance, sewer and water treatment plants, pump stations, and pipe replacement or rehabilitation.

The Fiscal Year 2009 Annual CIP Budget totals $587.0 million. This is an increase of $95.3 million or 19.4 percent from the Fiscal Year 2008 Annual CIP Budget of $491.6 million. The Annual CIP Budget includes funding for deferred maintenance and Americans with Disabilities Act (ADA) obligations, two of the eight significant areas identified in the Five-Year Financial Outlook. Included in the Fiscal Year 2009 Annual CIP Budget is $99.7 million for deferred maintenance projects for facilities, streets, storm drains, and sidewalks; an increase of $69.7 million over the Fiscal Year 2008 Annual Budget. These projects are funded by the following sources: proceeds from land sales, Proposition 1B funds and financing[1]. The Fiscal Year 2009 Annual CIP Budget includes $11.0 million for ADA improvements funded mainly by proceeds from land sales.

# Summary of Major Budget Changes

This section shows the major contributors to the 7.8 percent growth in revenues and expenditures in the General Fund in the Fiscal Year 2009 Annual Budget. Major General Fund revenues – property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees – account for approximately $13.5 million or 15.6 percent of the total General Fund revenue increase. Departmental General Fund revenues account for approximately $57.1 million or 66.2 percent of the total General Fund revenue increase. This is mainly due to the restructuring of the Engineering and Capital Projects Department where reimbursable revenue of $36.1 million was added to pay for the personnel and non-personnel costs transferred from Enterprise and Internal Service Funds to the General Fund, an increase of $5.8 million in Proposition 1B to the General Services Department to pay for street maintenance, and the restructuring of the Trench Restoration Function where reimbursable revenue of $5.0 million was added to pay for the personnel and non-personnel costs transferred from Enterprise Funds.

[1] The City Attorney has raised some concerns over the legality of the proposed financing structure. The financing is expected to be implemented upon successful resolution of the legal concerns.

**Table 2** displays the overall net changes to both General Fund revenues and General Fund expenditures from Fiscal Year 2008 to Fiscal Year 2009.

| TABLE 2<br>FISCAL YEAR 2009 GENERAL FUND REVENUE GROWTH OVER FISCAL YEAR 2008 BUDGET | | |
|---|---|---|
| **Growth in Major Revenue Categories** | | **(In Millions)** |
| Property Tax | $ | 25.5 |
| Sales Tax | $ | (17.4) |
| Transient Occupancy Tax | $ | 5.4 |
| Property Transfer Tax | $ | 1.3 |
| Safety Sales Tax | $ | (0.3) |
| Vehicle License Fees | $ | (1.0) |
| Other Revenue Increases & Budgetary Adjustments | $ | 15.7 |
| Departmental Revenue | $ | 57.1 |
| **Net Revenue Growth*** | **$** | **86.3** |
| *Refer to General Fund Revenue section of the budget for more detailed information regarding General Fund revenue growth. | | |
| **FISCAL YEAR 2009 GENERAL FUND EXPENDITURE GROWTH OVER FISCAL YEAR 2008 BUDGET** | | |
| **Public Safety Expenditures** | | **(In Millions)** |
| Public Safety increase in contracted salaries and benefits (includes all departments within the Pubic Safety Business Center) | $ | 20.8 |
| Public Safety annualization of facility operating costs | $ | 3.0 |
| Public Safety additions | $ | 7.1 |
| **Subtotal Public Safety** | **$** | **30.9** |
| **Non-Public Safety Expenditures** | | |
| Non-Public Safety increase in contracted salaries and benefits | $ | (1.0) |
| Non-Public Safety new facility and annualization operating costs | $ | 1.5 |
| Non-Public Safety additions | $ | 32.2 |
| **Subtotal Non-Public Safety** | **$** | **32.7** |
| Non-discretionary accounts (insurance, energy, vehicle usage, information technology, etc.) | $ | (1.9) |
| Public Liability | $ | 10.0 |
| Leveraging of Employee Offset Savings | $ | 7.6 |
| Terminal Leave funding | $ | 2.6 |
| Savings from the Lifeguard BPR | $ | (0.4) |
| Engineering and Capital Projects Restructure | $ | 33.6 |
| Other department transfers | $ | 1.4 |
| **Total Expenditure Requirements** | **$** | **116.5** |
| **Expenditure Reductions** | | |
| One-time expenditure removal | $ | (12.7) |
| Department funding reductions | $ | (17.5) |
| **Net Expenditure Requirements** | **$** | **86.3** |

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**Table 3** represents the expenditure change in the General Fund over the last three fiscal years.

| TABLE 3<br>GENERAL FUND EXPENDITURE GROWTH SUMMARY FISCAL YEARS 2007 – 2009 | | | |
|---|---|---|---|
| | FY 2007[1] | FY 2008 | FY 2009 |
| Total General Fund Budget | $ 1,021,203,098 | $ 1,106,330,952 | $ 1,192,608,391 |
| Percent Change from Previous Year | 18.1% | 8.3% | 7.8% |

[1] The percent change from Fiscal Year 2006 represents a combination of revenue growth, restructuring, and budgeting for greater transparency.

**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 2009, the General Fund increased by approximately $86.3 million or approximately 7.8 percent from Fiscal Year 2008 with the Police and Fire-Rescue Departments receiving an additional $29.0 million or approximately 50.4 percent of the total General Fund expenditures.

| TABLE 4<br>GENERAL FUND EXPENDITURE ALLOCATION FISCAL YEARS 2007 – 2009 | | | |
|---|---|---|---|
| | FY 2007 | FY 2008 | FY 2009 |
| Police and Fire-Rescue Budgets | $ 529,644,385 | $ 572,279,793 | $ 601,367,622 |
| Percent of Total General Fund Budget | 51.9% | 51.7% | 50.4% |
| Other General Fund Department Budgets | $ 491,558,713 | $ 534,051,159 | $ 591,240,769 |
| Percent of Total General Fund Budget | 48.1% | 48.3% | 49.6% |

## Total City Personnel

The Fiscal Year 2009 Annual Budget includes a total of 10,728.82 FTE positions with 7,545.22 of these positions budgeted within the General Fund. **Table 5** presents the change in positions from Fiscal Year 2008 to Fiscal Year 2009 including positions for the Maintenance Assessment Districts.

| TABLE 5<br>TOTAL CITY POSITIONS CHANGE FISCAL YEARS 2008 – 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|
| FUND TYPE | FY 2008 BUDGET | Additions | Reductions | Reorgani-zations | FY 2009 BUDGET | CHANGE | % CHANGE |
| General Fund | 7,257.93 | 120.98 | (107.11) | 273.42 | 7,545.22 | 287.29 | 4.0% |
| Special Revenue Funds | 251.43 | 0.00 | (17.60) | (2.45) | 231.38 | (20.05) | -8.0% |
| Enterprise Funds | 2,644.46 | 7.00 | (60.50) | (105.74) | 2,485.22 | (159.24) | -6.0% |
| Internal Service Funds | 545.98 | 2.00 | (4.50) | (165.23) | 378.25 | (167.73) | -30.7% |
| Maintenance Assessment Districts | 22.84 | 0.91 | 0.0 | 0.00 | 23.75 | 0.91 | 4.0% |
| Other Funds | 64.00 | 1.00 | 0.0 | 0.00 | 65.00 | 1.00 | 2.0% |
| **TOTAL** | **10,786.64** | **131.89** | **(189.71)** | **0.00** | **10,728.82** | **(57.82)** | **-0.5%** |

The Fiscal Year 2009 Annual Budget includes 10,728.82 FTE positions that represent a net reduction in the City's budget of 57.82 FTE positions from the Fiscal Year 2008 Annual Budget of 10,786.64 FTE positions. The net reduction is a result of eliminating approximately 190 positions, both vacant and filled, and the addition of approximately 132 positions for mandated programs, new facilities, and facilities that received partial staffing last fiscal year. The position cuts are positions no longer funded in the City and represent a real reduction in labor costs. As shown on **Table 5**, of the nearly 287 position net change to the General Fund, approximately 273 positions were transferred from other funds and are cost recoverable, 121 are actual new positions, and 107 positions were removed from the budget. Of the nearly 159 positions that were reduced from Enterprise Funds, approximately 106 positions were transferred to other funds, seven are actual new positions, and 61 positions were removed from the budget. Of the nearly 168 positions that were reduced from Internal Service Funds, approximately 165 positions were transferred to the General Fund, two are actual new positions, and five positions were removed from the budget.

**Table 6** shows the position change in the General Fund over the last three fiscal years. In Fiscal Year 2009, General Fund positions increased by 287.29 FTE positions, or approximately 4.0 percent from Fiscal Year 2008. This net increase is due to several factors including the Engineering and Capital Projects restructuring to implement an approved Business Process Re-engineering (BPR), the addition of mandated programs, adding staff to new facilities and facilities that received partial staffing last fiscal year, and the elimination of positions to balance the budget.

**TABLE 6**
**GENERAL FUND POSITION SUMMARY FISCAL YEARS 2007 – 2009**

| | FY 2007[1] | FY 2008 | FY 2009[2] |
|---|---|---|---|
| Total General Fund Budgeted FTE Positions | 7,517.62 | 7,257.93 | 7,545.22 |
| Percent Change from Previous Year | 11.1% | -3.5% | 4.0% |

[1] The Fiscal Year 2007 General Fund Annual Budget included 270.51 supplemental positions previously on the payroll but unbudgeted in Fiscal Year 2006.
[2] The Fiscal Year 2009 General Fund Annual Budget includes 273.42 FTE position additions resulting from the Engineering & Capital Projects Department and Trench Restoration function restructures.

**Table 7** displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2009 Annual Budgets for the Police and Fire-Rescue Departments include 3,987.63 FTE positions or approximately 52.8 percent of total General Fund positions. The positions in the Police Department decreased from 2,818.50 FTE positions in Fiscal Year 2008 to 2,787.00 FTE positions in the Fiscal Year 2009 Annual Budget due to the transfer of Parking Enforcement personnel to the Storm Water Department and a reduction in civilian positions. For the Fire-Rescue Department, the number of FTEs increased from 1,175.50 FTE positions to 1,200.63 FTE positions due to various factors including the addition of staffing for Station 47 in Pacific Highlands, funding of the activities recommended by the Wildfire After Action Report, and to operate the newly funded helicopter.

**TABLE 7**
**GENERAL FUND BUDGETED POSITIONS FISCAL YEARS 2007 – 2009**

| | FY 2007[1] | FY 2008 | FY 2009[2] |
|---|---|---|---|
| Police and Fire-Rescue Budgeted Positions | 4,009.26 | 3,994.00 | 3,987.63 |
| Percent of Total General Fund Budget | 53.3% | 55.0% | 52.8% |
| Other General Fund Department Budgeted Positions | 3,508.36 | 3,263.93 | 3,557.59 |
| Percent of Total General Fund Budget | 46.7% | 45.0% | 47.2% |

[1] The Fiscal Year 2007 General Fund Annual Budget included 270.51 supplemental positions previously on the payroll but unbudgeted in Fiscal Year 2006.
[2] The Fiscal Year 2009 General Fund Annual Budget includes 273.42 FTE position additions resulting from the Engineering & Capital Projects Department and Trench Restoration function restructures.

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The Fiscal Year 2009 Annual Budget yields the net elimination of 57.82 FTE positions from the City's payroll, saving $4.7 million over previous budgets. This is in addition to the $50.0 million in permanent savings that has already been established by cutting 668 positions in previous budgets. The Fiscal Year 2009 position cuts that have been included in this budget are part of the Mayor's ongoing effort to streamline the City's workforce. **Table 8** shows the total number of net position reductions over Fiscal Years 2007 through Fiscal Year 2009.

| TABLE 8<br>TOTAL FTE POSITION REDUCTIONS | | | |
|---|---|---|---|
| FY 2007 | FY 2008 | FY 2009 | TOTAL |
| 38.00 | 629.71 | 57.82 | 752.53 |

## Retirement, Retiree Healthcare, and Other Benefits

The City's payment for retirement benefits in Fiscal Year 2009 is budgeted at $182.3 million and described below:

- The Annual Required Contribution (ARC), which is determined by the San Diego City Employee Retirement System's (SDCERS) actuarial valuation as of June 30, 2007, is $161.7 million and assumes no negative amortization and the use of a 20 year amortization schedule of the Unfunded Actuarial Accrued Liability (UAAL). The payment was transferred to the Retirement System on July 1, 2008.
- The Retirement Offset contribution in Fiscal Year 2009 is budgeted at $19.5 million, which represents the amount of City employees' retirement contributions that the City pays or offsets for employees.
- In addition, $1.1 million is budgeted in the Citywide Program Expenditures Department for SDCERS to pay benefit payments in excess of Internal Revenue Service (IRS) limits.

The Other Post Employment Benefits (OPEB) costs are budgeted at $50.0 million in Fiscal Year 2009, an increase of $2.1 million over Fiscal Year 2008. This amount provides for the annual health coverage (pay-as-you-go portion estimated to be $26.1 million) for City of San Diego retirees and a contribution of $23.9 million to pre-fund the OPEB liability. The ARC for Fiscal Year 2009 for the City's postretirement medical benefit program as of June 30, 2007 is estimated at $102.2 million and assumes a 6.69 percent discount rate. The City is a participant in the CalPERS Employer Retiree Benefit Trust (CERBT) and has transferred $23.9 million to CERBT on July 1, 2008.

In Fiscal Year 2006, the City securitized $10.1 million of the revenues it receives under the Master Settlement Agreement with tobacco companies (Tobacco Settlement Revenues or TSRs) and infused $90.8 million into the Retirement system, in addition to the Fiscal Year 2006 ARC. Due to this securitization, TSRs that supported a variety of City Programs including the General Fund were backfilled by Employee Offset Savings (EOS).

## 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 to provide benefits for dependents of workers who suffer work-related accidents or illnesses. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2009 Annual Budget is $26.0 million. This contribution includes funding of $4.0 million toward the City Workers' Compensation Fund reserve in accordance with the City's reserve policy.

## Long-Term Disability

The Long-Term Disability (LTD) contribution in the Fiscal Year 2009 Annual Budget is $5.3 million, an increase of approximately $2.7 million from Fiscal Year 2008. This contribution includes funding of $2.3 million toward the Long-Term Disability Fund reserve as recommended by the LTD Actuarial report and in accordance with the City's reserve policy.

## Funding of Terminal Leave

In the past, the City had not completely budgeted the additional expense of terminal leave paid to employees who end their employment with the City with leave balances. While a portion of terminal leave expense has been absorbed in departmental budgets, there will be a large number of employees with high leave balances expected to retire over the next several years. Budgeting for this expense is a necessary fiscal responsibility and so the Fiscal Year 2009 Annual Budget includes $3.5 million for this purpose. While the Five-Year Financial Outlook projected this expense to be $5.6 million, the Fire-Rescue Department had already budgeted $700,000 in Terminal Leave expense in Fiscal Year 2006 that has carried over to Fiscal Year 2009, requiring a smaller amount be added in this budget. In addition, the associated fringe expense was adjusted from that used in the Five-Year Financial Outlook to include only variable fringes with the terminal leave expense.

## Salary and Wages and Vacancy Savings

The budgeted salaries and wages in the Fiscal Year 2009 Annual Budget total $711.7 million, of which $541.7 million is budgeted within the General Fund. The Fiscal Year 2009 Annual Budget incorporates full funding for the two percent salary increase, effective December 29, 2007, for members of the Police Officer Association (POA). In addition, the budget includes a three percent salary increase for members of POA effective July 1, 2008 and a 3 percent increase effective December 28, 2008. The Fiscal Year 2009 Annual Budget also incorporates a 3 percent salary raise for members of Firefighters Local 145 effective July 1, 2008 and a 2 percent increase effective September 1, 2008 as stated in the Memorandum of Understanding between the City and the labor units.

Estimates of the savings in personnel expenses attributable to vacancies, attrition, leaves of absence, etc. throughout the fiscal year are budgeted as projected savings in the annual budget. 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 2009, General Fund departments project savings from position vacancies. An overall 3.6 percent vacancy factor was established for the General Fund and an overall 5.7 percent vacancy factor was established for non-general funds. The higher vacancy factor of 22.4 percent for the Development Services Department increased the overall vacancy rate for non-general funds. This department has unique organizational changes and business processes in Fiscal Year 2009 that support this higher vacancy savings. General Fund and non-general fund departments with less than 10.00 budgeted FTE positions had no vacancy factor applied. The budgeted vacancy savings in the General Fund for Fiscal Year 2009 is $29.6 million, while the projected citywide vacancy savings is $46.2 million.

## Fiscal Policies

The City of San Diego has made progress in developing sound fiscal policies to guide decision making. The City has established new policies for reserves and modified existing policies and procedures to foster responsible fiscal management. A detailed explanation of these fiscal policies is in the Fiscal Policies section of this Volume.

## Business Process Reengineering (BPR) and Managed Competition

Mayor Sanders has implemented a Business Process Reengineering (BPR) effort and the voter-approved Managed Competition program as two elements of his broader reform effort for the City. BPR is the redesign of work processes (activities, services, or functions) for substantial improvement. In the City these work processes can be offered within or between divisions and departments. The process focuses on optimizing efforts and getting rid of non-value-added activities. The Fiscal Year 2009 Annual Budget includes the restructuring of the Engineering and Capital Projects Department to implement the approved BPR and the savings from the Lifeguard BPR.

Managed Competition commits the City to delivering quality services to taxpayers, residents, and visitors in the most economical and efficient means possible. It can also be expressed as delivering services through “competitive government,” defined as government with processes in place to validate that service quality, and costs are that as good as, or superior to, any legitimate service provider available.

## City Management Program

The City Management Program (CMP) is a program designed to integrate strategic planning and performance monitoring efforts with the budget decision making process. As a result of the City's efforts to create tactical plans, including mission statements, goals, objectives, and performance measures for City departments, the Fiscal Year 2009 Annual Budget includes goals, objectives, and performance measures. In addition, baseline and target data is provided for each performance measure while sizing and workload data is provided to put the budget into context.

The CMP improves communication within the City and with the residents of the City. It also infuses accountability into the City's actions and supports data-based decision making. The program will create a more strategically-oriented organization that optimizes its operations in order to serve the City's residents in the most efficient and effective way possible.

## Service Impacts

As part of the effort to increase the transparency and accessibility of the budget process, the Mayor has added a Service Impacts chapter to this year's budget document. This new chapter describes any significant changes to the City's ability to deliver services. The changes, whether positive or negative, are described on a department by department basis with details about any impact on the quality or quantity of services to be affected.

## Funding for Operations of New Facilities

The Fiscal Year 2009 Annual Budget includes $4.5 million in operating funds for new and enhanced facilities and for new facilities that were open only part of Fiscal Year 2008. Establishing an annual operating budget to enhance a partial year budget for staff and other operational costs is referred to as an "annualization." This funding will support start-up costs and operations of new Park and Recreation facilities or provide annual support to facilities that opened during Fiscal Year 2008 and received partial funding.

Typically, the costs of new and enhanced facilities are paid from restricted funds which support construction or acquisition costs, referred to as capital expenses. 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 2009 Annual Budget will include funding for the entire year for the following facilities that opened in Fiscal Year 2008 (the Fiscal Year 2009 Annual Budget includes funding for an additional 2.90 FTE positions and operational funding totaling $426,249 for these facilities):

- Torrey Del Mar Neighborhood Park
  - Only non-personnel expenses were added to the budget
- Thurgood Marshall Joint Use
  - Only non-personnel expenses were added to the budget
- Stonebridge Neighborhood Park (formerly Rancho Encantada Neighborhood Park)
  - Only non-personnel expenses were added to the budget

- Florence Griffith Joyner Elementary School Joint Use
  - Additional 0.05 FTE positions reflects two months of operations
  - The full-year's operational needs is 0.20 FTE positions (0.15 FTE positions was included in the Fiscal Year 2008 Annual Budget)
- Porter Elementary School Joint Use
  - Additional 0.05 FTE positions reflects four months of operations required for Fiscal Year 2009.
  - The full year's operational needs are 0.15 FTE positions (0.10 FTE positions was included in the Fiscal Year 2008 Annual Budget)
- Laura Rodriguez Elementary School Joint Use
  - Additional 0.02 FTE positions reflects two months of operations
  - The full year's operational needs are 0.15 FTE positions (0.13 FTE positions was included in the Fiscal Year 2008 Annual Budget)
- Park De La Cruz (Phase II) 38th and Cherokee Point Park
  - Additional 0.08 FTE positions reflects five months of operations
  - The full year's operational needs are 0.20 FTE positions (0.12 FTE positions was included in the Fiscal Year 2008 Annual Budget)

- Teralta Park Comfort Station
  - Additional 0.20 FTE positions reflects five months of operations
  - The full year's operational needs are 0.50 FTE positions (0.30 FTE positions was included in the Fiscal Year 2008 Annual Budget)
- Additional Open Space Acreage
  - Additional 2.50 FTE positions for support for approximately 1,500 acres added in the last four fiscal years

The Park and Recreation Department plans to open the following facilities in Fiscal Year 2009. The Fiscal Year 2009 Annual Budget includes funding for an additional 9.36 FTE positions and operational funding totaling $1,068,054 for these facilities.

- Carson Elementary School Joint Use
  - Additional 0.18 FTE positions to fund 10 months of operations
  - The full year's operational need is 0.22 FTE positions
- Del Sur Neighborhood Park (formerly Black Mountain Neighborhood Park North)
  - Only non-personnel expenses were added to the budget
- Mira Mesa Hourglass Community Park Field House
  - Additional 1.50 FTE positions for nine months of operations
  - The full year's operational needs are 2.00 FTE positions
- Fay Elementary School Joint Use
  - Additional 0.20 FTE positions to fund a full year of operations
- La Mirada Elementary School Joint Use
  - Additional 0.10 FTE positions to fund six months of operations
  - The full year's operational needs are 0.20 FTE positions
- Carmel Valley Skate Park
  - Additional 1.88 FTE positions to fund nine months of operations
  - The full year's operational need is 2.50 FTE positions
- Additional Open Space Acreage – 200 Acres
  - Additional 1.00 FTE positions to fund a full year of operations

In addition to the 4.86 FTE positions listed above, 4.50 FTE positions were added for irrigation maintenance, aquatic maintenance, and pesticide application at City-owned parks for a total of 9.36 FTE positions.

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## Fire-Rescue – Annual Funding for Facilities

Fire Station 47 opened in Fiscal Year 2008. The Fiscal Year 2009 Annual Budget includes the addition of 4.33 FTE positions and operating funding totaling $765,568 to cover the annualized costs of the facility. The positions reflect five months of staffing.

## Police – Annual Funding for Facilities

The Northwestern Area station opened in Fiscal Year 2007. The Fiscal Year 2008 Annual Budget included 19.00 FTE unfunded sworn officer positions. Due to the decreasing attrition rate among police officers, funding of $2.2 million for these budgeted positions has been included in the Fiscal Year 2009 Annual Budget.

## Citywide Reorganization/Restructuring

The Fiscal Year 2009 Annual Budget restructuring of several departments are a result of executive management 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 2009 Annual Budget.

Reorganization includes restructuring of departments, major divisions, and/or activity groups within a department, and is intended to increase the overall efficiencies and effectiveness of the City.

- Public Utilities: The Water and Metropolitan Wastewater Departments now report under the Public Utilities Business Center. In Fiscal Year 2008, the two Departments reported under the Public Works Business Center.
- Community Services: The Community Services Business Center was created and the Park and Recreation, Library, Environmental Services, and Customer Services Departments were moved under this business center.
- Purchasing and Contracting: The Purchasing and Contracting Department is now a part of the Office of the Chief Financial Officer.
- Equal Opportunity Contracting Program: The Equal Opportunity Contracting Program transferred from the Purchasing and Contracting Department to the Administration Department.
- Metropolitan Wastewater Department: The Metropolitan Wastewater Department consolidated some of its divisions to streamline accountability and budgeting.

- Storm Water Pollution Prevention: The Storm Water Pollution Prevention Division has become a stand-alone department, now called the Storm Water Department, within the Public Works Business Center. The Division has been a part of the General Services Department for the past two fiscal years. This change will provide better efficiencies for the department's Storm Drain and Street Sweeping functions. Positions and related non-personnel expenses were transferred into the Storm Water Department from the Police Department and the Street Division of the General Services Department.

- The City Auditor Department: On June 3, 2008, voters approved Proposition C which, among other things, amended the City Charter to split the Office of the Auditor and Comptroller into a City Auditor Department and a City Comptroller Department. Pending the implementation of Proposition C, audit staff-related non-personnel expenses have been transferred into the City Auditor Department, which is responsible for the internal auditing functions of the City of San Diego and reports to the Chief Operating Officer. Once Proposition C is fully implemented the new Charter position of City Auditor will be filled and the City Auditor will report to an independent City Audit Committee, also created by Proposition C.
- Engineering and Capital Projects Department: The City's Engineering and Capital Projects Department (E&CP) was restructured to provide better efficiencies among City operations needing engineering and capital project management services. A total of 235.53 FTE positions and other non-personnel expenses were either realigned within or dispersed from E&CP, the Water Department, and the Metropolitan Wastewater Department to General Fund departments including City Planning and Community Investments, Development Services, and General Services.
- Streets Trench Restoration Function: Operation of this function has been returned to the General Services Department. A total of 39.34 FTE positions were transferred from the Metropolitan Wastewater and Water Departments.
- Managed Competition Program: The Managed Competition Program has been transferred from Purchasing and Contracting to the Business Office.
- Administration Department: The Business and Grant Administration Department has been re-titled the Administration Department.
- City Planning and Development: The titles of the Land Use and Economic Development Business Center and Department have changed to City Planning and Development.

# Executive Summary

## 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, national, and 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 assumptions for revenue estimates for the Fiscal Year 2009 Annual Budget[1]:**

- The San Diego economy will show a decrease in the rate of growth in the first half of the fiscal year, rebounding in the second half of the fiscal year.
- San Diego personal income growth is expected to increase by 4.1 percent in calendar year 2009 compared to 3.4 percent in calendar year 2008.
- San Diego's Gross Metro Product, the estimated value of San Diego metro areas' total economic activity, is expected to grow by 3.0 percent in calendar year 2009. This compares to a 0.5 percent growth rate assumed for calendar year 2008.
- San Diego's population is projected to increase by 11,135 or 0.8 percent from 1,336,865 on January 1, 2008 to 1,348,000 by January 1, 2009.
- San Diego will continue to experience the effects of the upward adjustments of sub-prime mortgage rates which increased the rate of mortgage defaults and foreclosures. The housing slump effect has negatively impacted the real estate market locally as well as at the State level and nationwide. Home prices are expected to continue to decline by 4.5 percent over the last half of calendar year 2008 with the trends reversing in the first half of calendar year 2009.
- Nearly 10,000 new jobs are estimated to be created in the region in calendar year 2008, compared to 16,000 estimated for calendar year 2007 with most of the jobs being created in the leisure and hospitality sectors followed by growth in professional and scientific, government, and health care services sectors.
- San Diego's retail sales sector of the economy slowed markedly in calendar year 2007 as a result of the sub-prime mortgage crisis, financial market volatility, and increased energy costs that negatively impacted consumer confidence affecting local consumer spending. The trend of limited growth has been built into the sales tax projection for Fiscal Year 2009.
- A slight rebound is expected in leisure travel in calendar year 2008 after a slowdown in calendar year 2007 when the local tourism industry experienced flat to negative growth following a strong year in calendar year 2006.

[1] The following sources as of May, 2008 were considered in developing the revenue projections for Fiscal Year 2009: City of San Diego Planning Department, San Diego Regional Chamber of Commerce Economic Bulletin, California Employment Development Department, San Diego Convention and Visitors Bureau, City of San Diego Fiscal Year 2008 Annual Budget, Moody's Economy.com, and DataQuick Information Systems.

The Fiscal Year 2009 General Fund Revenue Budget totals $1.19 billion including property tax, sales tax, transient occupancy tax, and franchise fees, comprising 66.5 percent of the General Fund.

## Fiscal Year 2009
## General Fund Revenue Budget – $1.19 Billion

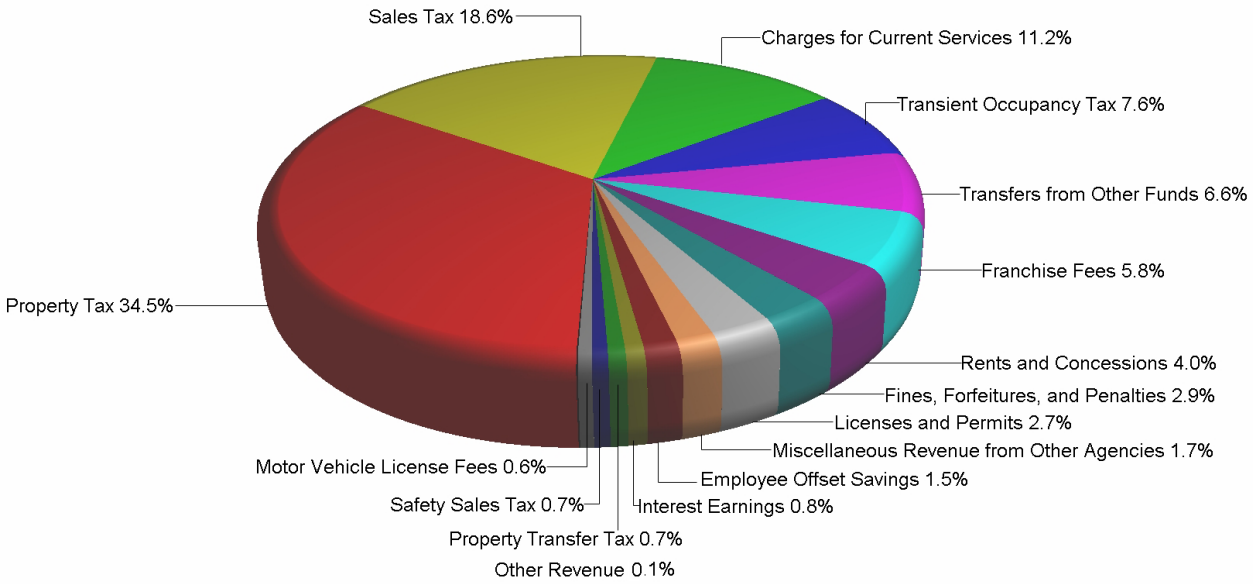


**Table 9** demonstrates the growth rates for Fiscal Years 2006 to 2009 for the major General Fund revenues. Forecasting of revenue growth rates is important in determining funding for most General Fund expenditures. Each revenue source is forecasted independently using information from actual receipts, historical trends, and State and national economic forecasts including the UCLA Anderson Forecast, University of San Diego Index of Leading Economic Indicators, and others. 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 9**
**MAJOR REVENUE BUDGETED GROWTH RATE**

| MAJOR REVENUE SOURCES | FY 2007 | FY 2008 | FY 2009 |
|---|---|---|---|
| Property Tax | 7.25% | 6.00% | 5.75% |
| Sales Tax | 4.75% | 3.00% | 0.75% |
| Transient Occupancy Tax | 6.00% | 7.50% | 6.00% |
| Franchise Fees* | | | |
| SDG&E Fees | 7.50% | 8.50% | 7.50% |
| Cable Franchise Fees | 7.50% | 7.50% | 7.50% |

***Does not reflect the growth of the Utility Underground Surcharge or the newly budgeted AT&T franchise fees.**

## State Budget Impacts

In Fiscal Year 2009, the budget for the State of California includes continued funding for the City's transportation infrastructure needs. Proposition 1B was approved by California voters in November 2006 with the intent of funding "projects that will assist in reducing local traffic congestion and further deterioration, improving traffic flows, or increasing traffic safety."[1] The City has already received $21.1 million in Proposition 1B funding and is expected to receive another $20.0 million. The Fiscal Year 2009 Annual Budget includes $21.2 million in Proposition 1B funding for deferred maintenance of streets and storm drains.

The City will also receive State funds related to Proposition 42 in Fiscal Year 2009. These funds, like Proposition 1B, are set aside for the improvements of local streets and roads as well as interstate highways.

The City expects to receive $12.7 million in Proposition 42 payments in Fiscal Year 2009. The Proposition 42 funds have been budgeted in the Special Revenue Fund AB2928.

In Fiscal Year 2009, the City is expected to receive State money restricted for specific purposes. The expected annual payment of $1.5 million for the Citizen's Options for Public Safety (COPS) will support public safety programs in the Police Department.

The Fiscal Year 2009 Annual Budget includes the reduction of $5.2 million in booking fees revenue; however, the City of San Diego has set aside $3.1 million in expenditures as a contingency in the event that the City must make a booking fee payment to the County of San Diego.

[1] California State Association of Counties and League of California Cities, September 2007.

Potential budgeted impacts to the City of San Diego from State funding are summarized in **Table 10**.

| TABLE 10<br>FISCAL YEAR 2009 STATE BUDGET IMPACTS<br>(In Millions) | | | |
|---|---|---|---|
| | FY 2008 | FY 2009 | CHANGE |
| **General Fund** | | | |
| Booking Fees | $ 5.2 | $ 0.0 | $ (5.2 ) |
| Citizen's Option for Public Safety | $ 1.5 | $ 1.5 | $ 0.0 |
| Proposition 1B | $ 0.0 | $ 5.8 | $ 5.8 |
| **Non-General Fund** | | | |
| Public Library/CA Teleconnect Fund | $ 0.8 | $ 0.0 | $ (0.8) |
| Proposition 42 | $ 0.0 | $ 12.7 | $ 12.7 |
| **Capital Improvements Program** | | | |
| Proposition 1B | $ 0.0 | $ 15.4 | $ 15.4 |
| **TOTAL** | **$ 7.5** | **$ 35.4** | **$ 27.9** |

NOTE: This table shows the impact of the 2008-2009 Governor's Budget on the City of San Diego. The amounts shown reflect what is budgeted in the City of San Diego Fiscal Year 2009 Annual Budget for each given program.

A potential impact from the State to the City's budget is the suspension of Proposition 1A which is currently being discussed by the State's legislative body. The impact of the suspension might be a reduction of up to 8 percent in property taxes which is equivalent to approximately $35.0 million in Fiscal Year 2009. However, under provisions of Proposition 1A, the State is prohibited to reduce the local sales tax rate or alter its method of allocation and decrease Vehicle License Fee revenue from the 0.65 percent rate without providing replacement funding to cities and counties.

# Fiscal Year 2008 General Fund Budget Revisions

In Fiscal Year 2008 General Fund adopted budget of $1,106,330,952 was revised through City Council actions and experienced several expenditure increases which led to a revised Fiscal Year 2008 budget totaling $1,122,515,587. The Fiscal Year 2008 General Fund budget increased by approximately $16.2 million, or 1.5 percent from the initial Fiscal Year 2008 Adopted Budget. The following items detail the significant revisions made to the Fiscal Year 2008 Adopted Budget (**Table 11** provides all General Fund budget adjustments):

- The Citywide Program Expenditures Department's budgeted expenditures increased by approximately $5.4 million primarily due to increases in the City's Public Liability Fund. Other attributing expenses include increases in reimbursements to the Recycling and Refuse Fund for wildfire related waste disposal and 24 recycling fee waivers and a decrease in transfers to Mission Bay and Regional Park Improvements Funds.

- The Environmental Services – Office of the Director Division's budgeted expenditures increased by approximately $9.4 million due to transfers from divisions within the Environmental Services Department for expenses associated with the debris removal program offered to San Diego residents impacted by the October wildfires.
- The City Treasurer Department's budgeted expenditures decreased by approximately $1.8 million due to salary savings from vacant positions and related non-personnel expenses for redistribution to other General Fund Departments.
- The City Planning and Community Investment Department's budgeted expenditures increased by approximately $1.7 million due to transfers from General Fund Appropriated Reserve for Otay Mesa Community Plan Update and Grantville Master Plan.
- The Police Department's budgeted expenditures decreased by approximately $1.6 million due to salary savings from vacant positions for redistribution to the Fire-Rescue Department.
- The General Services – Storm Water Pollution Prevention Division realized a $2.5 million surplus due to salary savings of $1.2 million and supplies and services savings of $1.3 million.
- The Fire-Rescue Department's budgeted expenditures increased by $7.9 million, primarily due to a balancing of prior adjustments that were made as a result of emergency operations attributed to the October 2007 wildfires and required funding for fringe benefits. Other attributing expenses included costs associated with additional strike team deployments and higher than anticipated utility costs.

**TABLE 11**
**FISCAL YEAR 2008 GENERAL FUND BUDGET REVISIONS AS OF 7/22/08**

| BUSINESS CENTER/DEPARTMENT | ADOPTED BUDGET | REVISED BUDGET | CHANGE |
|---|---|---|---|
| **Business & Support Services** | | | |
| Business Operations & Administration | $ 2,383,091 | $ 2,383,091 | $ - |
| Customer Services | $ 2,523,132 | $ 2,523,132 | $ - |
| Labor Relations | $ 809,621 | $ 809,621 | $ - |
| Library | $ 37,630,664 | $ 38,035,664 | $ 405,000 |
| Office of the CIO | $ 29,063,056 | $ 29,063,056 | $ - |
| Park and Recreation | | | |
| Administrative Services | $ 2,545,733 | $ 2,629,868 | $ 84,135 |
| Community Parks I | $ 16,547,162 | $ 16,783,448 | $ 236,286 |
| Community Parks II | $ 20,906,055 | $ 20,944,746 | $ 38,691 |
| Developed Regional Parks | $ 35,579,009 | $ 35,724,384 | $ 145,375 |
| Open Space Division | $ 7,041,257 | $ 7,087,381 | $ 46,124 |
| Mt. Hope Cemetery | $ 1,488,910 | $ 1,488,910 | $ - |
| Reservoir Concessions | $ 3,412,015 | $ 2,679,405 | $ (732,610) |
| Personnel | $ 6,620,002 | $ 6,620,002 | $ - |
| Purchasing & Contracting | $ 5,613,499 | $ 5,613,499 | $ - |
| | | | |
| **Community & Legislative Services** | | | |
| Special Events | $ 497,980 | $ 514,980 | $ 17,000 |
| Community & Legislative Services | $ 4,380,533 | $ 4,380,533 | $ - |

| BUSINESS CENTER/DEPARTMENT | ADOPTED BUDGET | REVISED BUDGET | CHANGE |
|---|---|---|---|
| **City Planning and Development** | | | |
| Neighborhood Code Compliance | $ 6,703,916 | $ 7,074,916 | $ 371,000 |
| City Planning and Development | $ 698,999 | $ 698,999 | $ - |
| City Planning & Community Investment | $ 16,716,335 | $ 18,399,516 | $ 1,683,181 |
| Real Estate Assets | $ 4,261,462 | $ 4,261,462 | $ - |
| **Non-Mayoral** | | | |
| City Attorney | $ 36,911,174 | $ 37,409,174 | $ 498,000 |
| City Clerk | $ 4,408,261 | $ 4,408,745 | $ 484 |
| Council Administration | $ 1,849,471 | $ 1,888,988 | $ 39,517 |
| 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 | $ - |
| Ethics Commission | $ 1,021,106 | $ 1,021,106 | $ - |
| Office of the IBA | $ 1,316,334 | $ 1,366,334 | $ 50,000 |
| | | | |
| **Office Of Ethics & Integrity** | | | |
| Office of Ethics & Integrity | $ 2,400,537 | $ 2,400,537 | $ - |
| | | | |
| **Office of the Chief Financial Officer** | | | |
| City Auditor and Comptroller | $ 11,511,090 | $ 10,911,090 | $ (600,000) |
| Citywide Program Expenditures | $ 47,811,862 | $ 53,187,350 | $ 5,375,488 |
| Debt Management Department | $ 2,730,401 | $ 2,730,401 | $ - |
| Financial Management | $ 4,117,777 | $ 3,517,777 | $ (600,000) |
| Office of the Chief Financial Officer | $ 1,067,349 | $ 1,067,349 | $ - |
| Office of the City Treasurer | $ 14,441,916 | $ 12,691,916 | $ (1,750,000) |
| | | | |
| **Other** | | | |
| Mayor | $ 627,891 | $ 627,891 | $ - |
| | | | |
| **Public Safety And Homeland Security** | | | |
| Family Justice Center | $ 537,358 | $ 574,358 | $ 37,000 |
| Fire-Rescue | $ 179,943,098 | $ 187,796,264 | $ 7,853,166 |
| Office of Homeland Security | $ 1,781,242 | $ 2,256,742 | $ 475,500 |
| Police | $ 392,336,695 | $ 390,730,995 | $ (1,605,700) |
| Public Safety | $ 3,053,186 | $ 3,053,186 | $ - |
| | | | |

# Executive Summary

| BUSINESS CENTER/DEPARTMENT | ADOPTED BUDGET | REVISED BUDGET | CHANGE |
|---|---|---|---|
| **Public Works** | | | |
| Engineering and Capital Projects | | | |
| Administration | $ 457,674 | $ 457,674 | $ - |
| Architectural Eng & Contracts | $ 6,467,269 | $ 6,167,269 | $ (300,000) |
| Field Engineering | $ 13,568,199 | $ 13,568,199 | $ - |
| Transp Engineering-Design | $ 7,303,396 | $ 6,952,068 | $ (351,328) |
| Transp Engineering-Ops | $ 7,627,890 | $ 7,379,218 | $ (248,672) |
| Environmental Services | | | |
| Energy, Sustainability & Env Protection | $ 1,994,443 | $ 1,802,455 | $ (191,988) |
| Collections Services | $ 37,243,440 | $ 35,960,246 | $ (1,283,194) |
| Office of the Director | $ 1,555,471 | $ 10,956,653 | $ 9,401,182 |
| General Services | | | |
| Administration | $ 841,559 | $ 851,619 | $ 10,060 |
| Contracts Division | $ 1,849,573 | $ 1,455,792 | $ (393,781) |
| Facilities | $ 14,664,311 | $ 14,437,297 | $ (227,014) |
| Storm Water Pollution Prevention | $ 22,995,409 | $ 20,486,434 | $ (2,508,975) |
| Street Division | $ 67,142,097 | $ 67,666,217 | $ 524,120 |
| Station 38 | $ 556,512 | $ 587,011 | $ 30,499 |
| Public Works | $ 854,530 | $ 854,530 | $ - |
| **TOTAL GENERAL FUND** | **$ 1,106,330,952** | **$ 1,122,859,496** | **$ 16,528,544** |

# Conclusion

The Fiscal Year 2009 Annual Budget for the City totals $3.13 billion, with $1.19 billion budgeted in the General Fund. A total of 57.82 net positions have been removed from the City's Fiscal Year 2009 Annual Budget. The budget incorporates the fiscal policies and initiatives outlined in the Mayor's updated Five-Year Financial Outlook which was released in January 2008. The annual budget funds the eight significant areas outlined in the Financial Outlook and maintains the City's core services.