General Fund Revenues

The total Fiscal Year 2009 annual General Fund revenue budget is $1.19 billion, which represents a 7.8 percent increase over the Fiscal Year 2008 Annual Budget. General Fund revenue pays for essential City services including police, fire, refuse collection, library services, and park and recreation programs.

Table 1 below illustrates the components of the 7.8 percent or $86.3 million increase in General Fund revenue for Fiscal Year 2009.

TABLE 1 FISCAL YEAR 2009 ANNUAL GENERAL FUND REVENUE GROWTH BREAKDOWN	
Major Revenues	1.4%
Departments Restructuring[1]	3.7%
Other Department Budgetary Adjustments	2.7%
TOTAL	**7.8%**

The General Fund Revenue section provides a detailed description of the revenue categories listed to the right on this page, including background information describing methods of allocation, growth trends, and economic factors affecting the revenue source. This information provides insight into the formulation of the Fiscal Year 2009 annual General Fund revenue projections.

The four major General Fund revenue sources–property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees–account for 66.5 percent of the City's General Fund revenue in the Fiscal Year 2009 Annual Budget. Changes in the local, State, and national economic environments can impact each of these revenue sources and trends; their possible effects on the City's finances in Fiscal Year 2009 are outlined below. Other General Fund revenue sources are influenced by these same economic conditions as well as various other non-economic events, such as a fee change or the implementation of a new policy in an existing program.

[1] The Fiscal Year 2009 Annual General Fund Budget includes revenue addition as a result of the Engineering & Capital Projects Department and Trench Restoration function restructures.

Revenue Categories

Property Tax

Other Local Taxes
- Sales Tax
- Safety Sales Tax
- Transient Occupancy Tax
- Property Transfer Tax

Licenses and Permits

Fines, Forfeitures, and Penalties

Revenue from Money and Property
- Franchise Fees
- Interest Earnings
- Rents and Concessions

Revenue from Other Agencies
- Motor Vehicle License Fees
- Miscellaneous Revenue from Other Agencies

Charges for Current Services

Transfers from Other Funds

Other Revenue

General Fund Revenues

The Fiscal Year 2009 Annual General Fund revenue projections were prepared using data current as of the end of May 2008, the most recent data available at the time the budget was prepared.

Volume II shows the detailed budgeted revenue that departments are responsible for generating. Each revenue source generated by individual General Fund departments also falls under one of the revenue categories listed to the right and is discussed in this section of the budget document.

San Diego's Economic Environment

The San Diego economy, as well as that of California and the nation, will face considerable strain in calendar years 2008 and 2009. The deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices have continued to slow the growth rate of the region's economy. Upward resets of sub-prime mortgages have increased the rate of mortgage defaults and foreclosures to record levels nationwide, with California experiencing some of the strongest effects. Foreclosure rates have increased and the number of homes sold has declined (see **Figure 1**), pushing the inventory of unsold homes to its highest level since the early 1990's (see **Figure 2**).

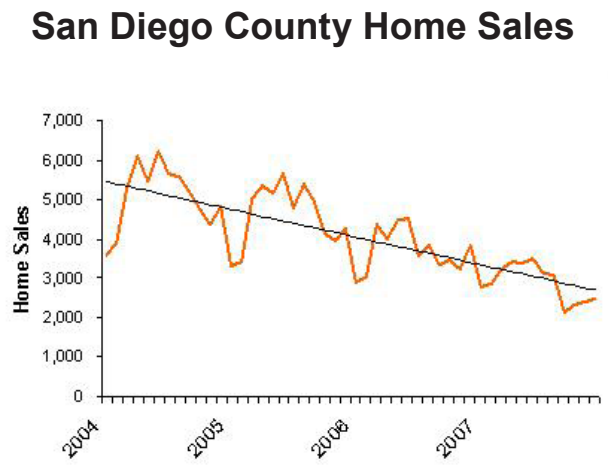


Figure 1. Source: DataQuick Information Systems

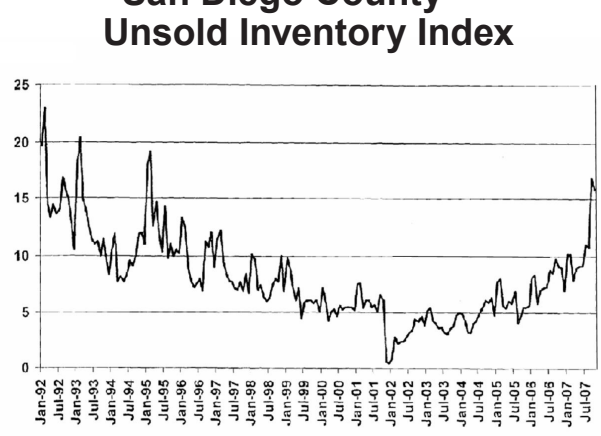


Figure 2. Source: California Association of Realtors

The effects of the housing slump have rippled through all sectors of the economy but have been particularly damaging in the real estate, construction/home remodeling, and financial sectors; several large financial institutions have reported record losses on mortgages and related financial instruments secured by these mortgages.

In addition to the collapse of the housing market, a rapid rise in energy costs have added to the uncertainty of the national, State, and regional economies, as oil prices have surpassed $130 per barrel. The combined effect of these factors has pushed consumer confidence to its lowest level in 16 years as reported by the Conference Board.

The following are some of the economic assumptions that have been used in the preparation of the Fiscal Year 2009 Annual General Fund Budget[1].

- 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.
- The median price of homes being sold in San Diego is estimated to have declined 26.6 percent from its peak in November 2005 ($518,000) to its low in May 2008 ($380,000). Prices are expected to continue declining over the course of Fiscal Year 2009.
- 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.
- As a result of the sub-prime mortgage crisis, financial market volatility, and increased energy costs, consumer confidence has decreased; the impact from this decline is felt most in the retail and wholesale trade sectors. Over the course of calendar year 2007, both the retail and wholesale trade sectors posted minimal gains over calendar year 2006, resulting in lower-than-forecasted returns for retail sales tax and related revenues.
- Nearly 10,000 new jobs are estimated to be created in the region during calendar year 2008, compared to 16,000 estimated for calendar year 2007, with most jobs being created in the leisure and hospitality, professional and scientific, government, and health care services sectors. Unemployment is not expected to drop below 5.0 percent until the second half of calendar year 2008 at the earliest, with the construction and real estate sectors being the most impacted.
- San Diego County tourism slowed in calendar year 2007 but a slight rebound in leisure travel is expected in calendar year 2008, according to the San Diego Convention and Visitors Bureau forecast.
- The City's population is estimated to increase by 11,315 from 1,336,685 on January 1, 2008, to 1,348,000 by January 1, 2009, according to the City of San Diego City Planning and Community Investment Department.

Overall, the outlook for the San Diego economy during Fiscal Year 2009 projects a slowdown in the rate of growth in the first half of the fiscal year, rebounding in the second half of the fiscal year. The primary factors influencing the economic slowdown include a market correction in home prices, real estate defaults and foreclosures driven by the collapse of the sub-prime loan industry, the negative impact on consumer spending due to rising oil and gas prices, reduced consumer confidence, and a slowdown in job growth. Despite the economic slowdown affecting the region since 2005, San Diego's diversified economy is expected to continue to grow, albeit at a much slower pace than in past years.

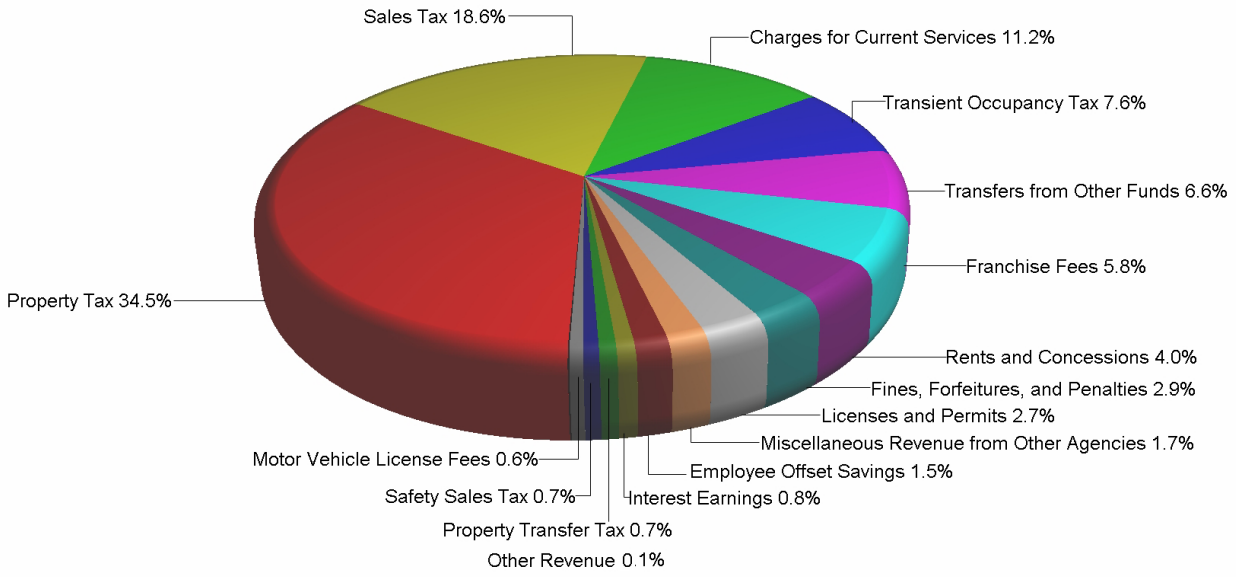
[1] The following sources were used for the budget publication: City of San Diego City Planning and Community Investment Department, San Diego Regional Chamber of Commerce, Economic Bulletin, California Employment Development Department, San Diego Convention and Visitors Bureau, Moody's Economy.com, and DataQuick Information Systems.

General Fund Revenues

TABLE 2 FISCAL YEAR 2009 GENERAL FUND REVENUES – $1.19 BILLION (IN MILLIONS)				
REVENUE CATEGORY	FY 2008 BUDGET	FY 2009 BUDGET	PERCENTAGE CHANGE FROM PRIOR YEAR	PERCENTAGE OF TOTAL
Property Tax	$ 385.7	$ 411.1	6.6%	34.5%
Sales Tax	$ 239.5	$ 222.1	-7.3%	18.6%
Safety Sales Tax	$ 8.4	$ 8.1	-3.6%	0.7%
Transient Occupancy Tax*	$ 85.2	$ 90.6	6.3%	7.6%
Property Transfer Tax	$ 7.6	$ 8.9	17.1%	0.7%
Licenses and Permits	$ 34.4	$ 32.6	-5.2%	2.7%
Fines, Forfeitures, and Penalties	$ 35.1	$ 34.5	-1.7%	2.9%
Franchise Fees	$ 69.6	$ 69.6	0.0%	5.8%
Interest Earnings	$ 7.8	$ 9.6	23.1%	0.8%
Rents and Concessions	$ 40.8	$ 47.2	15.7%	4.0%
Motor Vehicle License Fees	$ 7.9	$ 6.9	-12.7%	0.6%
Miscellaneous Revenue from Other Agencies	$ 10.9	$ 20.3	86.2%	1.7%
Employee Offset Savings (EOS)	$ 20.2	$ 17.7	-12.4%	1.5%
Charges for Current Services	$ 81.3	$ 134.1	64.9%	11.2%
Transfers from Other Funds (excludes EOS)	$ 71.4	$ 78.2	9.5%	6.6%
Other Revenue	$ 0.6	$ 0.8	33.3%	0.1%
TOTAL	**$ 1,106**	**$ 1,192**	**7.8%**	**100.0%**

*Total City Transient Occupancy Tax revenue is $173 million

Fiscal Year 2009 General Fund Revenues – $1.19 Billion



Property Tax

Total City Budget
$422.2 million

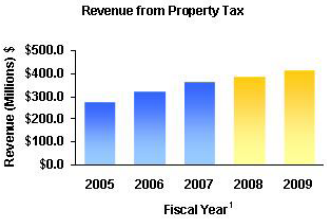
General Fund Budget
$411.1 million

Percent of General Fund
34.5 percent

Property Tax Background

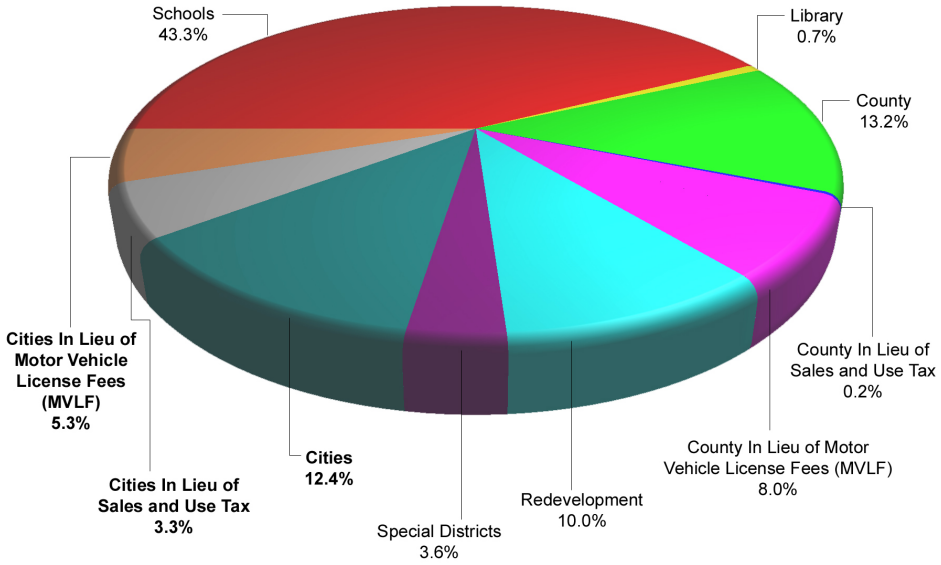
Property tax revenue is the City's largest revenue source, representing 34.5 percent of the total General Fund revenue. Property tax revenue collected by the County Tax Collector comes from a 1.0 percent levy on the fair market value of all real property. Proposition 13, passed by voters in 1979, specifies that an assessed value may increase at the rate of the Consumer Price Index, but can not exceed 2.0 percent per year based on the 1979 value unless the property is improved or sold to establish a new market value.

The 1.0 percent property tax levy is collected by the County Tax Collector and distributed to a number of agencies within the City's geographic area, including the County, school districts, and special districts. For every $100 collected, the allocation to the City totals $17.70, which includes offsets from Motor Vehicle License Fees, according to the County of San Diego Assessor's Office.



Property tax revenue is also collected for purposes other than the General Fund. An additional levy over the 1.0 percent rate is collected to pay debt service on voter-approved debt. In June 1990, voters approved a $25.5 million debt issuance to finance a new public safety communication system for the City which will reach maturity in Fiscal Year 2012. Additionally, a special tax levy of $0.005 per $100 of assessed valuation is used to fund zoological exhibits within the City.

Property Tax Distribution



Source: County of San Diego Assessor

[1] Fiscal Year 2007 reflects unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

General Fund Revenues

Since the early 1990s, many factors have contributed to reductions in the amount of revenue the City has received from property tax:

- In Fiscal Year 1993, the State of California faced a serious deficit and in order to meet its obligations to fund school districts at specified levels under Proposition 98, the State enacted legislation that shifted partial financial responsibility for funding education to local governments. These revenue shifts, otherwise known as the Educational Revenue Augmentation Fund (ERAF) shifts, resulted in an estimated cumulative loss of over $582.9 million in property tax revenue for the City up through Fiscal Year 2008[1].
- The State authorized counties to charge cities for administrative fees in order to collect and distribute property tax, further reducing the City's annual property tax receipts by approximately $3.0 million per fiscal year.
- Another ERAF shift was enacted in Fiscal Year 2005, mandating local agencies to contribute $1.30 billion per year to the State. This shift ended in Fiscal Year 2006, resulting in an annual impact of $16.9 million to the City.
- Beginning in Fiscal Year 2005, the Motor Vehicle License Fee (MVLF) backfill was eliminated by the State and was replaced dollar-for-dollar with property tax, resulting in a property tax revenue increase of approximately $52.2 million in Fiscal Year 2005 and $70.6 million in Fiscal Year 2006. Beginning in Fiscal Year 2006, the "in-lieu of MVLF" revenue has risen annually and will continue to fluctuate at the rate of growth in assessed valuation.

Property Tax Trends and Outlook

The Fiscal Year 2009 property tax forecast is built on the assumption of a continued decline in assessed home values in the local housing market and is projected to be $411.1 million, which represents a 3.25 percent decrease from Fiscal Year 2008. The lower growth rate is mainly attributable to a reduction in assessed values of local properties. The growth assumptions for the Fiscal Year 2009 property tax budget have changed from 6.0 percent projected in the Five-Year Financial Outlook released in January 2008 to 5.75 percent.

The $411.1 million consists of $304.1 million in base property tax (Proposition 13) and an estimated "in-lieu of MVLF" payment of $107.0 million.

TABLE 3 FISCAL YEAR 2009 GENERAL FUND PROPERTY TAX BUDGET	
Base Property Tax	$304.1 million
Property Tax in-lieu of MVLF	$107.0 million
Total Property Tax	**$411.1 million**

[1] California Local Government Finance, May 2008.

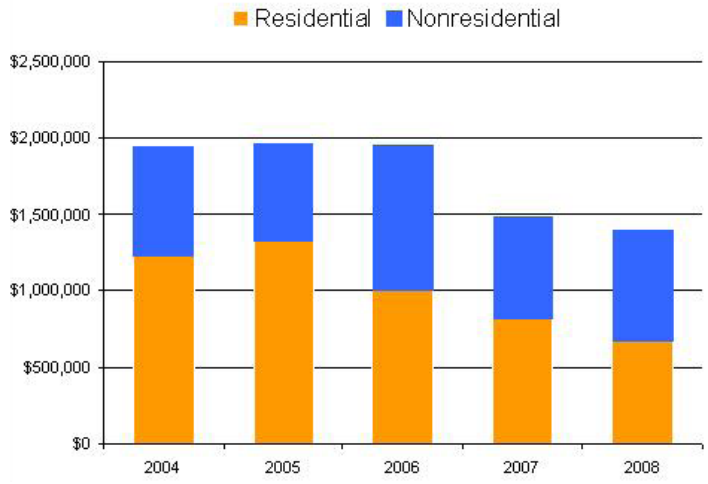
Although, property tax revenue shows positive growth in Fiscal Year 2009, it should be noted that a recent report from DataQuick Information Systems indicated that the median home price in May 2008 fell by 22.8 percent to $380,000 from $492,000 in May 2007. Similarly, the California Association of Realtors estimates that the local real estate market is projected to decline throughout calendar year 2008 by an additional 5 percent. This decline in median price is partially due to an increase in the number of bank-owned properties being sold at lower values. Consequently, home sales have continued to decline as homeowners, reluctant to sell in the current market, are choosing to hold on to their properties until property values increase again.

Supplemental assessment charges also partially account for the reduced growth rate in the property tax revenue. State law requires the County Assessor, upon a change in ownership or the completion of new construction, to reappraise property and issue a supplemental assessment reflecting the difference between the prior assessed value and the new assessment. Both of these factors – change in ownership and new construction – are projected to slow down along with the rest of the housing market, thereby reducing this revenue source.

Property Tax Economic Indicators

Total issued building permits and permit valuation (residential and non-residential) are used as indicators of overall construction activity. The graphs below represent the trends in building permits issued and building permit valuations. Residential building permits valuation has declined by 17.8 percent in Fiscal Year 2008 compared to Fiscal Year 2007. During the same period, non-residential building permits valuation increased by 8.1 percent.

Total Building Permits Valuation (In Thousands)



Source: City of San Diego, Development Services Department

Tables 4 and 5 represent permits and valuations for single-family homes, apartments, and condominiums for Fiscal Years 2004 through 2008.

TABLE 4 RESIDENTIAL PERMITS ISSUED					
DESCRIPTION	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Total Single Family	**1,877**	**1,271**	**1,290**	**903**	**272**
Apartment	334	242	106	72	72
Condominium	193	164	72	192	48
Total Multi-Family	**527**	**406**	**178**	**264**	**120**
GRAND TOTAL	2,404	1,677	1,468	1,167	839

Source: City of San Diego, Development Services Department

TABLE 5 RESIDENTIAL PERMITS VALUATIONS (IN MILLIONS)					
DESCRIPTION	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Total Single Family	**$ 471.8**	**$ 349.5**	**$ 377.8**	**$ 257.5**	**$ 210.7**
Apartment	$ 278.8	$ 321.4	$ 189.0	$ 73.4	$ 202.7
Condominium	$ 254.6	$ 394.7	$ 221.5	$ 307.9	$ 120.8
Total Multi-Family	**$ 533.4**	**$ 716.0**	**$ 410.5**	**$ 381.4**	**$ 323.5**
GRAND TOTAL	$ 1,005.2	$ 1,065.5	$ 788.3	$ 638.8	$ 534.2

Source: City of San Diego, Development Services Department

Other Local Taxes

Sales Tax

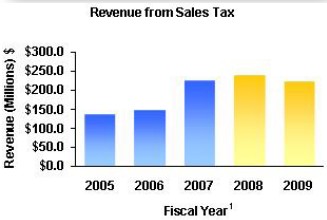
Total City Budget
$222.1 million

General Fund Budget
$222.1 million

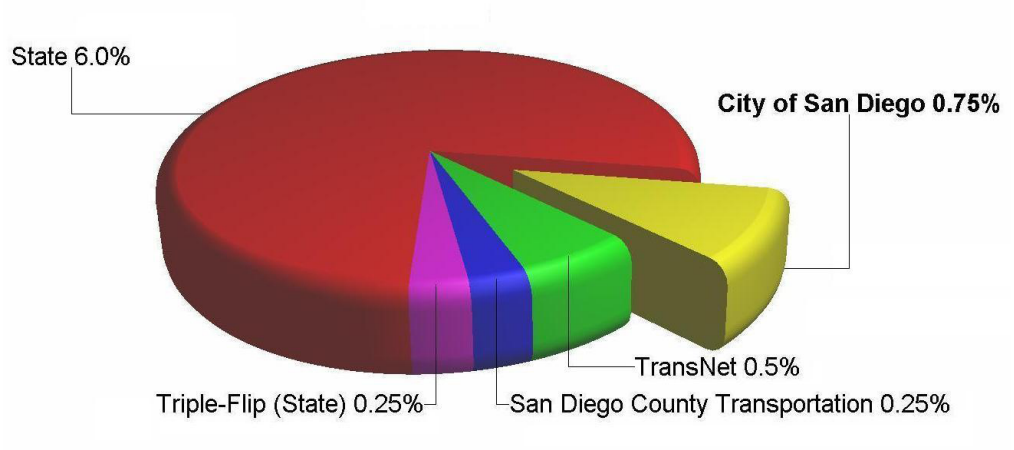
Percent of General Fund
18.6 percent

Sales Tax Background

Sales tax is the City's second largest revenue source, representing 18.6 percent of the total General Fund revenue. Collected at the point of sale, sales tax receipts are remitted to the State Board of Equalization, which allocates tax revenue owed to the City in the form of monthly payments. According to the Bradley-Burns Sales and Use Tax law, cities are to receive one cent of the total 7.25 cent statewide sales tax levied on each dollar of taxable sales. In addition to the Bradley-Burns sales tax, San Diego County voters approved a half-cent supplemental sales tax in 1987 to fund the San Diego Transportation Improvement Program (TransNet), resulting in a total countywide sales tax of 7.75 percent. The TransNet Extension Ordinance and Expenditure Plan, which went into effect April 2008, renewed the half-cent obligation for an additional 40-year term. Sales tax includes a half-cent tax approved by California voters in 1993 for the purpose of funding local public safety expenditures. The revenue from this half-cent sales tax, known as the safety sales tax, is discussed in the following section.



Countywide Sales Tax Rate (7.75 percent)



Sales Tax Trends

Various economic factors, especially the unemployment rate, play a significant role in the performance of retail sales. A lower unemployment rate correlates with stronger consumer spending, which in turn has a positive effect on retail sales and local sales tax. Historically, San Diego has had a low unemployment rate compared to the rest of the State. The unemployment rate in San Diego in May 2008 was 5.5 percent compared to 6.8 percent for California and 5.5 percent for the nation.

[1] Fiscal Year 2007 reflects unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

General Fund Revenues

The Fiscal Year 2009 sales tax estimate reflects expectations of lower growth in local taxable sales. The performance of taxable sales in San Diego County for the second half of calendar year 2008 is expected to continue to slow down compared to calendar year 2007. The declining trend is based on growing unemployment in the construction and real estate/finance industries, moderating household income growth, and the continuing rise of energy prices. Any increase in the costs of energy, specifically in the cost of gasoline, reduces the consumer's ability to spend money in other sectors, such as retail.

As personal income growth slows and perceived wealth in the form of home equity is expected to dissipate in Fiscal Year 2009, it is anticipated that consumer spending will slow and keep closer pace with personal income growth. According to the Moody's San Diego Metro Area Forecast, the personal income growth will grow by 4.1 percent in calendar year 2009 compared to 3.4 percent in calendar year 2008. However, it is still low comparing to growth rates exceeding 6 percent in calendar years 2004 through 2007.

The issuance of new housing permits is anticipated to decline even further, and the subsequent loss of jobs in the construction and real estate sectors are indirectly being replaced with lower paying jobs in the leisure and hospitality sectors. The net effect of this is an income shift from higher disposable income individuals to lower disposable income individuals which results in less purchasing power, thus generating lower sales tax revenue for the City. It is possible that the local economic slowdown will be softened by the diverse nature of the San Diego economy, especially by sustained employment growth in the leisure and hospitality and professional services industries. It is not likely that local employment growth in these sectors will completely offset other losses nor spare the local economy from a slowdown. Growth in these sectors will, however, provide a moderate buffer against a major economic recession.

Sales Tax Outlook

The projected sales tax revenue for Fiscal Year 2009 is $222.1 million or 0.75 percent growth over the Fiscal Year 2008 year-end projections. The Fiscal Year 2009 sales tax projection also includes the property tax reimbursement that the City will receive as a result of the triple-flip. (Triple-flip is the shift enacted by the State in Fiscal Year 2005 whereby local governments shift one-quarter of a cent of their Bradley-Burns Sales and Use Tax to the State in exchange for an equivalent amount of property tax). The lower sales tax projection in Fiscal Year 2009 built over the higher Fiscal Year 2008 year-end projection can be explained by a reduction in the true-up payment to be received by the City in Fiscal Year 2009 (the true-up payment represents a difference in one-quarter of a cent property tax reimbursement from the State between the estimated and actual payments for prior fiscal year).

Once the State's Economic Recovery Bonds are paid off, local governments will no longer receive the property tax reimbursement, but will instead regain the one-quarter-cent sales tax that was diverted to the State by the triple-flip. This shift is different from the MVLF property tax swap which is considered to be a permanent shift of revenues from MVLF to property tax. The growth assumptions for the Fiscal Year 2009 sales tax budget have changed from 1.25 percent projected in the Five-Year Financial Outlook released in January 2008 to 0.75 percent.

TABLE 6 FISCAL YEAR 2009 ANNUAL SALES TAX BUDGET	
Sales Tax Revenue	$169.0 million
Property Tax Reimbursement	$ 53.1 million
Total Sales Tax	**$222.1 million**

Safety Sales Tax

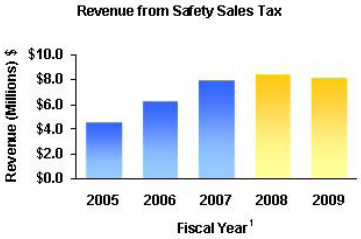
Total City Budget
$8.1 million

General Fund Budget
$8.1 million

Percent of General Fund
0.7 percent

Safety Sales Tax Background

Safety sales tax revenue is derived from a half-cent sales tax resulting from the passage of Proposition 172 in November 1993, and must be used solely for local public safety purposes. The State Controller's office disburses safety sales tax revenue to the County Local Public Safety Fund for distribution. Cities receive 5.0 percent of the amount of the fund, which is allocated based upon a city's proportionate loss of property tax revenue in the 1993-1994 ERAF shift. Subsequent legislation (Senate Bill 8) changed the allocation system for Proposition 172 revenue and lifted the cap on the share that the City of San Diego and other cities within the county could receive. Total revenues reflect additional funds received by the City as a result of this legislation.



Safety Sales Tax Trends

Safety sales tax receipts generally follow the same economic trends as sales tax receipts including taxable sales, per-capita income levels, and employment rates. The primary difference is that safety sales tax is first allocated to counties in proportion to their share of taxable sales, and then distributed to the cities within the county based upon the individual cities' proportion of taxable sales in the county. Safety sales tax revenue entirely depends on San Diego County's share of total statewide taxable sales, not on taxable sales within the City.

Safety Sales Tax Outlook

The Fiscal Year 2009 annual General Fund budget projects $8.1 million in safety sales tax revenue, a 1.25 percent growth over Fiscal Year 2008 year-end projections. City Council Policy 500-07 requires that the use of Proposition 172 funds be used only for local public safety activities, including police and fire protection. In Fiscal Year 2009, approximately $1.6 million will be allocated to the Fire and Lifeguard Facilities Fund for debt service payments on fire facility improvements while the remaining $6.5 million is allocated for public safety expenditures within the General Fund. The growth assumptions for the Fiscal Year 2009 safety sales tax budget have not changed from the projections in the Five-Year Financial Outlook released in January 2008.

[1] Fiscal Year 2007 reflects unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

Transient Occupancy Tax

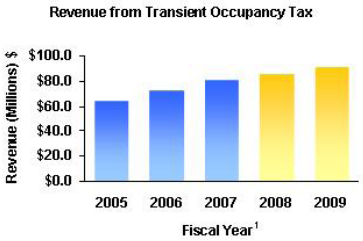
Total City Budget
$173.0 million

General Fund Budget
$90.6 million

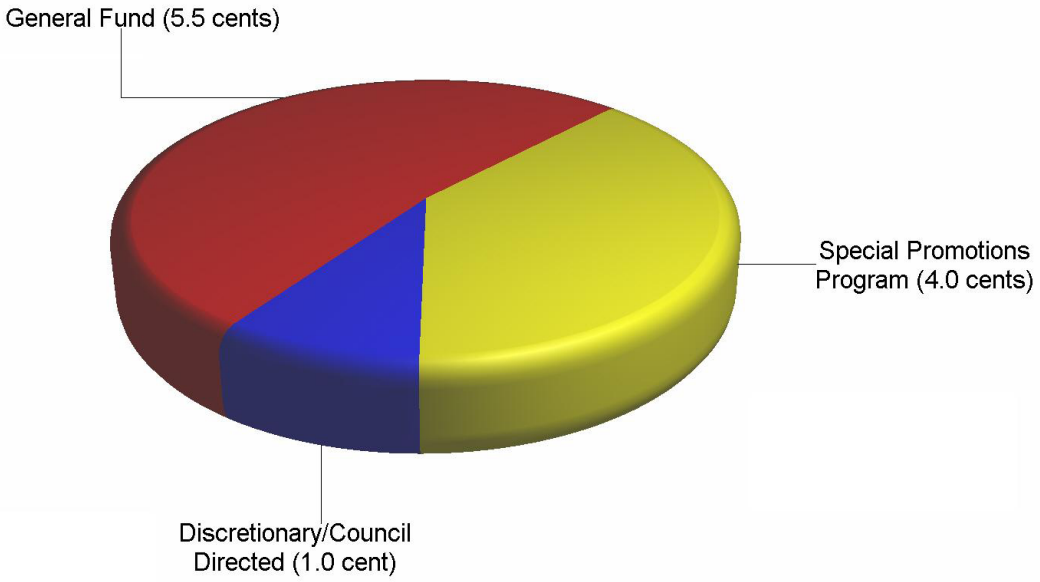
Percent of General Fund
7.6 percent

Transient Occupancy Tax Background

The Transient Occupancy Tax (TOT) is levied at 10.5 cents per dollar of the daily room price in hotels and motels used by visitors staying in San Diego for less than 30 consecutive days. The allocation of TOT is at the discretion of the Mayor and City Council with guidelines provided by the City Council Policy 100-3. The policy stipulates that of the 10.5 cents of collected TOT, 4.0 cents shall be applied toward promoting the City as a tourist destination, 5.5 cents shall be applied toward general government purposes, and the remaining 1.0 cent to be allocated for any purposes approved by the City Council.



Transient Occupancy Tax Allocation



[1] Fiscal Year 2007 reflects unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

Transient Occupancy Tax Trends

San Diego remains one of the top five travel destinations in the United States, according to travel industry market research from the San Diego Convention and Visitors Bureau. Approximately 81.0 percent of visitors come to San Diego for vacation purposes. Despite San Diego's continued appeal to travelers worldwide, in calendar year 2007, San Diego Convention and Visitors Bureau reported a reduction in the total number of all visitor types (day, overnight, etc.) from 32.2 million to 31.6 million (-2.0 percent) although the net economic impact was a positive 2.3 percent growth (from $17.7 billion to $18.1 billion)[1].

The overall forecast for San Diego's visitor industry in calendar year 2008 assumes modest growth. A decline in the hotel occupancy rate is expected due to the supply of hotel rooms (including newly opened hotels) outpacing the demand. The hotel occupancy rate is anticipated to be approximately 71.5 percent compared to 72.9 percent in calendar year 2007 with 14.4 million visitors expected to stay overnight in San Diego County. The number of hotel visitors is expected to increase by 0.9 percent compared to prior year-end actuals. An estimated 1,098 rooms is expected to be added to the County inventory in calendar year 2008. The average daily room rate for 2008 is anticipated to be $143.06, a 3.0 percent increase over calendar year 2007[2].

Transient Occupancy Tax Outlook

Total TOT revenue in Fiscal Year 2009 is projected at $173.0 million, of which $90.6 million will be allocated to the General Fund and $82.4 million allocated to the Special Promotional Programs. This assumes a growth rate of 6.0 percent over Fiscal Year 2008 year-end projections versus 7.5 percent projected in the Five-Year Financial Outlook released in January 2008. This growth is based on several factors including projected increases of 3.0 percent in the average daily room rate and 1.2 percent in overnight visitors over calendar year 2007 levels. In 2008, the California Travel and Tourism Commission will apply $50.0 million in new revenues toward promoting the State domestically and internationally. Locally, an increase in marketing efforts by the San Diego Convention and Visitors Bureau resulting from the newly established Tourism Marketing District (TMD)[3] is expected to generate more lodging demand[4].

[1,2,4] San Diego Convention and Visitors Bureau: 2008 San Diego County Travel and Tourism Forecast, December 2007 and Revised April 2008.

[3] The Tourism Marketing District, approved by City Council in December 2007, was established with the purpose of allowing hotel/motel business owners to assess an additional 2 cents per dollar fee on their patrons beginning January 1, 2008.

Property Transfer Tax

Total City Budget
$8.9 million

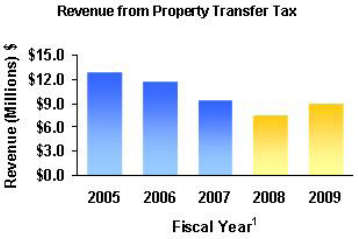
General Fund Budget
$8.9 million

Percent of General Fund
0.7 percent

Property Transfer Tax Background

Property transfer tax is levied on the sale of real property. The County of San Diego collects $1.10 per $1,000 of the sale price when any real property is transferred. The City charges 55 cents per $1,000, which is credited against the County's charge, giving both the County and City each 55 cents per $1,000 received. The funds are collected by the County for property transfers occurring within City limits and then transferred to the City in 13 payments throughout the year.

Property Transfer Tax Trends



The Fiscal Year 2009 property transfer tax budget reflects the market conditions and trends at the time of the budget preparation. In many parts of California, home sales have dropped to levels not seen in nearly two decades. The City's total home sales declined 5.9 percent from calendar year 2006 to 2007, included in this amount is the number of existing home/condo sales within the City which declined 8.1 percent from a total of 12,676 in 2006 to 11,645 in 2007[2]. The growth rate for Fiscal Year 2008 was projected at a 5.0 percent decline from the prior fiscal year-end estimated receipts; however, the Fiscal Year 2008 year-end projection was revised downward mid-year to reflect the continued drop in monthly revenue receipts. Median prices of all homes have also declined in conjunction with total home sales. Through May of Fiscal Year 2008, the median home price in the City has declined 22.8 percent from $492,000 in May 2007 to $380,000 in May 2008[2].

Property Transfer Tax Outlook

The Fiscal Year 2009 budget projects a property transfer tax revenue of $8.9 million, zero growth from Fiscal Year 2008 year-end projections. Through April 2008, it was unclear how dramatic an effect the sub-prime credit crunch, impending foreclosures, and declining economy would have on the real estate market as a whole. Many economists predicted a recession, others felt the American economy could weather the storm. A year later, the nation is dealing with a significant economic downturn and has received an infusion of "economic relief" from the federal level in the form of interest rate cuts and tax rebates. The outlook for the City and region, however, continues to be more positive than some geographic areas in California and the rest of the nation.

[1] Fiscal Year 2007 reflects unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.
[2] DataQuick Information Systems.

The Fiscal Year 2008 revenue from property transfer tax was budgeted at $7.6 million, a 5.0 percent decline from Fiscal Year 2007. After experiencing relatively flat property transfer tax revenue receipts at the start of Fiscal Year 2008 compared to the same time period in Fiscal Year 2007, recent receipts show declines of more than 50 percent. Although the City is currently experiencing declining home sales, lower median home prices may stimulate sales and allow the supply-demand equilibrium to level out in the near future.

Licenses and Permits

Total City Budget
$60.8 million

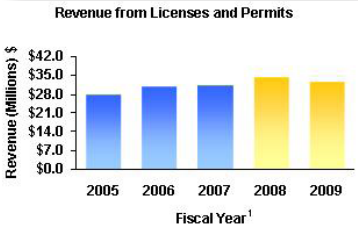
General Fund Budget
$32.6 million

Percent of General Fund
2.7 percent

Licenses and Permits Background

Licenses and permits generate revenue for the purpose of recovering the costs associated with regulating an activity. These regulatory functions are typically performed by the City in the interests of promoting public safety. Included in this category are business licenses, rental unit taxes, parking meter collections, and referral fees received from the City's towing operators.

The business license tax is levied on businesses with 12 or fewer employees through an annual flat fee of $34. Companies with 13 or more employees pay an annual flat fee of $125 plus $5 per employee. Rental unit taxes are calculated as a flat rate plus a per-rental unit fee. Currently, the rental unit tax has three rate tiers for residential properties and two rate tiers for hotel/motel properties.



Licenses and Permits Trends and Outlook

For Fiscal Year 2009, the licenses and permits revenue budget is $32.6 million, a drop of $1.7 million or 5.2 percent from the Fiscal Year 2008 Annual Budget. The reduction reflects the removal of a one-time revenue added to the Fiscal Year 2008 budget to account for a Franchise Tax Board pilot program that targeted non-compliant business tax filers. All subsequent fiscal years will generate a smaller portion of the revenue collected from the program in the pilot year. Excluding this program adjustment, the Fiscal Year 2009 projection suggests modest year-to-year growth based on historical trends and receipts.

[1] Fiscal Years 2005 to 2007 reflect unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

Fines, Forfeitures, and Penalties

Total City Budget
$35.8 million

General Fund Budget
$34.5 million

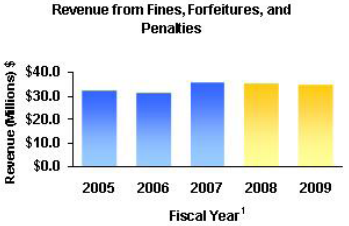
Percent of General Fund
2.9 percent

Fines, Forfeitures, and Penalties Background

Fines, forfeitures, and penalties include revenue generated from monetary sanctions associated with the violation of a law or regulation such as California Vehicle Code violations, City parking and ordinance violations, and litigation awards.

Fines, Forfeitures, and Penalties Trends and Outlook

For Fiscal Year 2009, the revenue budget for fines, forfeitures, and penalties is $34.5 million, a $550,000 or 1.7 percent drop from the Fiscal Year 2008 Annual Budget. This revenue reduction resulted from a decrease in collection of referral fees due to the aforementioned FTB pilot program. It should be noted that this is a different revenue source than the one described in the Licenses and Permits section since it references referral fees revenue related to the FTB pilot program and not business tax license revenue. Excluding this program adjustment, this revenue category is projected to remain flat based on historical trends and receipts.



Revenue from Money and Property

Franchise Fees

Total City Budget
$132.3 million

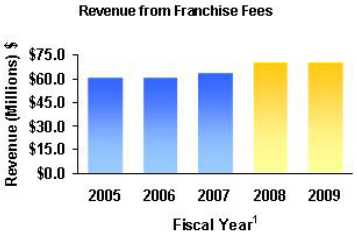
General Fund Budget
$69.6 million

Percent of General Fund
5.8 percent

Franchise Fees Background

Franchise fees revenue results from agreements with private utility companies in exchange for the City's rights-of-way. Currently, San Diego Gas and Electric (SDG&E), Cox Communications, Time Warner Cable, and AT&T are the franchises that pay the City. In addition, the City collects franchise fees from private refuse haulers that conduct business within its borders. The revenue received from the above agreements is based on a percentage of gross sales.

SDG&E, the single largest generator of franchise fee revenue, is charged 3.0 percent of the gross sales of gas and electricity within the City of San Diego, which is split between General Fund (75%) and Environmental Growth Fund (25%), according to the City Council Policy. In addition, the City receives a 3.5 percent surcharge on SDG&E's electricity sales for the undergrounding of electric utility lines that was approved by the California Public Utilities Commission in December 2002. The City also generates revenue by collecting 5.0 percent of gross revenues from Cox Communications, Time Warner Cable, and AT&T. Refuse hauler fees are imposed on private refuse haulers at $11 per ton for Class I haulers (less than 75,000 tons per year) or $12 per ton for Class II haulers (more than 75,000 tons per year).



[1] Fiscal Year 2007 reflects unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

Franchise Fees Trends and Outlook

SDG&E. The projected revenue for Fiscal Year 2009 from SDG&E franchise fees is $56.9 million, reflecting 7.5 percent growth over Fiscal Year 2008 year-end projections. In accordance with City Council policy, 25.0 percent of revenue received from SDG&E or $14.2 million is to be deposited into the Environmental Growth Fund (EGF). One-third of the EGF is used to finance the maintenance of parks, the remaining two-thirds are used for the annual interest payments for debt service on open space acquisition bonds and parkland maintenance. The remaining revenue balance of approximately $42.7 million received from SDG&E franchise fees is allocated to the General Fund.

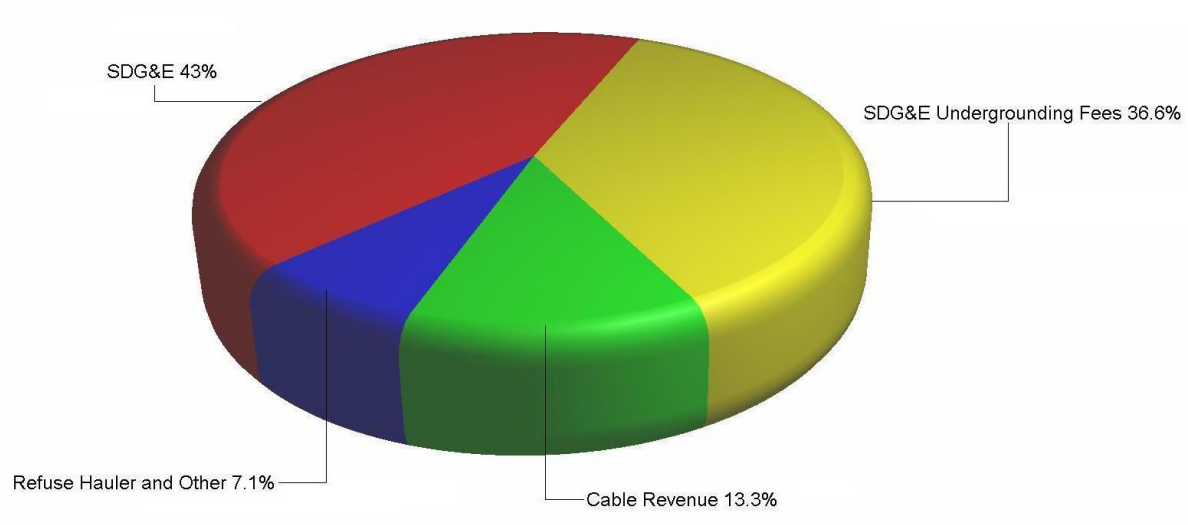
As stated in the Five-Year Financial Outlook, a 7.5 percent growth rate for SDG&E franchise fees is expected in Fiscal Year 2009.

CABLE COMPANIES. The projected revenue for Fiscal Year 2009 from cable franchise fees is $17.6 million. This figure reflects a 7.5 percent growth rate over Fiscal Year 2008 year-end projections of $16.5 million. In Fiscal Year 2008, AT&T began remitting payment to the City for these fees. It is expected that revenues from AT&T will only supplant revenues currently derived from Cox Communications and Time Warner Cable as AT&T increases its share of the San Diego cable television market.

REFUSE HAULERS AND OTHER FRANCHISES. Revenue from private refuse haulers is based on the total amount of refuse hauled annually. The City projects Fiscal Year 2009 revenue at $9.1 million based on a 1.1 percent decrease from Fiscal Year 2008 year-end estimates due to anticipated continuation of lower tonnage collection. Franchise fee revenue from other sources categorized as "miscellaneous revenue" is expected to be approximately $259,000 for Fiscal Year 2009, no change from Fiscal Year 2008 year-end projections.

UNDERGROUNDING UTILITY FEE. The utility undergrounding surcharge is estimated to be $48.4 million in Fiscal Year 2009. This revenue will be deposited into the Underground Utility District Fund to be used solely for the purpose of placing utility lines underground. This money is budgeted outside of the General Fund.

Franchise Fee Revenue Breakdown



Interest Earnings

Interest Earnings Background

The City Treasurer, in accordance with the Charter and authority granted by the City Council, is responsible for investing the City's cash assets, exclusive of City Pension Trust Funds. With the exception of certain bond funds, all City funds are pooled and invested together in a Pooled Investment Fund ("Fund") to facilitate increased flexibility in the management of the City's cash flow requirements. Fund investments must be consistent with the City Investment Policy and the State of California Government Code guidelines and restrictions. The maximum maturity of any investment may not exceed five years. Selection of an investment is based on safety, liquidity, risk, interest rate environment, and the cash flow requirements of the City. Major deviations in returns from one fiscal year to the next can generally be attributed to changes in market interest rates or the actual average amount invested during the fiscal year. Past interest earnings performance is no guarantee or indicator of future results.

Interest Earnings Trends

Interest rates decreased dramatically during Fiscal Year 2008, a product of the continuing soft housing market and subprime mortgage plight. Beginning in September 2007, the Federal Reserve slashed the Federal Funds rate from 5.25 percent to 2.00 percent in response to the financial market crises and a slowing economy. In the Federal Open Market Committee meeting in June, the Fed indicated that the risks of an extreme economic slowdown have diminished, and that it has its eye trained more sharply on the risks of increased inflation expectations. While the dramatic decrease in rates helped the Pooled Investment fund generate high returns in Fiscal Year 2008 through realized capital gains, earnings in Fiscal Year 2009 should be lower as the Pooled Investment fund reinvests its cash flows at the significantly lower interest rates.

Interest Earnings Outlook

Recent Fed statements have indicated that the Fed is most likely finished cutting rates in the near future. With a renewed concern about inflation, there is the potential that they may increase rates as early as the third quarter of 2008. Any action by the Federal Reserve before the end of the year is highly unlikely since the economy is still very fragile, and any interest rate hikes could throw it into recession. As a result, a more likely scenario is that the Fed keeps rates at current levels through Fiscal Year 2009. This will result in a significant drop off in interest earnings compared to Fiscal Year 2008, as we are starting from a low yield environment and will not have the same capital gains effect enjoyed in Fiscal Year 2008. It should be noted that interest rates are market driven and subject to a number of uncontrollable or unpredictable factors, and the primary risk to the constant interest rate forecast is that inflation accelerates further, causing the Federal Reserve to increase rates sooner than expected.

Rents and Concessions

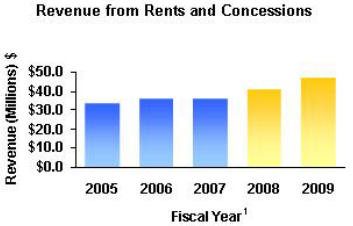
Total City Budget
$83.9 million

General Fund Budget
$47.2 million

Percent of General Fund
4.0 percent

Rents and Concessions Background

The rents and concessions category includes General Fund revenue generated from Mission Bay Park, Balboa Park, and Torrey Pines Golf Course. The largest component of this category is Mission Bay Park rents and concessions revenue, the majority of which is generated from leases with Sea World, Marina Village Conference Center, and the hotels and marinas within Mission Bay Park. The Mission Bay Ordinance requires that one-half of all revenue from Mission Bay rents and concessions in excess of $20.0 million be allocated to the Mission Bay Improvements Fund and the Regional Park Improvements Fund (with a $2.5 million maximum allocation for each fund), while the remaining funds are deposited in the General Fund. Other contributing components in the Rents and Concessions category include lease agreements of City Pueblo lands.



Rents and Concessions Trends

The Mission Bay Park rents and concessions are projected to generate $29.9 million in Fiscal Year 2009. From $29.9 million, per the Mission Bay Ordinance, $20.0 million will remain in the General Fund; $5.0 million will be allocated to the Mission Bay Improvements and Regional Parks Improvements Funds ($2.5 million each); and the remaining $4.9 million will be allocated to General Fund in the Fiscal Year 2009 Annual General Fund Budget.

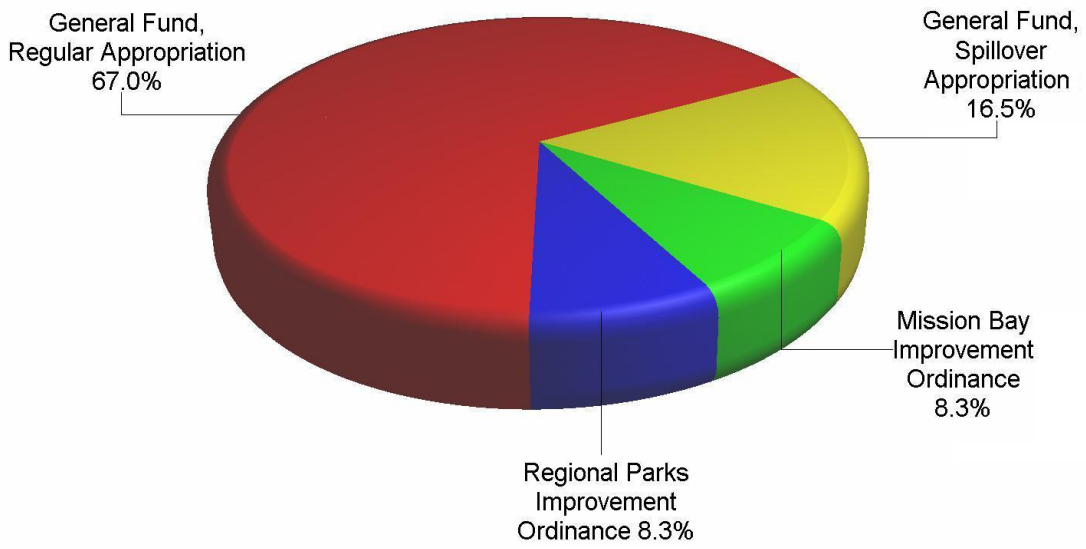
Rents and Concessions Outlook

For Fiscal Year 2009, the revenue budget for rents and concessions is $47.2 million, an increase of $6.4 million or 15.7 percent over the Fiscal Year 2008 Annual Budget. The majority of the increase consists of a $3.1 million revenue addition to the General Fund through existing City-owned leases. Revenue generated by City-owned leases subsidized Qualcomm Stadium debt obligations in prior budgets, but growth in Transient Occupancy Tax (TOT) revenues allows more funding for Qualcomm without City-owned lease revenue support. As a result, the generated revenue that previously supported Qualcomm, will now be transferred to the General Fund. The Fiscal Year 2009 Rents and Concessions budget also includes $5.5 million from lease agreements of City Pueblo lands, an increase of $1.6 million over Fiscal Year 2008. This growth is largely due to increases in rental adjustments for Pueblo lands leases.

[1] Fiscal Years 2005 to 2007 reflect unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

General Fund Revenues

Mission Bay Park Rents and Concessions Allocation



Revenue from Other Agencies

Motor Vehicle License Fees

Total City Budget
$6.9 million

General Fund Budget
$6.9 million

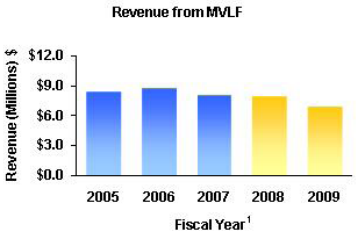
Percent of General Fund
0.6 percent

Motor Vehicle License Fees Background

Motor Vehicle License Fees (MVLF) are levied as a percentage of an automobile's purchase price, subject to depreciation, and are paid annually to the California Department of Motor Vehicles at the time of registration. The fees are then forwarded to the State Controller's Office, which allocates the funds to local governments per capita on a monthly basis.

Motor Vehicle License Fees Trends

Beginning in 1999, the MVLF underwent a series of offsets, first initiated by the State legislature as part of the 1998-1999 Budget agreement. These offsets ultimately resulted in a 67.0 percent reduction in the effective MVLF rate, from 2.0 percent of a vehicle's value to 0.65 percent. To compensate cities and counties for the tax offset, the State began providing State General Fund revenue to cities and counties on a dollar-for-dollar basis, otherwise known as the MVLF backfill. As part of the 2004-2005



[1] Fiscal Year 2007 reflects unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

Budget agreement, the MVLF rate was statutorily reduced to 0.65 percent, thereby eliminating the MVLF backfill. As described in the property tax section, cities were compensated for the loss in MVLF revenue with increased property tax revenues.

Motor Vehicle License Fees Outlook

The Fiscal Year 2009 Annual Budget for MVLF is $6.9 million, a growth rate of 3.4 percent over Fiscal Year 2008 year-end projections. Statewide revenues are distributed on a per capita basis for local governments and, therefore, growth in the amount of local vehicle sales does not directly translate into an increase in the City's MVLF revenue. The number of vehicles in the State, the ages of those vehicles, and their most recent sales price affect the amount of MVLF raised and the amount allocated to the City. The total number of vehicles in California—autos, trucks, trailers, and motorcycles as well as vehicles registered in multiple states—is estimated to be 32.6 million in Fiscal Year 2009, a 1.2 percent increase over Fiscal Year 2008 year-end projections[1]. The forecast projects that there will be 2.4 million new vehicles registered in Fiscal Year 2009, which means that the City may realize an increase in MVLF revenue over the previous fiscal year. It should be noted however, that this does not necessarily translate into increased revenue for the City as numerous factors controlled by the State can often reduce the allocation to the City.

Miscellaneous Revenue from Other Agencies

Total City Budget
$67.4 million

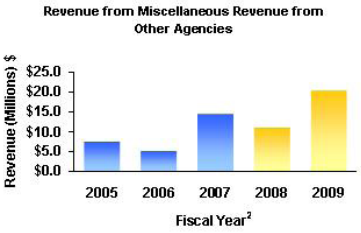
General Fund Budget
$20.3 million

Percent of General Fund
1.7 percent

Miscellaneous Revenue Background

A significant amount of revenue paid to the City is initially collected by other agencies then returned (or subvened) to the City. Within the General Fund, revenues from other agencies include federal and State grants and reimbursements for general City services provided to the San Diego Unified Port District and other cities in the region.

Miscellaneous Revenue Trends and Outlook



The Fiscal Year 2009 Annual Budget includes revenue totaling nearly $20.3 million in this category, a $9.4 million or 86.2 percent increase over the Fiscal Year 2008 Annual Budget. The majority of this increase is the net result of adding $5.9 million in Federal Emergency Management Agency (FEMA) reimbursements related to the October 2007 wildfires, $2.0 million in Mount Soledad emergency road reimbursements, and $5.8 million in Proposition 1B funding for street and storm drain deferred maintenance. The Miscellaneous Revenue category also includes a reduction of $5.2 million in State reimbursements for booking fee expenses. Also, included in this category is $1.5 million from the State for the Citizens' Option for Public Safety (COPS) Program.

[1] 2008-09 California Budget: Governor's Budget, May 2008.
[2] Fiscal Years 2005 to 2007 reflect unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

Charges for Current Services

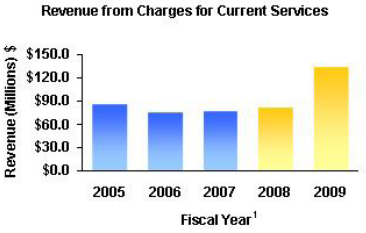
Total City Budget
$912.2 million

General Fund Budget
$134.1 million

Percent of General Fund
11.2 percent

Charges for Current Services Background

Charges for current services include revenue generated by General Fund departments resulting from services provided to the public and other City funds. The City's General Fund pays for basic City services such as public safety, parks, and libraries. In addition, the City allocates the costs associated with central service departments, such as City Auditor, City Comptroller, City Attorney, City Clerk, and Financial Management to all City departments by means of a rate based on the General Government Services Billing (GGSB) standard. The amounts allocated to Non-General Fund departments are billed and received into the General Fund as revenue to offset the cost of the services provided by these central service departments.



Charges for Current Trends and Outlook

The Fiscal Year 2009 Annual General Fund Budget for charges for current services within the General Fund is $134.1 million, a $52.8 million or 64.9 percent increase over the Fiscal Year 2008 Annual Budget. The majority of the increase is a result of Engineering and Capital Projects Department's restructuring through Business Process Reengineering which resulted in a $33.6 million increase to the General Fund. Staff and reimbursable revenue that was budgeted in non-general funds are now budgeted in the General Fund, resulting in a net-zero effect on the City's overall budget. Other factors contributing to the $52.8 million increase include a $7.5 million Transient Occupancy Tax Fund reimbursement to the General Fund for tourism related expenditures, and $5 million reimbursement to General Services for providing trench work to the Water and Wastewater Departments.

Refer to Schedule III of this budget document for a breakdown of the revenue budgetary data by sub-category.

[1] Fiscal Years 2005 to 2007 reflect unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

Transfers from Other Funds

Total City Budget
$328.0 million

General Fund Budget
$95.9 million

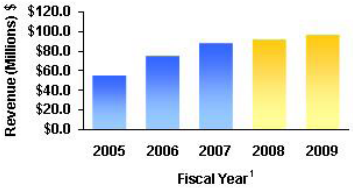
Percent of General Fund
8.1 percent

Transfers from Other Funds Background

Transfers from other funds for services rendered by General Fund departments include transfers from Capital Improvement Programs, Special Promotional Programs, Environmental Growth Fund, TransNet Fund, Gas Tax Fund, Storm Drain Fund, and other funds.

Also included in this category is Employee Offset Savings (EOS) revenue. In Fiscal Year 2006, the City securitized $10.1 million of the revenues it received under the Master Settlement Agreement with tobacco companies (Tobacco Settlement Revenues or TSRs). Due to securitization, TSRs that supported a variety of City programs, including the General Fund, were backfilled by EOS revenue.

Revenue from Transfer from Other Funds



Transfers from Other Funds Trends and Outlook

The Fiscal Year 2009 projection for transfers from other funds is $95.9 million, a $4.3 million increase over the Fiscal Year 2008 Annual Budget. This includes a total of $17.7 million from EOS, $10.1 million of which is reserved to backfill for TSRs. An additional $7.6 million was added to EOS revenue to leverage the remaining EOS and infuse more money into the pension system. The City anticipates to fund the pension system in the amount of approximately $35.0 million in Fiscal Year 2009. Also included in this category is a transfer of $16.2 million from the Special Promotional Programs.

Other Revenue

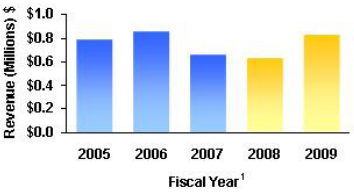
Total City Budget
$498.0 million

General Fund Budget
$0.8 million

Percent of General Fund
0.1 percent

Other revenue is mainly composed of refunds and revenue generated from the sale of publications and excess inventory. The Fiscal Year 2009 Annual General Fund Budget includes other revenues totaling $826,224, an increase of $200,000 or 33.3 percent over the Fiscal Year 2008 Annual Budget.

Revenue from Other Revenue



[1] Fiscal Years 2005 to 2007 reflect unaudited actual revenue; Fiscal Years 2008 and 2009 reflect budgeted revenue.

State of California Budget Impacts

For the fiscal year beginning July 1, 2008, the State of California is facing a remaining budget gap of $17.2 billion in the Governor's May Revised Budget. A worsening economic outlook combined with rising costs have forced the State to adopt a number of measures addressing this gap and its structural budget deficit. The governor proposed to implement an across-the-board 10 percent reduction to nearly all of the State's General Fund programs. In addition to these initial cuts, the governor declared a fiscal emergency for California, allowing the State government to waive legislation designed to give protection to local government funding as well as that for other State-funded programs.

As of June 2008, the following State subventions to the City's General Fund remain in effect and are currently expected to be received by the City in Fiscal Year 2009.

AB 1811 – Booking Fees

In Fiscal Year 2007, the State reinstated the booking fees reimbursement to local governments. Under the terms State's supplemental budget bill, Assembly Bill (AB) 1811, the City would be relieved of a $5.2 million liability to the County of San Diego for use of the County's detention facilities, as the State would pay the County directly on the City's behalf.

AB 1811 defined a new booking fee structure (effective July 1, 2007), stating that in any year the State provides at least $35.0 million in subventions for local jail facility funds, existing booking fees would be eliminated. Under the bill, the City is also liable to pay a new jail access fee for each booking of municipal code and misdemeanor violations in excess of the City's most recent three-year average. Misdemeanors for driving under the influence or related to domestic violence are excluded from the jail access fee calculation. Local governments could reinstate booking fees in any year in which the State appropriates less than $35.0 million, but only in proportion to the shortfall in State appropriation. Beginning in Fiscal Year 2008, the maximum rate of any future booking fees was limited to the fee in effect on June 30, 2006, plus an annual inflation adjustment equal to the increase in the Consumer Price Index plus 1.0 percent.

Booking fees are not budgeted as revenue in the Fiscal Year 2009 Annual Budget. However, the City has budgeted $3.1 million in expenditures as a contingency in the event that the State removes this funding from the State budget and the City remains responsible for the booking fee payment to the County under the current memorandum of understanding.

Citizen's Option for Public Safety

The 2008-2009 Governor's Budget allocates a total of $214.2 million to be distributed to local governments for the Citizens' Option for Public Safety (COPS) Program. This money is intended for local law enforcement entities to provide enhanced public safety services. Funds are also provided to local agencies to fund juvenile crime prevention programs. In Fiscal Year 2009, the City expects to receive $1.5 million from the State for the COPS program.

A number of proposals to further stabilize the State's financial position by withholding subventions to cities have been put forward by the Legislative Analyst's Office, the State's independent budget analyst. Should the State legislature adopt these recommendations, the City would lose $14.3 million in public

safety-related funding and the majority of its Vehicle License Fee revenues. Under the proposal, the City would no longer receive the annual COPS allocation or booking fee reimbursements, and the State would also withhold $6.9 million of the City's projected VLF revenues.

Proposition 1A

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.

Annual Tax Appropriation Limit (Gann Limit)

In November 1979, California voters approved Proposition 4 (Gann Initiative) and added Article XIIIB to the California State Constitution. In 1980, the State Legislature added Division 9 (commencing with Section 7900) to Title I of the Government Code to implement Article XIIIB. This legislation required the governing body of each local jurisdiction in California to establish an Annual Tax Appropriations Limit (Gann Limit) on or before June 30 for the following fiscal year. The Tax Appropriations Limit was based on actual appropriations during the Fiscal Year 1978-79, and was increased each year using the growth in population and inflation.

On June 5, 1990, California voters approved Proposition 111, amending Article XIIIB. Proposition 111 allowed local jurisdictions to choose the annual adjustment factors. The adjustment factors include the growth in the California Per Capita Income, or the growth in the non-residential assessed valuation due to construction within the city and the population growth within the county or the city.

The Tax Appropriations Limit is applicable only to proceeds of taxes. Appropriations not subject to the limit are debt service on voter-approved debt and qualified capital outlays (a fixed asset, including land, with a useful life of more than 10 years and a value that equals or exceeds $100,000).

The adjustment factors used for the computation of the Tax Appropriations Limit are released by the California Department of Finance in May and the City is then required to establish the Tax Appropriations Limit on or before June 30 of each fiscal year. The City Council has the option to choose one of three adjustment factors allowed under Proposition 111 to establish the limit.

The San Diego City Council adopted a resolution in June 2008 that established the Tax Appropriations Limit for Fiscal Year 2009 at $1,181,182,812. In accordance with Proposition 111 guidelines, the Fiscal Year 2009 Appropriations Limit was calculated by adjusting the prior year's tax appropriations limit using an adjustment factor. The adjustment factor utilized was based on the percent change in assessed valuation of new non-residential construction within the City (10.83 percent) and the population factor based on the percent growth in the County's population (1.34 percent). Using the Fiscal Year 2009 Annual Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) were calculated to be $838.1 million, which was $343.1 million lower than the Gann Limit.

General Fund Revenues

During the Gann Limit calculation process for Fiscal Year 2009, an error was noticed in previous years' methodology. Beginning in Fiscal Year 2004 and continuing through Fiscal Year 2008, the numbers used in the Gann Limit calculation were of new non-residential construction within the County; the correct calculation should have used the City of San Diego data. This change is reflected in the Fiscal Year 2009 Gann Limit resulting from the revised Fiscal Years 2004 through 2008 calculation. This has no current fiscal impact to the City of San Diego.