



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: November 7, 2007 REPORT NO: 07-184

ATTENTION: Budget and Finance Committee
Agenda of November 14, 2007

SUBJECT: Fiscal Year 2008 First Quarter Budget Monitoring Report

REFERENCE: Financial Performance Report (Charter Section 39 Report): Period 3 Fiscal
Year 2008, 07-174

REQUESTED ACTION:

Accept the Report from the Mayor on Fiscal Year 2008 First Quarter Budget Monitoring.

STAFF RECOMMENDATION:

Accept the Report from the Mayor on Fiscal Year 2008 First Quarter Budget Monitoring.

SUMMARY:

The following report presents projections of year-end revenues and expenditures based on actual (unaudited) data from July 1, 2007 through September 21, 2007 (periods one through three). Included in this report are the General Fund and other budgeted funds with staff. Significant projected year-end variances from the revised annual budget are discussed. A significant variance is defined as under budget revenues or over budget expenditures of \$0.5 million or greater. The analysis of actual results through period three, and consequently the year-end projections, do not include the affects of the Soledad Mountain Road landslide or the wildfires since complete data was not available when this report was prepared. The fiscal impacts of these disasters are currently being analyzed and updated projections including these impacts will be presented in a later report.

GENERAL FUND

Based on an analysis of revenues and expenditures through period three, the General Fund at year-end is estimated to show a positive net variance of \$3.0 million, as reflected in Table 1: Summary of FY 2008 General Fund Projections. Expenditures are projected to be under budget by \$8.4 million, primarily due to estimated salary savings, while revenues are currently projected to be under budget by \$5.4 million, resulting in a net positive variance of \$3.0 million for the General Fund. Revenues and expenditures are anticipated to total \$1.101 billion and \$1.098 billion, respectively, by year-end. It is important to note that these projections are preliminary

since they are based on three periods of data (less than one-fourth of annual expenditures) and do not include the affects of the wildfires and landslide. These events may reduce the projected savings in the General Fund as costs may be identified that are not reimbursable. Data on the total fiscal significance of these two events will be incorporated into later reports and mid-year budget adjustments for certain departments may be requested.

Summary of FY 2008 General Fund Projections				
Table 1				
Revenue/Expenditures	Revised Budget	Year-End Projection	Variance Amount	Variance %
Projected Revenue	\$ 1,106,330,952	\$ 1,100,949,582	\$ (5,381,370)	0%
Projected Expenditures				
Salaries	499,191,889	486,123,973	13,067,916	3%
Fringe and Non-Personnel	607,139,063	611,780,039	(4,640,976)	1%
Subtotal	\$ 1,106,330,952	\$ 1,097,904,012	\$ 8,426,940	1%
Net Year-End Projection	\$ -	\$ 3,045,569		

GENERAL FUND REVENUES

For Fiscal Year 2008, the total General Fund revenue budget is \$1.106 billion. Revenues are under budget by \$49.2 million or 44% through period three due to the timing of receipts of major General Fund revenues, such as transient occupancy tax and sales tax. Year-end projections at this time show under budget revenues of \$5.4 million as displayed in Table 2: FY 2008 General Fund Revenue. The main contributor to the total under budget revenue projection in the General Fund is underperforming department revenues, which are projected to conclude the fiscal year 2% or \$3.9 million under budget. The major General Fund revenues are projecting to be under budget by 1% or \$1.4 million which at this time of the year is not regarded as a significant variance. As was previously noted, these projections do not include projected impacts of the wildfires and may be revised in future reports.

FY 2008 General Fund Revenue				
Table 2				
Actual/Projection	Budget	Actual/ Projection	Over Budget/ (Under Budget)	Variance %
Actual through Period 3	\$ 111,001,969	\$ 61,778,827	\$ (49,223,142)	44%
Year-End Projection	1,106,330,952	1,100,949,582	(5,381,370)	0%

Major Revenues

The four major revenue sources — property tax, sales tax, transient occupancy tax (TOT) and franchises — account for nearly 71 percent, or \$779.8 million of the total General Fund revenue

budget for Fiscal Year 2008. These revenues are displayed below in Table 3: FY 2008 Major General Fund Revenue Projections. As of the first quarter, property tax is projected to exceed budget by \$1.4 million at year-end, TOT is projected to be over budget by \$206,000, and property transfer tax is projected to exceed budget by \$2.0 million. Conversely, sales tax, franchises, safety sales tax, and motor vehicle license fees revenues are projected to be under budget by the end of the current fiscal year by a combined total of approximately \$5.1 million. More detail on major General Fund revenue projections follows the table.

FY 2008 Major General Fund Revenue Projections

Table 3

Revenue Source	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Property Tax	\$ 385,688,853	\$ 387,115,105	\$ 1,426,252	0%
Sales Tax	239,485,958	236,029,635	(3,456,323)	1%
Transient Occupancy Tax ¹	85,184,936	85,390,733	205,797	0%
Franchises	69,431,697	68,644,666	(787,031)	1%
Safety Sales Tax	8,401,528	8,054,401	(347,127)	4%
Motor Vehicle License Fees	7,938,333	7,448,461	(489,872)	6%
Property Transfer Tax	7,570,860	9,576,145	2,005,285	26%
Other Revenue	68,706,741	68,706,741	-	0%
Total	\$ 872,408,906	\$ 870,965,887	\$ (1,443,019)	0%

¹ Total City Transient Occupancy Tax revenue budget for FY 2008 is \$162.6 million and the projection is \$163.0 million. The balance is budgeted in the Transient Occupancy Tax Fund.

Property Tax

The Fiscal Year 2008 property tax budget is \$385.7 million. As of the first quarter, property tax revenue was trending according to the expected growth rate of 6 percent. Based on the data and receipts received through the first quarter, property tax revenue is projected to be approximately \$1.4 million over budget by the end of the fiscal year. This projected over budget revenue is mainly due to a higher than projected appreciation rate (nearly 9 percent as assessed by the County Assessor’s Office on January 1, 2007). This is a minor variance, less than 1%, and subject to change as property tax receipts are received by the City.

Property Transfer Tax

As of first quarter, property transfer tax revenue is significantly above the period-to-date budget. Unlike property taxes, property transfer taxes are highly reflective of the current conditions in the local housing market, in particular home sales activity. Property transfer tax revenue is projected to be \$2 million over budget at year-end primarily due to better than expected market conditions compared to Fiscal Year 2007. This higher than anticipated revenue does not necessarily indicate a continuing upward trend in home sales and may decline later in the year. This account will be closely monitored and further information will be provided in the mid-year report.

Sales Tax and Safety Sales Tax

As of the first quarter, an unfavorable variance exists in sales tax receipts when compared to the period-to-date budget. This variance was the result of a lower than anticipated cleanup payment received in September as well as a weaker performance of taxable sales in the local retail sector. As a result, the year-end sales tax revenue is projected to be \$236.0 million compared to the budgeted amount of \$239.5 million budget, or \$3.5 million less than budgeted.

Similarly, safety sales tax revenue received through the first quarter is less than the period-to-date budget. This revenue is projected to come in at \$347,000 under the annual budget of \$8.4 million. This under budget variance, similar to sales tax, is due to weaker taxable sales in the local retail sector. Economic conditions that continue to cause a softening in consumer spending, which among other factors drive sales tax revenue, will be monitored throughout the year.

Transient Occupancy Tax (TOT)

The General Fund TOT budget comprises approximately 52 percent of all TOT revenues or \$85.2 million for Fiscal Year 2008. The total budgeted amount was based on an approximately 8 percent growth rate over Fiscal Year 2007 year-end estimated revenue. As of the first quarter, actual TOT revenue received was below the period-to-date budget due to the timing of the posting of receipts; however, at year-end TOT revenue is projected to be at or slightly above the budgeted amount.

Franchises

The Fiscal Year 2008 franchises budget is \$69.4 million. The projected year-end estimate is \$787,000 below budget primarily due to lower-than-anticipated revenue from refuse collection franchises. This is mainly attributable to a projected reduction in refuse collection franchise fees caused by decreased collection and deposit of refuse in the Miramar Landfill.

Motor Vehicle License Fees

The Fiscal Year 2008 Motor Vehicle License Fees budget is \$7.9 million, a 4 percent growth over Fiscal Year 2007 year-end estimates. As of first quarter, Motor Vehicle License Fees revenue is projected to be under budget by \$500,000 which is attributable to a weaker performance in auto sales.

Other Revenue

The other revenue category includes revenue sources such as reimbursement for booking fees, interest collected on pool investments, the transfer from Special Promotional Programs (funded from TOT), and employee offset savings. These revenues are anticipated to be at budget year-end.

Projections based on actual receipts through the first quarter are preliminary and may be modified as more actual data becomes available in future periods. These revenue sources, in particular property tax, sales tax, safety sales tax, and TOT, are sensitive to economic conditions and will be monitored closely as the fiscal year progresses.

Department Revenues

The following table, Table 4: FY 2008 Significant General Fund Revenue Variances, displays the departments with projected under budget revenues of \$0.5 million or greater or projected over budget revenues of over \$1.0 million.. These variances are discussed following the table.

FY 2008 Significant General Fund Revenue Variances				
Table 4				
Department	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
General Services	\$ 42,532,708	\$ 39,970,894	\$ (2,561,814)	6%
Police	41,642,463	39,537,375	(2,105,088)	5%
Fire-Rescue	9,114,413	10,307,049	1,192,636	13%
Purchasing and Contracting	1,376,981	377,660	(999,321)	73%

General Services

The General Services Department projected revenues to be under budget by \$2.6 million, or 6 percent, as a result of reimbursable projects which have not been scheduled or are not anticipated to be completed by fiscal year-end. The ADA and facilities projects, which would reimburse General Services for staff work, are proceeding slower than anticipated. Unanticipated requests for tenant improvements from non-general funds could mitigate some of the projected shortfall. This account will be closely monitored and further information will be provided in a future report.

Police

The Police Department is under budget by \$2.0 million period-to-date primarily due to a timing issue with the collection of parking citations. Parking citations revenue received to-date this fiscal year is greater than the revenue received through the same period in Fiscal Year 2007. However, due to the timing of receipt of parking citations revenue, it is difficult to project year-end revenues at this time. The department expects that receipts will increase and the department should conclude the year roughly 5 percent or \$2.1 million below the budgeted revenue amount. Further information on the department's revenue projections, particularly parking citations, is needed and a more detailed analysis will be provided in a future report.

Fire-Rescue

The Fire-Rescue Department is projecting \$1.2 million, or 3 percent, over budget revenue at year-end. The primary contributor is additional emergency medical services reimbursements over those anticipated in the Fiscal Year 2008 budget. The use of Rural Metro versus Fire-Rescue Department employees fluctuates, making it difficult to predict this revenue. Currently, there are more Fire-Rescue personnel on the ambulances, generating additional revenue for the department.

Purchasing and Contracting

The Purchasing and Contracting Department projected revenues to be under budget by 73 percent or nearly \$1.0 million. Analysis of revenues received period-to-date reveals a possible structural issue with the amount of revenue budgeted in this department, which may result from restructuring for Fiscal Year 2008. The period-to-date revenue budget is not consistent with revenue generating activities to-date. This is compounded by a reduction in the number of contracts citywide (resulting from the delay of bond revenues to capital projects), which contribute a significant portion of the department's reimbursable revenues. A mid-year adjustment may be requested to reduce the budgeted revenue; however, the projection may be revised due to increased contract processing related to the wildfires and landslide.

GENERAL FUND EXPENDITURES

For Fiscal Year 2008, the total General Fund expenditure budget is \$1.106 billion. Expenditures are under budget by \$12.4 million or 5% through period three due to salary savings resulting from vacancies and the timing of supplies and services and outlay expenditures. Year-end projections show expenditures to be under budget by \$8.4 million, or 1 percent, as displayed in Table 5: FY 2008 General Fund Expenditures. The under budget expenditures are mainly due to salary savings of \$13.1 million that are offset by projected over budget expenditures in fringe and non-personnel expenses. These projections do not include projected impacts of the wildfires or the landslide and may be revised in future reports. Future budget adjustments may be necessary to appropriate additional budget for fringe and non-personnel expenditures according to the City Charter requirement that salary appropriations can not be used for non-personnel expenditures.

FY 2008 General Fund Expenditures

Table 5

Actual/Projection	Budget	Actual/ Projection	Under Budget/ (Over Budget)	Variance %
Actual through Period 3	\$ 255,296,182	\$ 242,937,624	\$ 12,358,558	5%
Year-End Projection	1,106,330,952	1,097,904,012	8,426,940	1%

Salary and Fringe

Review of departmental personnel expenses and vacancy rates through period three reflects a higher than anticipated vacancy rate but over budget fringe expenses. The overall vacancy rate applied to the General Fund budget for Fiscal Year 2008 was 4.4 percent, which is 2.5 percent lower than the actual period-to-date vacancy rate of 6.9 percent. This greater than expected vacancy rate is reflected in the \$6.1 million of salary savings to-date throughout the General Fund; however, accrued salary savings may be absorbed by the unbudgeted, unexpected expenditures related to the recent fires.

Conversely, fringe accounts throughout the City such as Workers' Compensation, Supplemental Pension Savings Plans (SPSP), Long Term Disability, and Unused Sick Leave are over budget

period-to-date and are expected to be over budget at year-end by these amounts: \$4.1 million for Workers' Compensation; \$3.3 million for SPSP; \$500,000 for Long Term Disability; and \$22,000 for Unused Sick Leave. The variance in the SPSP account is likely due to an increase in employees choosing to maximize their voluntary contributions, as the mandatory contribution is fully budgeted each fiscal year. While the SPSP expense to the City has been stable over the past few years, this year there appears to be an unexpected increase. SPSP expenditures will be monitored and may require a mid-year budget adjustment.

Workers' Compensation rates are being reviewed. The current rates charged to departments are projected to result in an excess of \$3.1 million charged to General Fund departments. This over expenditure is related to rates that may be set too high and not based on actual expenditures or an expected increase in the cost of claims this year. The rates will be adjusted in order to bring Workers' Compensation expenses in line with the budgeted amount of \$26 million citywide, \$21 million of which is General Fund.

The Police and Fire-Rescue Departments are over expending in fringe accounts primarily due to greater than expected expenses in special pays and overtime, which generate additional, unbudgeted fringe expenses. Adjustments to the Workers' Compensation rates may help mitigate these overages; however, a mid-year budget adjustment may be necessary for these departments in so far as the projected overages are related to special pays.

Department Expenditures

The following table, Table 6: FY 2008 Significant General Fund Expenditure Variances, displays the departments with projected over budget expenditures of \$0.5 million or greater or projected under budget expenditures of over \$1.0 million. These variances are discussed following the tables.

FY 2008 Significant General Fund Expenditure Variances				
Table 6				
Department	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Police	\$ 392,336,695	\$ 387,649,834	\$ 4,686,861	1%
Fire-Rescue	179,943,098	181,135,730	(1,192,632)	1%
General Services	108,049,461	107,006,635	1,042,826	1%
Environmental Services	40,793,354	39,472,506	1,320,848	3%
Library	37,630,664	38,479,981	(849,317)	2%

While the main purpose of this report is to present the projected year-end status of departments and funds in comparison to annual appropriations, additional information regarding the period-to-date expenditures of several departments is included in order to provide further information about departments discussed in the Comptroller's Charter Section 39 report. Following is a table presented in the Comptroller's *Financial Performance Report (Charter Section 39 Report): Period 3 Fiscal Year 2008* which highlights period-to-date variances of select departments.

General Fund Expenditure Variance Analysis

	PTD Budget	FY08 Actuals	Favorable / (Unfavorable) Variance	% Variance
General Services	\$ 18,059,650	\$ 12,989,590	\$ 5,070,060	28%
Police	86,574,250	82,049,148	4,525,102	5%
San Diego Fire-Rescue	43,739,490	45,376,199	(1,636,709)	-4%
Engineering and Capital Projects	8,281,703	7,313,517	968,186	12%
City Treasurer	3,102,482	2,429,978	672,504	22%
Remaining Departments	96,099,607	93,383,770	2,715,837	3%
Total General Fund Expenditures	\$ 255,857,182	\$ 243,542,202	\$ 12,314,980	5%

Police

Prior to the wild fires, the Police Department projected expenditures to be 1 percent or \$4.7 million under budget at year-end. While the department is experiencing an increase in Police Academy recruits over previous fiscal year, the department projects year-end salary savings of \$9.8 million. The department estimates that it will take a minimum of four years to recover full sworn staffing. In addition, the newly hired recruits earn a salary lower than the budgeted average which contributes to the projected salary savings. This substantial under budget expenditure is largely offset by projected over budget expenditures in fringe of \$2.1 million and data processing of \$2.8 million, resulting in a net under budget expenditure of \$4.7 million. The projected over budget expenditure in fringe accounts is primarily due to greater than anticipated expenses in special pays and overtime, which generate additional, unbudgeted fringe expenses and may require a mid-year budget adjustment.

The year-end projected variance of 1 percent differs from the period-to-date variance of 5 percent because the helicopter lease payment is being incorrectly charged to the Seized and Forfeited Assets Fund instead of the General Fund. Prior to the Fiscal Year 2008 budget, this payment was charged to the Seized and Forfeited Assets Fund using the proceeds from the helicopter sales that were booked to this fund. The charges to-date will be reversed and correctly applied to the General Fund. Additionally, although a favorable period-to-date variance exists in the data processing category, the projection reflects over budget expenditures at year-end. This projection was developed using prior data and may not take into account the restructuring of certain General Fund data processing expenditures to the Office of the Chief Information Officer. Further analysis is needed and will be provided in the mid-year report.

Fire-Rescue

The Fire-Rescue Department is over budget by \$1.6 million period-to-date primarily due to over budget expenditures in fringe and supplies and services which are offset by salary savings. Without considering the impact of the wildfires, the under budget salary expenditures and over budget fringe expenses are anticipated to continue through the year, resulting in year-end projections of \$1.1 million under budget in salaries and \$2.2 million over budget in fringe. The projected over budget expenditure in fringe accounts is primarily due to greater than anticipated expenses in special pays and overtime, which generate additional, unbudgeted fringe expenses. Expenditure projections made before the wildfires expected spending in supplies and services to decrease and remain within budget at year-end. Overall, the Fire-Rescue Department projected to be \$1.2 million over budget at year-end due to over budget fringe expenses. The department will likely require a mid-year budget adjustment.

General Services

Projections for the General Services Department estimated expenditures to be \$1.0 million or 1 percent under budget at year-end mainly from personnel expense savings due to vacancies throughout the department. The department is planning on filling vacant positions this fiscal year. Also contributing to the 28 percent under budget expenditures period-to-date is the timing of contracts being awarded. It is anticipated that during period seven or eight (January or February) the slurry, resurfacing and sidewalk contracts will be awarded which will greatly reduce any budgetary savings period-to-date.

Environmental Services

The Environmental Services Department forecasts expenditures to be 3 percent or \$1.3 million under budget at year-end. The main contributor to this savings is the Collections Services Division which is realizing personnel expense savings due to vacancies. Additionally, lower than expected tonnage was collected thereby reducing the landfill disposal fees paid by the department.

Library

The Library Department projects to end the year \$849,000, or 2 percent, over budget. This unfavorable variance is primarily the result of over budget projections in personnel expenses, which is consistent with period-to-date spending, and reflects a high rate of expenditures for temporary staff and overtime period-to-date. This spending rate for temporary staff and overtime is consistent with expenditures through the same period in Fiscal Year 2007. The Library department has a budgeted vacancy factor of 2.4 percent for Fiscal Year 2008. While this vacancy rate is lower than other departments (the average vacancy rate for General Fund departments is 4.4 percent), it may be contributing to the projected over budget personnel expenditures. Further analysis is needed and will be provided in the mid-year report.

Engineering and Capital Projects

Through period three, the Engineering and Capital Projects Department experienced under budget expenditures of nearly \$1.0 million or 12 percent. Of this amount, 79 percent or \$764,000 is within the Transportation Engineering – Operations Division and is the result of a timing issue for a large contract. During the determination of the period budgets, the division anticipated a \$650,000 expenditure for the Red Light Photo Enforcement program contract in the first quarter; however, this did not occur as expected and the expense will be reflected in the following quarter. As a result, the expenditure savings period-to-date will decrease and the department is projected to end the year approximately 1 percent under budget.

Office of the City Treasurer

The Office of the City Treasurer experienced under budget expenditures of 22 percent through period three which is mainly accounted for by savings in personnel expenses from vacancies and lower than anticipated expenses within the supplies and services and data processing categories. These expenses were not realized as anticipated during the development of the period budgets; however, the department projects to end the fiscal year approximately 5 percent under budget.

GENERAL FUND WORKING CAPITAL RESERVES

At the start of Fiscal Year 2008, General Fund working capital reserves were estimated at \$90.8 million. During the first quarter, City Council approved the appropriation of \$688,000 for audit services provided by Macias, Gini & O'Connell, LLP and \$2.0 million for the Charger's settlement. An action to appropriate \$370,000 for Hawkins, Delafield & Wood attorney services is pending Council approval. These actions would bring the reserves balance to \$87.7 million. The City Reserve Policy, pending Council approval, requests the appropriation of \$10.0 million, minus any actions to-date for a net appropriation of approximately \$6.9 million, for the Appropriated Reserves. If this request is approved, the reserve balance would be \$80.8 million with \$50 million set aside as the Emergency Reserve according to the City Reserve Policy under discussion.

ANTICIPATED IMPACTS OF WILDFIRES AND SOLEDAD MOUNTAIN ROAD LANDSLIDE

Preliminary cost estimates for the wildfires and the Soledad Mountain Road landslide total \$57.2 million. Of this amount, \$31.2 million is the wildfire estimate and includes \$6.1 million for police and fire emergency services and \$19.8 million for debris removal. The damage estimate for the Soledad Mountain Road landslide is the remaining \$26.0 million, of which \$21.0 million is for slope stabilization and road reconstruction.

These preliminary estimates have been submitted to the State and Federal Emergency Management Assessment (FEMA); however, at this time it is unknown how much is eligible for reimbursement. The wildfires may be eligible for FEMA reimbursements at 75.0 percent of total eligible costs and State reimbursements at 18.75 percent of total eligible costs. The maximum reimbursement for the wildfires would be 93.75 percent, or approximately \$29.2 million assuming all costs submitted are eligible.

The landslide may be eligible for Federal Highway Administration reimbursements at 88.53 percent of eligible costs for road work and California Disaster Assistance Act reimbursements at 75.0 percent of the remaining eligible costs. The maximum reimbursement for the landslide would be approximately \$22.3 million assuming all submitted costs are eligible.

The combined reimbursements could total as much as \$51.5. The City could be responsible for between \$5.7 million and \$50.0 million estimated expenses. The amount eligible for reimbursement will be determined at a later date in addition to estimates on the timing of the reimbursements to the City since not all of the reimbursements will be received this fiscal year. Updated information will be provided in the mid-year report.

NON-GENERAL FUNDS

Projections based on the first three periods of Fiscal Year 2008 are provided in Attachment III: Non-General Fund Projections for all non-general funds with staff. The majority of non-general funds are expected to remain within budget. Those with significant under budget revenues or

over budget expenditures of \$0.5 million or more displayed in Tables 7-9 and are discussed below.

E&CP - Internal Service Fund

FY 2008 E&CP - Internal Service Fund
Table 7

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 3	\$ 5,105,001	\$ 3,522,707	\$ (1,582,294)	31%
Year-End Projection	25,487,865	24,634,181	(853,684)	3%
Expenditures				
Actual through Period 3	5,041,574	4,270,430	771,144	15%
Year-End Projection	25,487,865	24,672,967	814,898	3%

The Engineering and Capital Projects Department projected revenues to be under budget by \$854,000 or 3 percent. The projected under budget revenue is due to vacant reimbursable positions and is offset by under budget expenditures of \$815,000 or 3%. The department anticipates filling the vacancies mid-year, thereby reducing the period-to-date variance of 31 percent. The net effect of the projected under budget revenues and expenditures is a positive impact of \$39,000 to the fund.

Publishing Services Internal Service Fund

FY 2008 Publishing Services Internal Service Fund
Table 8

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 3	\$ 1,038,462	\$ 736,169	\$ (302,293)	29%
Year-End Projection	4,500,000	4,897,770	397,770	9%
Expenditures				
Actual through Period 3	945,310	1,340,587	(395,277)	42%
Year-End Projection	4,193,823	5,248,531	(1,054,708)	25%

The Publishing Services Division of the General Services Department projected expenditures to be over budget by \$1.1 million or 25 percent due to increased requests for publishing services that will increase costs for this fund. The period-to-date over budget variance of 42 percent includes unanticipated prior year lease payments. For over a quarter of the fiscal year, the department had been charging rates that were not fully recovering the costs associated with the

services provided to other City departments. Newly established service rates will make the services of the fund fully cost-recoverable and competitive with outside vendors. Future reports will include projections based on the updated rates. A budget adjustment to appropriate additional revenue resulting from this rate change and an equivalent increase in expenditure appropriations for the fund will be requested mid-year.

Water Department Fund

FY 2008 Water Department Fund
Table 9

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 3	\$ 88,561,271	\$ 84,218,137	\$ (4,343,134)	5%
Year-End Projection	462,174,462	374,818,829	(87,355,633)	19%
Expenditures				
Actual through Period 3	100,323,803	73,431,015	26,892,788	27%
Year-End Projection	535,917,087	406,345,151	129,571,936	24%

The Water Department projected to conclude the fiscal year with revenues \$87.4 million or 19 percent under budget. Water sales revenue has been trending downward in the last few fiscal years and contributes \$9.6 million of under budget revenue. In addition, the revenue projection reflects a reduction of \$73.7 million in bond funding for capital improvement projects. The reduction in bond revenue is offset by under budget expenditures in capital improvement projects that rely on that funding. The department projected under budget expenditures of \$129.6 million. The net effect is a projected shortfall of \$31.5 million which will be covered by fund balance.

Equipment Internal Service Fund

The Fleet Services/Equipment Division of the General Services Department was projected to be \$1.3 million, or 3 percent, under budget in expenditures at year-end primarily due to lower than budgeted fuel prices and consumption experienced during the first three periods of the fiscal year. It should be noted that fuel prices are difficult to predict and prices have risen recently. If the price spike continues, any projected savings may be eliminated. Fuel prices will continue to be monitored and projected savings may be revised mid-year.

FISCAL CONSIDERATIONS: None.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.

Mary Lewis
Financial Management Director

Jay M. Goldstone
Chief Operating Officer

- Attachments: I. General Fund Projected Revenues
II. General Fund Projected Expenditures
III. Non-General Fund Projections

General Fund Projected Revenues
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Department	Adopted Budget	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Major General Fund Revenues					
Franchises	\$ 69,431,697	\$ 69,431,697	\$ 68,644,666	\$ (787,031)	1%
Interest Earnings	7,777,122	7,777,122	7,777,122	-	0%
Motor Vehicle License Fees	7,938,333	7,938,333	7,448,461	(489,872)	6%
Property Tax	385,688,853	385,688,853	387,115,105	1,426,252	0%
Property Transfer Tax	7,570,860	7,570,860	9,576,145	2,005,285	26%
Refuse Collector Business Tax	2,000,000	2,000,000	2,000,000	-	0%
Safety Sales Tax	8,401,528	8,401,528	8,054,401	(347,127)	4%
Sales Tax	239,485,958	239,485,958	236,029,635	(3,456,323)	1%
Transfers from Other Funds	58,754,619	58,754,619	58,754,619	-	0%
Transient Occupancy Tax ¹	85,184,936	85,184,936	85,390,733	205,797	0%
Miscellaneous	175,000	175,000	175,000	-	0%
TOTAL	\$ 872,408,906	\$ 872,408,906	\$ 870,965,887	\$ (1,443,019)	0%
Business and Support Services					
Business Operations and Administration	25,000	25,000	23,077	(1,923)	8%
Customer Services	676,814	676,814	698,811	21,997	3%
Labor Relations	-	-	-	-	0%
Library	1,694,422	1,694,422	1,678,171	(16,251)	1%
Office of the Chief Information Officer	-	-	-	-	0%
Park and Recreation	20,953,228	20,953,228	21,164,341	211,113	1%
Personnel	-	-	-	-	0%
Purchasing and Contracting	1,376,981	1,376,981	377,660	(999,321)	73%
Community and Legislative Services					
Community and Legislative Services	258,900	258,900	258,900	-	0%
Special Events	287,000	287,000	211,723	(75,277)	26%
Land Use and Economic Development					
City Planning and Community Investment	3,719,778	3,719,778	3,967,338	247,560	7%
DSD - Neighborhood Code Compliance	1,321,088	1,321,088	1,416,554	95,466	7%
Land Use and Economic Development	-	-	-	-	0%
Real Estate Assets	39,194,996	39,194,996	39,062,345	(132,651)	0%

General Fund Projected Revenues
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Department	Adopted Budget	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Non-Mayoral					
City Attorney	\$ 6,163,262	\$ 6,163,262	\$ 5,785,409	\$ (377,853)	6%
City Clerk	54,625	54,625	47,649	(6,976)	13%
City Council - District 1	-	-	-	-	0%
City Council - District 2	-	-	-	-	0%
City Council - District 3	-	-	-	-	0%
City Council - District 4	-	-	-	-	0%
City Council - District 5	-	-	-	-	0%
City Council - District 6	-	-	-	-	0%
City Council - District 7	-	-	-	-	0%
City Council - District 8	-	-	-	-	0%
Council Administration	-	-	-	-	0%
Ethics Commission	-	-	-	-	0%
Office of the Independent Budget Analyst	-	-	-	-	0%
Office of Ethics and Integrity					
Office of Ethics and Integrity	859,466	859,466	859,464	(2)	0%
Office of the Chief Financial Officer					
City Auditor and Comptroller	2,750,837	2,750,837	2,538,343	(212,494)	8%
Citywide Program Expenditures	-	-	-	-	0%
Debt Management	1,526,389	1,526,389	1,391,239	(135,150)	9%
Financial Management	116,658	116,658	93,513	(23,145)	20%
Office of the Chief Financial Officer	350,000	350,000	350,000	-	0%
Office of the City Treasurer	30,584,549	30,584,549	30,224,156	(360,393)	1%
Other					
Mayor	-	-	-	-	0%
Public Safety and Homeland Security					
Family Justice Center	-	-	204,046	204,046	100%
Fire-Rescue	9,114,413	9,114,413	10,307,049	1,192,636	13%
Office of Homeland Security	983,992	983,992	975,079	(8,913)	1%

Department	Adopted Budget	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Public Safety and Homeland Security (continued)					
Police	\$ 41,642,463	\$ 41,642,463	\$ 39,537,375	\$ (2,105,088)	5%
Public Safety	221,742	221,742	214,684	(7,058)	3%
Public Works					
Engineering and Capital Projects	26,999,153	26,999,153	27,775,257	776,104	3%
Environmental Services	513,582	513,582	850,616	337,034	66%
General Services	42,532,708	42,532,708	39,970,894	(2,561,814)	6%
Public Works	-	-	-	-	0%
Total General Fund Revenues	\$ 1,106,330,952	\$ 1,106,330,952	\$ 1,100,949,582	\$ (5,381,370)	0%

¹Total City Transient Occupancy Tax revenue budget for FY 2008 is \$162.6 million and the projection is \$163.0 million. The balance is budgeted in the Transient Occupancy Tax Fund.

Department	Adopted Budget	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Business and Support Services					
Business Operations and Administration	\$ 2,383,091	\$ 2,383,091	\$ 2,348,152	\$ 34,939	1%
Customer Services	2,523,132	2,523,132	2,523,120	12	0%
Labor Relations	809,621	809,621	823,180	(13,559)	2%
Library	37,630,664	37,630,664	38,479,981	(849,317)	2%
Office of the Chief Information Officer	29,063,056	29,063,056	28,947,025	116,031	0%
Park and Recreation	87,520,141	87,520,141	87,954,055	(433,914)	0%
Personnel	6,620,002	6,620,002	6,620,468	(466)	0%
Purchasing and Contracting	5,613,499	5,613,499	5,395,474	218,025	4%
Community and Legislative Services					
Community and Legislative Services	4,380,533	4,380,533	4,371,564	8,969	0%
Special Events	497,980	497,980	495,813	2,167	0%
Land Use and Economic Development					
City Planning and Community Investment	16,716,335	16,716,335	16,739,910	(23,575)	0%
DSD - Neighborhood Code Compliance	6,703,916	6,703,916	6,712,986	(9,070)	0%
Land Use and Economic Development	698,999	698,999	694,851	4,148	1%
Real Estate Assets	4,261,462	4,261,462	4,014,549	246,913	6%
Non-Mayoral					
City Attorney	36,911,174	36,911,174	36,915,335	(4,161)	0%
City Clerk	4,408,261	4,408,261	4,366,961	41,300	1%
City Council - District 1	990,000	990,000	960,634	29,366	3%
City Council - District 2	990,000	990,000	959,707	30,293	3%
City Council - District 3	990,000	990,000	980,735	9,265	1%
City Council - District 4	990,000	990,000	980,877	9,123	1%
City Council - District 5	990,000	990,000	942,702	47,298	5%
City Council - District 6	990,000	990,000	962,722	27,278	3%
City Council - District 7	990,000	990,000	967,235	22,765	2%
City Council - District 8	990,000	990,000	967,064	22,936	2%
Council Administration	1,849,471	1,849,471	1,759,762	89,709	5%
Ethics Commission	1,021,106	1,021,106	965,701	55,405	5%

General Fund Projected Expenditures					
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Department	Adopted Budget	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Non-Mayoral (continued)					
Office of the Independent Budget Analyst	\$ 1,316,334	\$ 1,316,334	\$ 1,311,563	\$ 4,771	0%
Office of Ethics and Integrity					
Office of Ethics and Integrity	2,400,537	2,400,537	2,175,579	224,958	9%
Office of the Chief Financial Officer					
City Auditor and Comptroller	11,511,090	11,511,090	11,237,498	273,592	2%
Citywide Program Expenditures					
Annual Audit	681,805	681,805	681,805	-	0%
Assessments to Public Property	300,500	300,500	300,500	-	0%
Citywide Elections	2,700,000	2,700,000	2,700,000	-	0%
Deferred Maintenance	5,000,000	5,000,000	5,000,000	-	0%
Employee Personal Property Claims	5,000	5,000	5,000	-	0%
Insurance	1,840,000	1,840,000	1,440,000	400,000	22%
Memberships	630,000	630,000	607,714	22,286	4%
Outside Office Space/Master Lease	6,688,027	6,688,027	6,688,027	-	0%
Property Tax Administration	3,027,643	3,027,643	3,027,643	-	0%
Public Liability Claims Fund Transfer	18,000,000	18,000,000	18,000,000	-	0%
Reserve Contribution	3,328,641	3,328,641	3,328,641	-	0%
Special Consulting Services	2,883,169	2,883,169	2,729,469	153,700	5%
TRANS Interest Expense Transfer	2,449,000	2,449,000	2,449,000	-	0%
Transportation Subsidy	278,077	278,077	278,077	-	0%
TOTAL	\$ 47,811,862	\$ 47,811,862	\$ 47,235,876	\$ 575,986	1%
Debt Management	2,730,401	2,730,401	2,657,865	72,536	3%
Financial Management	4,117,777	4,117,777	3,510,917	606,860	15%
Office of the Chief Financial Officer	1,067,349	1,067,349	986,313	81,036	8%
Office of the City Treasurer	14,441,916	14,441,916	13,758,687	683,229	5%
Other					
Mayor	627,891	627,891	564,849	63,042	10%

Department	Adopted Budget	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Public Safety and Homeland Security					
Family Justice Center	\$ 537,358	\$ 537,358	\$ 797,230	\$ (259,872)	48%
Fire-Rescue	179,943,098	179,943,098	181,135,730	(1,192,632)	1%
Office of Homeland Security	1,781,242	1,781,242	1,589,358	191,884	11%
Police	392,336,695	392,336,695	387,649,834	4,686,861	1%
Public Safety	3,053,186	3,053,186	2,949,726	103,460	3%
Public Works					
Engineering and Capital Projects	35,424,428	35,424,428	35,184,782	239,646	1%
Environmental Services	40,793,354	40,793,354	39,472,506	1,320,848	3%
General Services	108,049,461	108,049,461	107,006,635	1,042,826	1%
Public Works	854,530	854,530	828,504	26,026	3%
Total General Fund Expenditures	\$ 1,106,330,952	\$ 1,106,330,952	\$ 1,097,904,012	\$ 8,426,940	1%

Non-General Fund Projections

Fund		Adopted Budget	Revised Budget	Year-End Projection	Variance Amount	Variance %
Business and Support Services						
Central Stores Internal Service Fund	Revenues	\$ 23,927,238	\$ 23,927,238	\$ 24,071,253	\$ 144,015	1%
	Expenditures	23,829,301	23,829,301	24,146,242	(316,941)	1%
Golf Course Enterprise Fund	Revenues	15,430,800	15,430,800	15,619,978	189,178	1%
	Expenditures	12,846,992	12,846,992	13,191,634	(344,642)	3%
Information Technology Fund	Revenues	15,776,599	15,776,599	15,927,332	150,733	1%
	Expenditures	15,137,320	15,137,320	15,077,777	59,543	0%
Library Grants Fund	Revenues	753,000	753,000	503,711	(249,289)	33%
	Expenditures	731,373	731,373	610,954	120,419	16%
Los Peñasquitos Canyon Preserve Fund	Revenues	176,000	176,000	186,250	10,250	6%
	Expenditures	226,695	226,695	220,688	6,007	3%
Community and Legislative Services						
Commission for Arts and Culture ¹	Revenues	112,997	112,997	113,000	3	0%
	Expenditures	915,767	915,767	904,425	11,342	1%
Land Use and Economic Development						
City Airport Fund	Revenues	4,867,958	4,867,958	4,886,240	18,282	0%
	Expenditures	4,664,304	4,664,304	4,090,619	573,685	12%
Development Services Enterprise Fund	Revenues	45,557,453	45,557,453	46,743,358	1,185,905	3%
	Expenditures	53,047,886	53,047,886	51,922,007	1,125,879	2%
Facilities Financing Fund	Revenues	2,403,569	2,403,569	2,160,673	(242,896)	10%
	Expenditures	2,687,127	2,687,127	2,348,114	339,013	13%
Municipal Parking Garage Fund	Revenues	3,257,035	3,257,035	3,253,854	(3,181)	0%
	Expenditures	2,826,170	2,826,170	2,221,183	604,987	21%
PETCO Park Fund	Revenues	15,668,826	15,668,826	16,514,817	845,991	5%
	Expenditures	20,222,143	20,222,143	17,427,168	2,794,975	14%
QUALCOMM Stadium Operating Fund	Revenues	16,203,448	16,203,448	16,371,415	167,967	1%
	Expenditures	18,491,579	18,491,579	17,852,863	638,716	3%

Non-General Fund Projections

Fund		Adopted Budget	Revised Budget	Year-End Projection	Variance Amount	Variance %
Land Use and Economic Development (continued)						
Redevelopment Fund	Revenues	\$ 3,661,696	\$ 3,661,696	\$ 3,548,809	\$ (112,887)	3%
	Expenditures	3,661,696	3,661,696	3,728,947	(67,251)	2%
Solid Waste Local Enforcement Agency Fund	Revenues	846,028	846,028	792,197	(53,831)	6%
	Expenditures	931,929	931,929	915,884	16,045	2%
Office of the Chief Financial Officer						
Risk Management Administration Fund	Revenues	9,073,934	9,073,934	9,054,464	(19,470)	0%
	Expenditures	9,073,934	9,073,934	8,859,687	214,247	2%
Public Safety and Homeland Security						
Emergency Medical Services Fund	Revenues	7,375,472	7,375,472	6,992,100	(383,372)	5%
	Expenditures	6,667,968	6,667,968	6,879,529	(211,561)	3%
Unlicensed Driver Vehicle Impound Fees Fund	Revenues	1,200,000	1,200,000	1,097,387	(102,613)	9%
	Expenditures	1,327,904	1,327,904	1,334,495	(6,591)	0%
Public Works						
E&CP - Internal Service Fund	Revenues	25,487,865	25,487,865	24,634,181	(853,684)	3%
	Expenditures	25,487,865	25,487,865	24,672,967	814,898	3%
Energy Conservation Program Fund	Revenues	2,244,984	2,244,984	2,486,362	241,378	11%
	Expenditures	2,244,984	2,244,984	2,228,942	16,042	1%
Equipment Internal Service Fund	Revenues	50,080,035	50,080,035	50,141,017	60,982	0%
	Expenditures	49,772,502	49,772,502	48,458,509	1,313,993	3%
Publishing Services Internal Service Fund	Revenues	4,500,000	4,500,000	4,897,770	397,770	9%
	Expenditures	4,193,823	4,193,823	5,248,531	(1,054,708)	25%
Recycling Fund	Revenues	21,000,700	21,000,700	20,558,174	(442,526)	2%
	Expenditures	24,005,762	24,005,762	21,727,785	2,277,977	9%
Refuse Disposal Fund	Revenues	37,230,149	37,230,149	36,991,493	(238,656)	1%
	Expenditures	33,832,489	33,832,489	33,222,398	610,091	2%

Non-General Fund Projections

Fund		Adopted Budget	Revised Budget	Year-End Projection	Variance Amount	Variance %
Public Works (continued)						
Sewer Funds	Revenues	\$ 359,030,423	\$ 359,030,423	\$ 429,325,857	\$ 70,295,434	20%
	Expenditures	401,606,737	497,992,854	392,745,252	105,247,602	21%
Utilities Undergrounding Program Fund	Revenues	46,042,347	1,629,403	1,810,947	181,544	11%
	Expenditures	1,540,602	1,540,602	1,496,534	44,068	3%
Water Department Fund	Revenues	462,174,462	462,174,462	374,818,829	(87,355,633)	19%
	Expenditures	535,916,421	535,917,087	406,345,151	129,571,936	24%

¹ The Commission for Arts and Culture is funded by the Transit Occupancy Tax (TOT) Fund.