



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: February 24, 2010 REPORT NO: 10-021

ATTENTION: Budget and Finance Committee
Agenda of March 3, 2010

SUBJECT: Fiscal Year 2010 Mid-Year Budget Monitoring Report

REFERENCE: Fiscal Year 2010 Budget Amendments, #09-173
Fiscal Year 2010 Budget Amendment Report and Fiscal Year 2011
General Fund Budget, #09-167
Fiscal Year 2010 First Quarter Budget Monitoring Report, # 09-162
Financial Performance Report (Charter Section 39 Report) As of
December 31, 2009

REQUESTED ACTION:

Accept the Report from the Mayor on Fiscal Year 2010 Mid-Year Budget Monitoring.

STAFF RECOMMENDATION:

Accept the Report from the Mayor on Fiscal Year 2010 Mid-Year Budget Monitoring.

SUMMARY:

The following report presents projections of year-end revenues and expenditures. Projections are determined using actual (unaudited) data from July 2009 through December 2009, or through accounting period six, and departmental information regarding spending trends and operations. The reductions to appropriations and changes in operations that were approved by City Council in December 2009 (Ordinance O-19917) have been included. This report includes discussion of year-end projections that vary significantly from the current budget for the General Fund and other budgeted funds with staff. For this report, a significant variance is defined as under or over budget revenues or expenditures of \$500,000 or greater.

FISCAL CONSIDERATIONS:

None, this report is an information item.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.

signature on file

Nader Tirandazi
Financial Management Director

signature on file

Jay M. Goldstone
Chief Operating Officer

signature on file

Angela Colton
Financial Manager

Attachment: Fiscal Year 2010 Mid-Year Budget Monitoring Report

Fiscal Year 2010 Mid-Year Budget Monitoring Report

GENERAL FUND

Due to the continued slowdown in the economy, as discussed in the Fiscal Year 2010 First Quarter Budget Monitoring Report (First Quarter Report), revenues are expected to be \$59.3 million under budget. This represents approximately 5 percent of the current Fiscal Year 2010 General Fund revenue budget. Expenditures are projected to conclude the year \$16.6 million, or 1 percent, under budget primarily due to vacancies, which partially offsets the projected revenue shortfall. The release of \$31.5 million of carry-forward appropriations will further offset the projected revenue deficit, resulting in an approximately \$11.2 million net shortfall in Fiscal Year 2010. These estimates are displayed below in Table 1: Summary of FY 2010 General Fund Projections.

Summary of FY 2010 General Fund Projections				
Table 1				
Revenue/Expenditures	Current Budget	Year-End Projection	Variance Amount	Variance %
Projected Revenue	\$ 1,111,994,517	\$ 1,052,689,633	\$ (59,304,884)	5%
Projected Expenditures				
Salaries	\$ 503,735,049	\$ 491,305,702	\$ 12,429,347	2%
Fringe and Non-Personnel	606,592,533	604,135,318	2,457,215	0%
Appropriated Reserve	1,666,935	-	1,666,935	100%
Subtotal	\$ 1,111,994,517	\$ 1,095,441,019	\$ 16,553,498	1%
Net Year-End Projection		\$ (42,751,386)		
Release Carry-Forward Budget		\$ 31,524,767		
Total FY 2010 Projected Activity		\$ (11,226,619)		

In December 2009 through Ordinance O-19917, City Council approved a \$22.7 million reduction to the Fiscal Year 2010 General Fund budget. This was in response to the projected Fiscal Year 2011 General Fund deficit of \$179.1 million identified in the Fiscal Years 2011-2015 Five-Year Financial Outlook. Through the Fiscal Year 2010 budget reductions, \$24.6 million of General Fund revenue was projected to be set aside in a special reserve fund to support Fiscal Year 2011 expenditures. The Fiscal Year 2010 budget reductions were achieved through a variety of operational and service level changes, including:

- Reduction of 274.99 FTE positions
- Increases in vehicle replacement lifecycles and reduction of underutilized vehicles
- Implementation of rolling “brown-outs” at fire stations
- Reduction of civilian positions in the Police Department
- Reduction of branch library hours to 36 hours per week

The complete list of Fiscal Year 2010 budget reductions is available in the Fiscal Year 2010 Budget Amendments report (09-173) and the associated service level impacts are discussed in the Fiscal Year 2010 Budget Amendment Report and Fiscal Year 2011 General Fund Budget (09-167). These reductions will be continued into Fiscal Year 2011 and, combined with the \$24.6 million of revenue set aside in the reserve fund this fiscal year, will contribute towards addressing the projected Fiscal Year 2011 budget deficit.

As a result of these revisions, year-end revenue and expenditure projections have decreased significantly from the First Quarter Report. However, the net year-end projection has increased by \$3.7 million. Table 2: Comparison of FY 2010 General Fund Projections illustrates this change. The \$26.7 million decrease in the revenue projection from the first quarter is almost entirely due to the redirection of \$24.6 million of revenue to the Fiscal Year 2011 General Fund Reserve Fund. The remaining change in the projection, approximately \$2.0 million, is primarily the result of reduced property tax projections. Similarly, the \$22.9 million change in expenditure projections is primarily the result of the changes in operations and service delivery resulting from the budget reductions. The amount of savings anticipated from the budget reductions is less than anticipated due to delays in implementation resulting from the meet and confer process. For example, the delay in implementing the rolling “brown-outs” at Fire stations is projected to result in \$1.3 million less savings than expected. Consequently, the budget reductions may not result in the full amount of savings expected and the full \$24.6 million of revenue may not be available to redirect to the Fiscal Year 2011 reserve fund. The results of the reductions will continue to be monitored and discussed further in the Fiscal Year 2010 Year-End Budget Monitoring Report.

Comparison of FY 2010 General Fund Projections

Table 2

Revenue/Expenditures	First Quarter (as of September)	Mid-Year (as of December)	Change Amount	Change %
Projected Revenue	\$ 1,079,342,739	\$ 1,052,689,633	\$ (26,653,106)	2%
Projected Expenditures				
Salaries	\$ 504,585,785	\$ 491,305,702	\$ (13,280,083)	3%
Fringe and Non-Personnel	613,761,091	604,135,318	(9,625,773)	2%
Appropriated Reserve	-	-	-	0%
Subtotal	\$ 1,118,346,876	\$ 1,095,441,019	\$ (22,905,857)	2%
Net Year-End Projection	\$ (39,004,137)	\$ (42,751,386)	\$ (3,747,249)	10%
Release Carry-Forward Budget	\$ 31,524,767	\$ 31,524,767		
Total FY 2010 Projected Activity	\$ (7,479,370)	\$ (11,226,619)	\$ (3,747,249)	10%

As discussed in the First Quarter Report, the Chief Financial Officer instituted a new procedure regarding the treatment of prior year encumbrances. The City of San Diego historically used prior year budgets as a means to preserve appropriations for encumbered commitments that were in place at the end of a fiscal year. These prior year budgets were held separate from the current year budget and not previously included in monitoring reports. This is inconsistent with best

practices and creates difficulties for tracking and monitoring. As a result, this practice has been discontinued. All financial activity is captured and reported as current year activity. In addition, all carry-forward appropriations in the General Fund will be removed this fiscal year and are excluded from this report.

Expenditures associated with commitments that continued from Fiscal Year 2009 and prior years have been included in the expenditure projections provided in this report. These expenditures are legally authorized expenditures that were approved by City Council in previous fiscal years; however, the appropriations to support these expenses may not exist in the current fiscal year. This has two impacts on the bottom-line General Fund expenditure projections during this transition year: 1) expenditures will be higher than expected due to the prior year commitments being expensed; and 2) the carryover appropriations will be released to fund balance to offset these expenditures.

The release of \$31.5 million in prior year appropriations will offset the projected net General Fund deficit of \$42.8 million, resulting in a \$11.2 million projected year-end shortfall. Table 3: FY 2010 General Fund Reserve Estimates illustrates the combined impact to reserves of the projections and the new procedure regarding encumbrances. The Fiscal Year 2010 estimated beginning reserve balance is \$77.1 million, which is a combination of the Unallocated Reserve, \$22.1 million, and the Emergency Reserve, \$55.0 million. As discussed above, the release of carry-forward appropriations partially offsets the projected year-end deficit, resulting in a new year-end projected shortfall of \$11.2 million. The resulting Fiscal Year 2010 year-end reserve balance is projected to be \$65.8 million. The reserve goal for Fiscal Year 2010 is 7 percent, or \$75.4 million, of projected General Fund revenue which includes the \$24.6 million of property tax revenue set aside for Fiscal Year 2011. Current projected activities would result in a \$9.6 million shortfall in reserves, compared to the 7 percent target.

FY 2010 General Fund Reserve Estimates	
Table 3	
Description	Amount
FY 2010 Beginning Balance (unaudited)	
Unallocated Reserve	\$ 22.1
Emergency Reserve	\$ 55.0
Appropriated Reserve	\$ -
Subtotal	\$ 77.1
FY 2010 Projected Activity	
Release Carry-Forward Budget	\$ 31.5
FY 2010 Net Year-End Projection	\$ (42.8)
Subtotal	\$ (11.2)
FY 2010 Projected Ending Balance	\$ 65.9
FY 2010 Reserve Goal (7%)	\$ 75.4
Projected Variance	\$ (9.5)

At the time of the First Quarter Report, this projected shortfall in reserves was estimated at \$5.6 million. The \$4.0 million change is primarily the result of the \$3.7 million increase in the net projected deficit, as reflected in Table 2 above, from the projected reduction in property tax revenue and reduced savings from the fire station rolling “brown-outs”. In addition, the Fiscal Year 2010 beginning Unallocated Reserve balance was revised down by approximately \$400,000 as a result of the completed Fiscal Year 2009 audit.

Since budgetary adjustments were recently implemented and the fiscal impacts of those reductions continue to be monitored and analyzed, additional budgetary adjustments are not recommended at this time. A variety of mitigation efforts are being researched and considered to ensure that the 7 percent reserve goal for Fiscal Year 2010 is achieved. Possible rate relief from fleet and data processing charges is being researched. Additional policies to curb discretionary spending are also being considered. In addition, if the savings realized from the budget reductions are insufficient to fully support the \$24.6 million intended to be set aside for Fiscal Year 2011, the amount of revenue redirected to this new reserve fund may be reduced. Further information about mitigation efforts will be provided in the Fiscal Year 2010 Year-End Budget Monitoring Report.

GENERAL FUND REVENUES

The current General Fund revenue budget for Fiscal Year 2010 is \$1.112 billion. Revenues through December are under the period-to-date budget by \$38.9 million or 11 percent primarily due to the impact of the continued economic downturn. As displayed in Table 4: FY 2010 Actual and Projected General Fund Revenue, year-end revenues are projected to be below budget by \$59.3 million, or 5 percent.

FY 2010 Actual and Projected General Fund Revenue				
Table 4				
Actual/Projection	Budget	Actual/ Projection	Over Budget/ (Under Budget)	Variance %
Actual through December	\$ 350,077,140	\$ 311,128,052	\$ (38,949,088)	11%
Year-End Projection	1,111,994,517	1,052,689,633	(59,304,884)	5%

Departmental revenues are projected to be under budget by \$22.8 million, or 8 percent, as shown in Table 5: FY 2010 General Fund Revenue Projections by Category and detailed in Attachment I: General Fund Projected Revenues. Major General Fund revenues are projected to conclude the fiscal year 4 percent, or \$36.5 million, under budget. The following sections discuss the variances between revenue projections and the current budget for both major revenues and departmental revenues.

FY 2010 General Fund Revenue Projections by Category

Table 5

Revenue Source	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Major General Fund Revenues	\$ 821,007,167	\$ 784,539,326	\$ (36,467,841)	4%
Departmental Revenue	290,987,350	268,150,307	(22,837,043)	8%
Total	\$1,111,994,517	\$1,052,689,633	\$ (59,304,884)	5%

Major Revenues

The Fiscal Year 2010 year-end projection for the General Fund major revenues is \$784.5 million, or 4 percent below the current budget, as reflected below in Table 6: FY 2010 Major General Fund Revenue Projections.

FY 2010 Major General Fund Revenue Projections

Table 6

Revenue Source	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Property Tax ¹	\$ 358,047,711	\$ 366,048,530	\$ 8,000,819	2%
Sales Tax	210,141,169	185,048,181	(25,092,988)	12%
Transient Occupancy Tax ²	76,168,836	66,115,157	(10,053,679)	13%
Franchise Fees ³	73,586,929	70,037,853	(3,549,076)	5%
Safety Sales Tax	7,057,580	6,232,514	(825,066)	12%
Property Transfer Tax	4,511,178	4,454,718	(56,460)	1%
Motor Vehicle License Fees	3,900,000	3,081,296	(818,704)	21%
Other Major Revenue	87,593,764	83,521,077	(4,072,687)	5%
Total	\$ 821,007,167	\$ 784,539,326	\$ (36,467,841)	4%

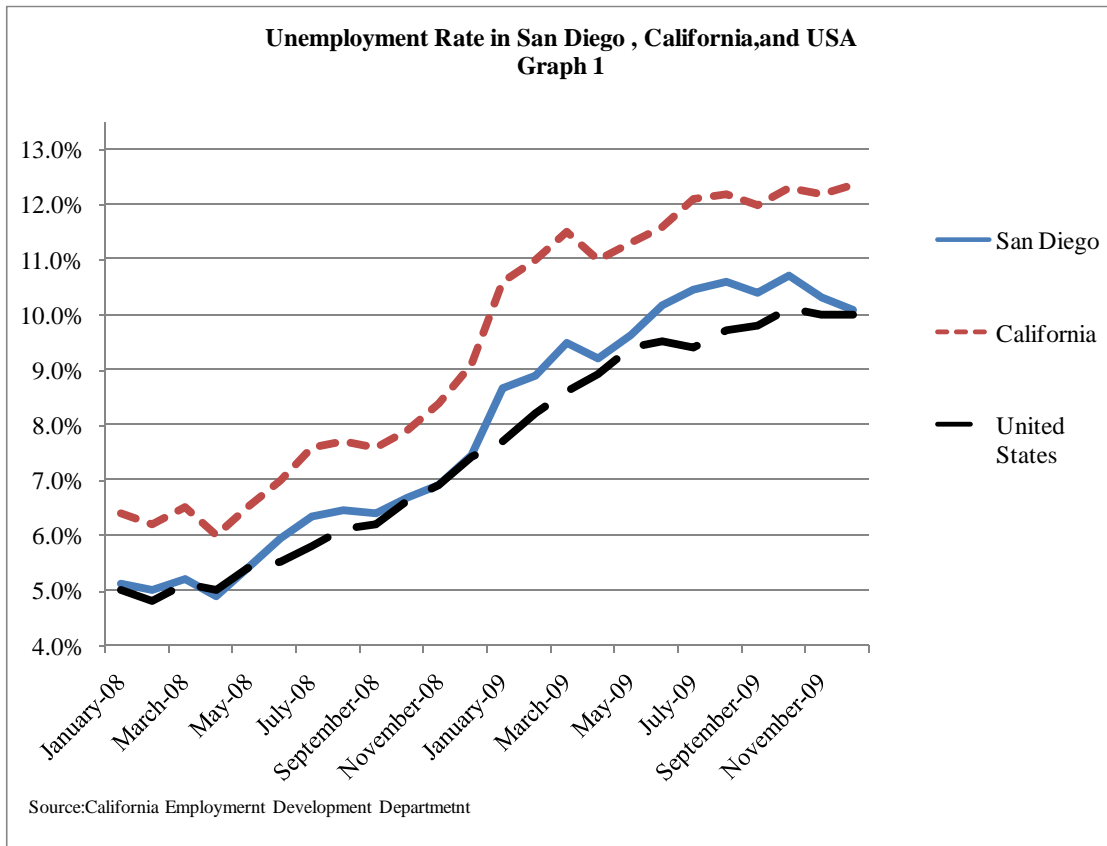
¹ Total City FY 2010 current revenue budget for property tax is \$382.6 million and the projection is \$390.6 million. The balance is budgeted in the FY 2011 General Fund Reserve Fund.

² Total City FY 2010 current revenue budget for transient occupancy tax is \$145.2 million and the projection is \$126.2 million. The balance is budgeted in the Transient Occupancy Tax Fund.

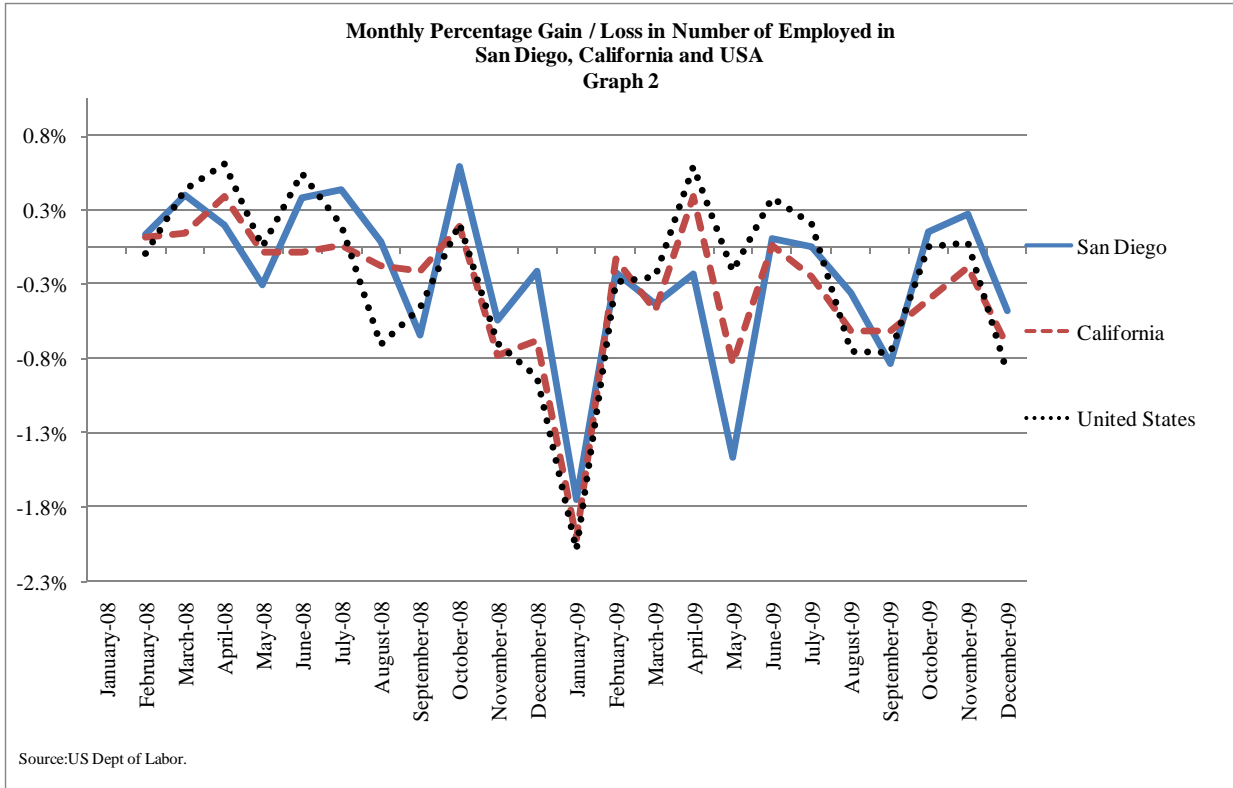
³ Total City FY 2010 current revenue budget for franchise fees is \$137.0 million and the projection is \$133.5 million. The balance is budgeted in the Environmental Growth and Utilities Undergrounding Program Funds.

The significant declines in revenues received by local governments have persisted since the beginning of the recession in December 2007 and prospects for stabilization and a potential recovery have been controversial. However, economic stabilization has started to occur in varying parts of the country as noted by economists and the Federal Reserve, with different economic indicators showing signs of small growth. Indicators, such as consumer spending, home sales, manufacturing and wage levels, have improved modestly over recent months compared with 2008 levels but are still well below levels experienced in 2007 prior to the recession. Despite these favorable indications of economic growth, some sectors, such as employment and construction, are still suffering thus restraining potential economic recovery.

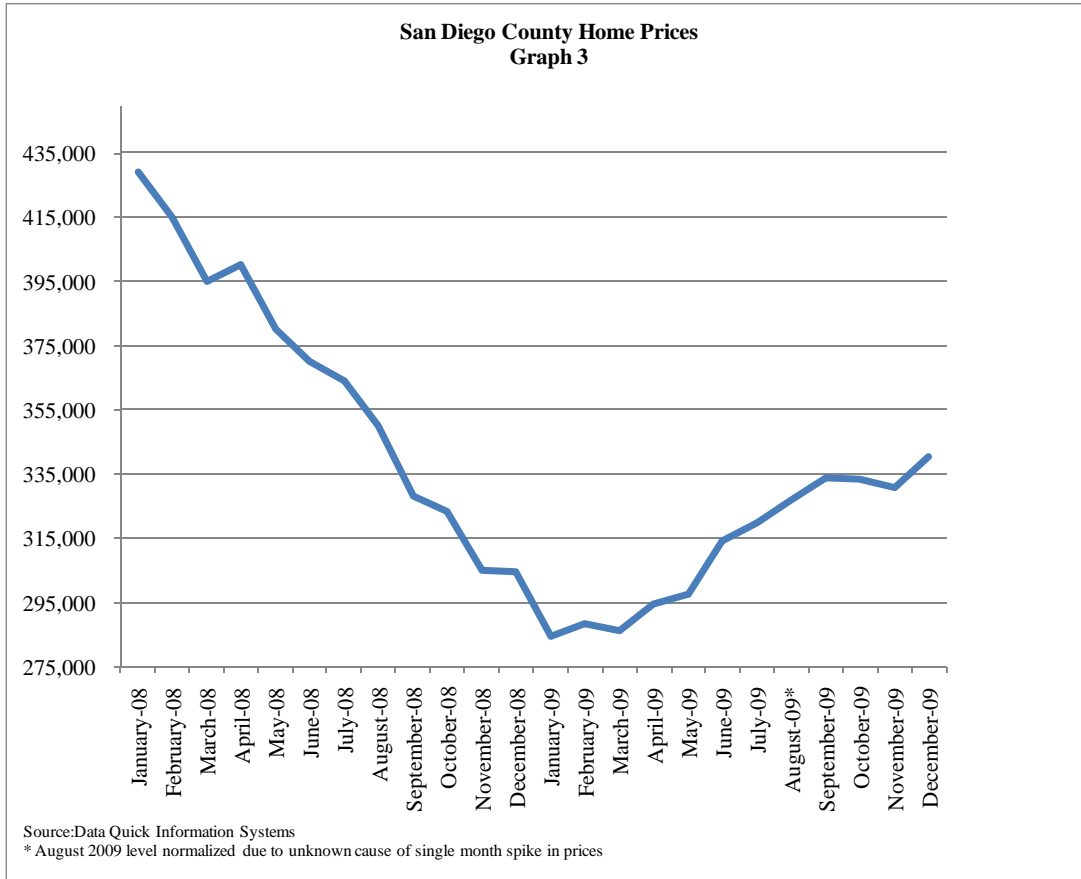
On a local level, the unemployment level in San Diego has dropped for two consecutive months to 10.1 percent in December 2009 after reaching 10.7 percent in October 2009. This is reflected in Graph 1: Unemployment Rate in San Diego, California and USA.



While the unemployment rate has dropped in San Diego, the number of employed individuals has reached a six-year low. Although the unemployment rate is considered an important economic indicator, the total number of employed individuals in San Diego is the main factor in determining the total spending capacity and demand for goods and services in the local economy. The total number of employed individuals in San Diego has dropped by 5.6 percent from 660,800 in August 2008 to 623,900 in December 2009. This change in the number of employed individuals is displayed in Graph 2: Monthly Percentage Gain/Loss in Number of Employed in San Diego, California and USA.



This contrast in economic indicators is also seen in San Diego’s real estate market. Some economists have noted that the strength in California’s coastal communities, including San Francisco, Los Angeles and San Diego, is due to their geographic location and employment base. San Diego home sales have increased 14.4 percent in 2009 as compared with 2008 and home prices rose 19.7 percent between January and December 2009 according to Dataquick Information Systems as reflected in Graph 3: San Diego County Home Prices. However, the strength in the residential base in San Diego is tempered by the continuing rise in commercial vacancy rates and the decline in lease rates throughout the County according to CB Richard Ellis. The declines in commercial properties may temper the recovery experienced in the County’s residential market.



The real estate market and employment levels are two of a larger group of economic indicators that are currently offering mixed signals of a potential economic stabilization and recovery. Even as positive information is becoming more prevalent in the local outlook, any economic progress is tentative at best. The mixed indicators, in addition to the observed strengths and weaknesses in the local and State economies, have been taken into account for City’s revenue forecasting and are continually monitored to prepare the most accurate estimates possible.

Projections for major General Fund revenues have declined by \$28.0 million, or 3 percent, from first quarter projections. Table 7: Comparison of FY 2010 Major General Fund Revenue Projections summarizes the change in projections for the major revenue sources. The most significant change is the \$26.6 million reduction of the property tax projection which is primarily due to the projected redirection of \$24.6 million of property tax revenue to the Fiscal Year 2011 General Fund Reserve Fund. Without the redirection of the \$24.6 million, major General Fund revenue projections have declined by \$3.4 million from the first quarter projection.

Comparison of FY 2010 Major General Fund Revenue Projections

Table 7

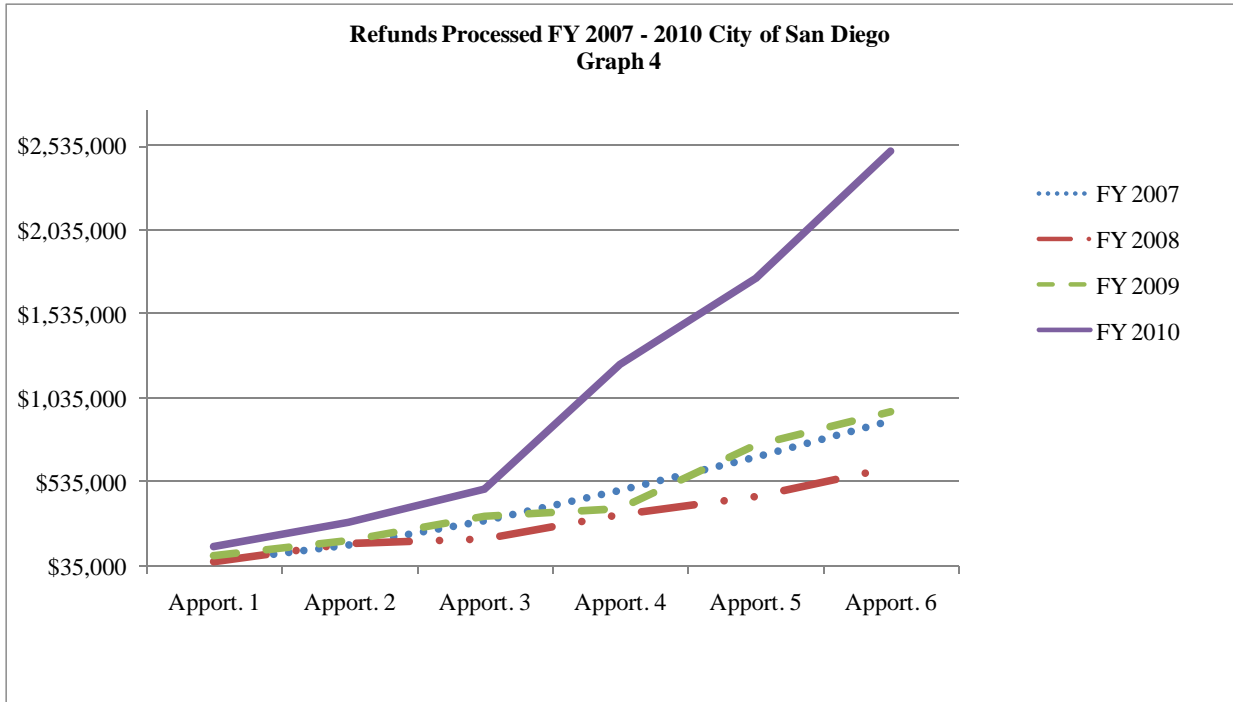
Revenue/Expenditures	First Quarter (as of September)	Mid-Year (as of December)	Change Amount	Change %
Property Tax ¹	\$ 392,696,027	\$ 366,048,530	\$ (26,647,497)	7%
Sales Tax	184,374,213	185,048,181	673,968	0%
Transient Occupancy Tax	66,834,085	66,115,157	(718,928)	1%
Franchise Fees	70,163,821	70,037,853	(125,968)	0%
Safety Sales Tax	6,297,815	6,232,514	(65,301)	1%
Property Transfer Tax	4,338,522	4,454,718	116,196	3%
Motor Vehicle License Fees	3,474,895	3,081,296	(393,599)	11%
Other Major Revenue	84,352,704	83,521,077	(831,627)	1%
Total	\$ 812,532,082	\$ 784,539,326	\$ (27,992,756)	3%

¹ As a result of the budget adjustments approved by City Council on December 14, 2009, O-19917, \$24.6 million of property tax revenue has been redirected to the FY 2011 General Fund Reserve Fund.

Property Tax

The Fiscal Year 2010 property tax projection for the City is \$390.6 million. The General Fund portion is projected to be \$366.0 million, which is \$8.0 million, or 2 percent, higher than the current General Fund budget of \$350.8 million. Both the current budget and projection for the General Fund have been reduced by the \$24.6 million of property tax revenue that is projected to be redirected to the Fiscal Year 2011 General Fund Reserve Fund.

The overall property tax projection changed by \$2.1 million from the first quarter projection due to the decline of San Diego County's total assessed valuation (AV), which was less than originally forecasted by the County Assessor's Office. A number of factors contributed to the decline in AV, such as falling residential real estate prices, increased foreclosures and stricter credit requirements. In addition, the increased number of reassessment applications to the Assessor's Office has contributed to increased refunds to homeowners and less revenue to the City. Year-to-date 2010 refunds have totaled \$2.5 million, compared to \$950,000 for a similar time period in Fiscal Year 2009 and \$614,000 in Fiscal Year 2008. This is displayed below in Graph 4: Refund Proceeds FY2007 – 2010. The Fiscal Year 2010 City property tax projection of \$390.6 million includes an increase in projected refunds of \$1.4 million from the original forecasted amount.



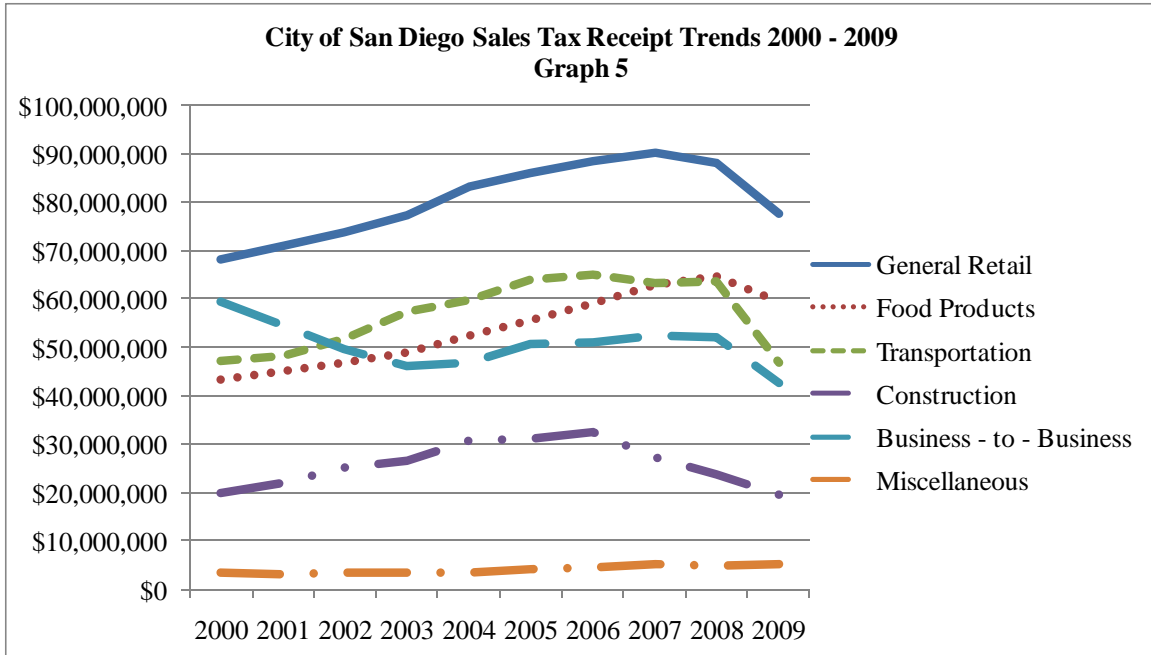
Property Transfer Tax

The Fiscal Year 2010 property transfer projection is \$4.5 million, which is 1 percent or \$56,000 decrease from the Fiscal Year 2010 current budget and is consistent with the first quarter projections. The mid-year projected property transfer tax revenue for Fiscal Year 2010 was based on the assumption that average home sale prices in the City will continue to stabilize or increase marginally throughout Fiscal Year 2010. Based on the receipts through January 2009 and current market conditions, it is projected that property transfer tax receipts will be slightly below or at the current budget level.

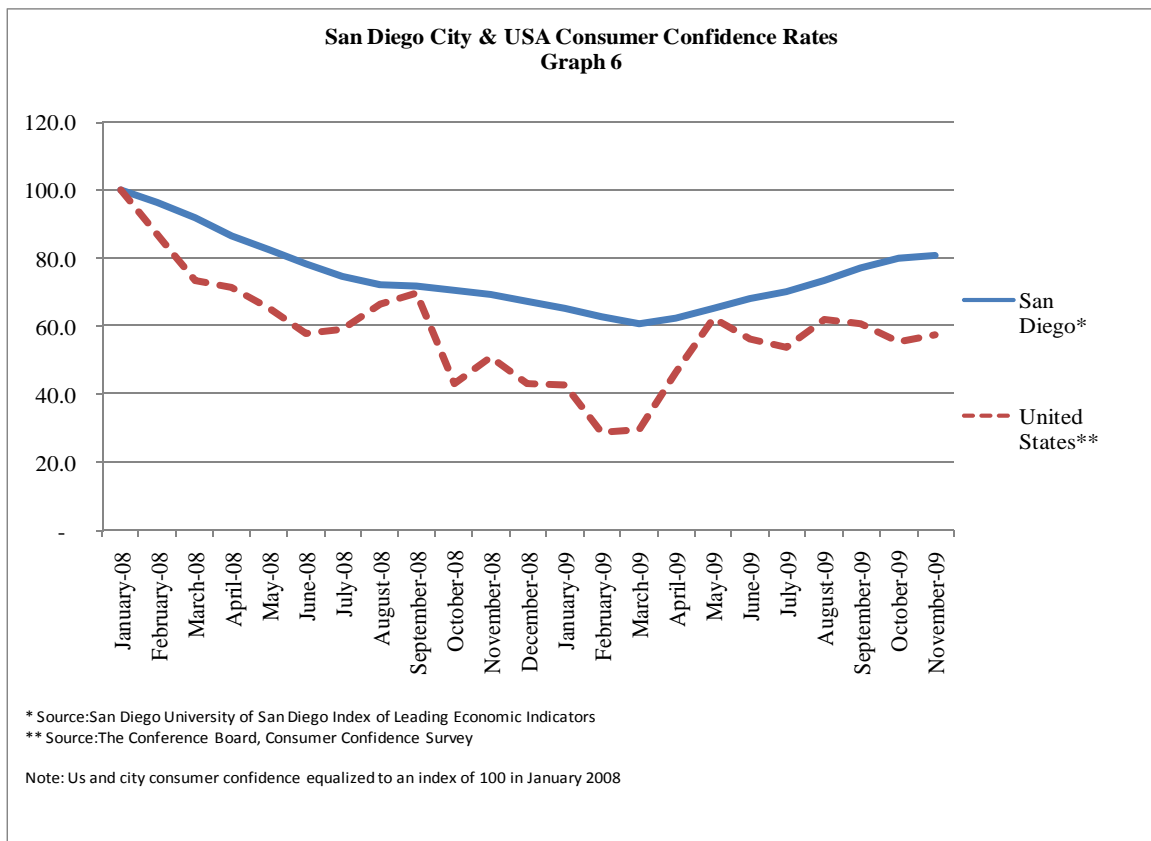
Home sales volume in San Diego County has been declining steadily since reaching the high of 6,208 homes sold in June 2004. According to DataQuick Information Systems, the median home price in the County as of January 2009 was \$310,682, a 9.2 percent annual increase over the December 2008 median home price of \$304,655, while Countywide home sales have increased 11.9 percent increase over the same time period. Both home sales and average price drive property transfer tax revenues and the outlook for both are currently positive. However, the federal home buyer tax credit expiring in April 2010 and high levels of notices of default issued in the County have been incorporated into the forecast for transfer tax revenue levels.

Sales Tax

The Fiscal Year 2010 mid-year projection for sales tax is \$185.0 million, which represents a decrease of 12 percent from the current budget, as was also reflected in the First Quarter Report. Sales tax revenue is projected to continue to decline due to a steep drop in consumer spending in the first two quarters of calendar year 2010 with declines of 8 percent in the first quarter and 3 percent in the second quarter. Graph 5: City of San Diego Sales Tax Receipt Trends 2000 - 2009 displays trends in sales tax receipts received by the City with major impacts experienced in the general retail and construction segments since 2007.



Consumer spending was significantly affected by increasing unemployment, decreasing confidence from January 2008 to March 2009 and an increase in individual savings rates. The decrease in consumer confidence is reflected below in Graph 6: San Diego City and USA Consumer Confidence Rates.



Since the revision in sales tax projections in the Fiscal Year 2010 Revised Budget, the City's sales tax projection for Fiscal Year 2010 has remained stable as the actual change in taxable sales for the City of San Diego has equaled forecasted levels. The assumptions for these forecasted levels are based on the expectation that taxable sales will continue to decline in the first quarter and second quarters of calendar year 2010, although at a slower pace than the previous two quarters.

Safety Sales Tax

The Fiscal Year 2010 Safety Sales Tax projection is \$6.2 million, which is 12 percent or \$825,000 lower than the current budget and consistent with the first quarter projection. The Fiscal Year 2010 safety sales tax projection has been revised to reflect updated growth rates in taxable sales. A weak performance of taxable sales in the local retail sector has affected this revenue source. In general, safety sales tax receipts follow the same economic trends as sales tax receipts. However, it should be noted that the distribution of safety sales tax revenues to cities is based on a different allocation formula than the distribution of sales tax; therefore, this revenue does not entirely mirror sales tax revenue.

Transient Occupancy Tax (TOT)

The City Fiscal Year 2010 TOT budget is \$126.2 million. The Fiscal Year 2010 year-end projection for General Fund TOT revenue is \$66.1 million, which is a 13 percent or \$10.1 million decrease from the current budget. TOT revenue, along with sales tax revenues, has been adversely affected by the decline in business and discretionary consumer spending. Both business and leisure travel have declined significantly since the onset of the recession in December 2007. While spending on travel and tourism are still on the decline, the San Diego tourism outlook is slowly improving according recent information from the San Diego Convention and Visitors Bureau (CONVIS). The current projection for TOT revenue is based on the mixed forecast for the two main factors that drive revenue levels: room demand and the average daily room rate (ADR). A forecasted increase in room demand for the final two quarters of Fiscal Year 2010 (of 0.7 percent and 1.6 percent) is tempered by a forecasted decrease in ADR for the same period (-3.7 percent and -1.5 percent). This decrease in room rates offsets any gains in revenue that the forecasted increase in demand would generate, producing the current forecast roughly equal to the revised budget.

Recovery in the tourism industry, according to CONVIS, is expected to begin in early calendar year 2010 as the overall economy begins to improve. This recovery is expected to be slow due to the overall uneasiness with the labor market and the already wary mindset of travelers.

Franchise Fees

The Fiscal Year 2010 year-end projection for General Fund franchise fee revenue is \$70.0 million, which is a 5 percent or \$3.5 million decrease from the Fiscal Year 2010 current budget of \$73.6 million and is consistent with the first quarter projections.

Franchise fee revenue results from agreements with private utility companies in exchange for the use of the City's rights-of-way. Currently, San Diego Gas and Electric (SDG&E), Cox Communications, Time Warner Cable, AT&T and refuse haulers are the franchisees that pay the City. The revenue received from the above agreements is based on a percentage of gross sales.

The decline in franchise fee revenue is primarily the result of lower than anticipated revenue from refuse collection \$2.5 million and cable TV franchise fees of \$1.1 million. Based on received revenues and current trends in the refuse collection and cable TV revenue, the projection for the remainder of the fiscal year for the General Fund franchise fee revenue was adjusted downwards by \$3.4 million in the first quarter from the current budget.

Motor Vehicle License Fees (MVLFF)

The Fiscal Year 2010 motor vehicles license fees (MVLFF) projection is \$3.1 million, which is 21 percent or \$819,000 lower than the Current Budget of \$3.9 million. In addition, MVLFF revenue has also decreased from the first quarter projection by \$394,000 or 11 percent.

Revenues through the first half of this fiscal year are 46 percent lower compared to the same period a year ago. No city in California received a distribution of revenue in the second quarter of the fiscal year because statewide revenues were insufficient to fund both administrative costs and city allocations. The mounting impact of the housing slump, high unemployment rate and economic downturn have eroded auto sales leading to fewer motor vehicle license fee receipts. However, the outlook for levels of new vehicles sales is expected to improve in calendar year 2010, according a forecast from the California New Car Dealers Association. An improved economy, strong vehicle affordability and accumulated pent-up demand are expected to prevent new vehicles sales from further declines.

Other Major Revenue

All other major revenues for Fiscal Year 2010 have a current projection of \$83.0 million, a negative variance of \$4.1 million or 5 percent from the current budget of \$87.6 million. This projection represents a decline of \$832,000 or 1 percent from the first quarter projection due to a further reduction in transfers from other funds. As discussed in the first quarter report, the projected transfer to the General Fund from the Transient Occupancy Tax Fund is expected to be less than anticipated due to lower TOT revenue receipts. In addition, the City has received less refuse collector business tax revenue as a result of less refuse tonnage disposed at the City's landfill.

Department Revenues

Combined departmental revenues are projected to be under budget by \$21.9 million, contributing to the \$58.3 million projected shortfall in General Fund revenues. This is primarily due to less than anticipated Transient Occupancy Tax (TOT), \$9.0 million, Gas Tax, \$1.7 million and TransNet reimbursement revenue, \$2.1 million, to General Fund departments; suspension of the Business Tax and Rental Unit Business Tax processing fee, \$3.2 million, in accordance with Resolution R-305330; decline in Mission Bay performance-based lease revenues, \$3.6 million; and Police Department's traffic citation revenues, \$2.4 million. Table 8: FY 2010 Significant General Fund Revenue Variances by Department displays departments with projected under or over budget revenue variances of \$500,000 or greater. These variances are discussed following the table.

FY 2010 Significant General Fund Revenue Variances by Department

Table 8

Department	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Park and Recreation	\$ 29,843,493	\$ 22,468,316	\$ (7,375,177)	25%
General Services	42,602,581	37,505,207	(5,097,374)	12%
Real Estate Assets	41,794,909	38,063,600	(3,731,309)	9%
City Treasurer	26,236,217	22,983,334	(3,252,883)	12%
Fire-Rescue	16,155,140	19,163,949	3,008,809	19%
Police	38,956,001	36,100,300	(2,855,701)	7%
Engineering and Capital Projects	63,400,000	61,580,603	(1,819,397)	3%
Storm Water	9,109,240	7,714,119	(1,395,121)	15%
City Planning and Community Inv.	2,762,148	3,367,988	605,840	22%

Park and Recreation

The Park and Recreation Department's revenue budget is \$29.8 million. The department is projecting revenues to be under budget at year-end by \$7.4 million, or 25 percent, which is similar to the First Quarter Report projection. The unfavorable variance is primarily the result of less than anticipated Transient Occupancy Tax (TOT) reimbursements due to overall decline in TOT revenue.

General Services

The General Services Department is projecting revenues to be under budget at year-end by \$5.1 million, or 12 percent. The unfavorable variance is primarily due to less than anticipated Transient Occupancy Tax (TOT), TransNet and Gas Tax reimbursements. The decline in TOT, TransNet and Gas Tax is due to a combination of vacant reimbursable positions and the downturn in the economy. In addition, the department is unable to realize \$415,000 in reimbursable revenue related to reassignment of staff to reimbursable projects, as reflected in the Fiscal Year 2010 budget reductions. This is due to an unexpected delay in implementation due to meet and confer. The unfavorable variance increased by \$2.0 million from the First Quarter Report as a result of the availability of second quarter data which reflected a further decrease in TransNet and Gas Tax revenue.

Real Estate Assets

The Real Estate Assets Department is projecting revenue to be under budget by \$3.7 million. This is a 9 percent variance from the department's current budget of \$41.8 million. The performance-based lease revenues from Mission Bay, Sea World and various hotels are lower than anticipated due to the economic downturn. As a result, the revenue to the City is projected to decrease significantly. The unfavorable revenue variance increased by \$1.2 million from the First Quarter Report as a result of the availability of second quarter data which exhibited a decrease in performance-based lease revenues as mentioned above.

City Treasurer

The City Treasurer Department is projecting to conclude the fiscal year \$3.3 million, or 12 percent, under budget in revenues, which is comparable with the First Quarter Report projection.

The unfavorable variance is the direct result of the City's response to the Fourth District Court of Appeal in *Weisblat v City of San Diego*, 176 Cal. App. 4th 1022 (2009) ruling. As a result, the City suspended collection of the Business Tax and Rental Unit Business Tax Processing Fee per Resolution R-305330. In addition, the City will be issuing refunds of the Rental Unit Business Tax Processing Fee in accordance with Resolution R-305331.

Fire-Rescue

The Fire-Rescue Department is projecting to receive \$3.0 million of over budget revenue which is comparable with the First Quarter Report projections. This represents a 19 percent variance from the department's current revenue budget of \$16.1 million. The additional revenue is primarily due to reimbursements for Strike Team deployment and Emergency Medical Transport Services.

Police

The Police Department expects to conclude the fiscal year with \$2.9 million or 5 percent of revenue under budget which is similar to the First Quarter Report projection. The unfavorable variance is due to a decline in traffic citation revenue.

Engineering and Capital Projects

The Engineering and Capital Projects Department is projecting \$1.8 million, or 3 percent, of revenue under the current budget of \$63.4 million. The unfavorable variance is primarily due to less than anticipated TransNet revenue and a decline in services provided due to fewer developer permit requests. The unfavorable variance increased by \$2.0 million from the First Quarter Report as a result of second quarter data which indicated lower TransNet reimbursements than anticipated.

Storm Water

The Storm Water Department is projecting revenues to be under budget at year-end by \$1.4 million or 15 percent, which does not represent a significant change from the First Quarter Report. The unfavorable variance is primarily due to less than anticipated Transient Occupancy Tax (TOT) reimbursements and parking citation revenue.

City Planning and Community Investment

The City Planning and Community Investment Department is projecting \$606,000 or 22 percent, of revenue over the current budget of \$2.8 million. The favorable variance is attributed to unanticipated Service Level Agreement (SLA) payments for services provided in Fiscal Year 2009 and the receipt of revenue to support the Affordable Housing Parking Study. The favorable increase from the First Quarter Report by \$412,000 is due to availability of second quarter data, which reflects an increase in revenue from services to other funds.

GENERAL FUND EXPENDITURES

The total Fiscal Year 2010 General Fund current expenditure budget is \$1.112 billion. Expenditures through December are on target with the period-to-date budget. Year-end projections show under budget expenditures of \$16.6 million, or 1 percent as shown in Table 9: FY 2010 Actual and Projected General Fund Expenditures. These projections include

expenditures associated with the commitments that continued from Fiscal Year 2009 and prior fiscal years. As previously discussed, approximately \$31.5 million of projected expenditures will be offset by the liquidation of prior year carry-forward appropriations.

FY 2010 Actual and Projected General Fund Expenditures

Table 9

Actual/Projection	Budget	Actual/ Projection	Under Budget/ (Over Budget)	Variance %
Actual through December	\$ 543,213,357	\$ 551,952,910	\$ (8,739,553)	2%
Year-End Projection	1,111,994,517	1,095,441,019	16,553,498	1%

Expenditures by Category

The favorable expenditure projection in the General Fund is primarily due to reductions in salary and fringe expenditures, projected to be under budget by \$21.7 million, resulting from cost-cutting steps taken by the City. However, contracts are projected to be significantly over budget primarily due to carry-forward encumbrances that are projected to be expended this fiscal year. This data is displayed in Table 10: FY 2010 General Fund Expenditure Projections by Category. Further, detailed discussion of expenditure variances follows.

FY 2010 General Fund Expenditure Projections by Category

Table 10

Expenditure Type	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Salaries and Wages	\$ 503,735,049	\$ 491,305,702	\$ 12,429,347	2%
Fringe Benefits	268,713,542	259,453,668	9,259,874	3%
Supplies	23,270,997	23,902,792	(631,795)	3%
Contracts	179,087,598	182,072,533	(2,984,935)	2%
Information Technology	31,856,587	33,066,374	(1,209,787)	4%
Energy and Utilities	32,295,237	32,225,316	69,921	0%
Other	62,130,355	65,283,907	(3,153,552)	5%
CIP Contingency	2,500	-	2,500	100%
Capital Expenditure	4,983,004	3,926,136	1,056,868	21%
Debt	4,252,713	4,204,592	48,121	1%
Appropriated Reserve	1,666,935	-	1,666,935	100%
Total	\$1,111,994,517	\$1,095,441,019	\$ 16,553,498	1%

Salaries and Wages

Expenses in the category of salaries and wages are projected to reach \$654.4 million by fiscal year-end generating a citywide variance between budgeted and actual expenses of \$22.3 million or 3 percent. The General Fund makes up three quarters of this total amount with projected expenses in this category totaling \$491.3 million, creating a positive variance of \$12.4 million or

2 percent. These projected savings result from a hiring freeze (effective as of September) for General Fund and Internal Service Fund departments that was implemented to produce additional savings to offset projected revenue shortfalls. Vacant positions that exist in the City may be filled internally or with the approval of the Chief Operating Officer throughout the year. Additionally, the resolution amending the Fiscal Year 2010 Annual Budget has resulted in the permanent reduction of salaries and wages due to the removal of 458.74 FTE positions citywide. However, because many of the employees filling these positions are being moved to vacant positions throughout the City, the projected salaries and wages savings has decreased.

A significant contributor to the projected General Fund salary savings is the Police Department with approximately \$12.0 million in salary savings mainly due to vacancies in both sworn and non-sworn positions. Conversely, Fire-Rescue is projecting to exceed budgeted salaries and wages by approximately \$3.2 million due to over-budget expenditures caused by strike team responses that will be reimbursed by the State and by the additional staffing of ambulances with fire fighters that will be reimbursed by the Emergency Medical Services Fund. Other departments such as Engineering and Capital Projects, General Services, City Attorney, Environmental Services and Development Services are projecting savings of approximately \$3.1 million due to vacant positions.

Upon execution of the labor concession terms into the Fiscal Year 2010 budget, there was an item that allows for an employee's choice of a reduction affecting his or her salary or the City's match to the Supplemental Pension Savings Plan (SPSP). The Financial Management Department assumed a budgeted 3 percent reduction in salaries and associated fringe to all Municipal Employee Association (MEA) positions. The objective was to provide flexibility in allowing City Council to approve a transfer of fringe appropriations due to savings towards salary deficits if necessary and remain in accordance with the City Charter provision in Article VII Section 73 specifying that appropriated salary expenditures cannot be transferred toward non-personnel expenditures for any reason other than a public emergency. The allocation of the 3 percent salary reduction for permanent budgeted MEA positions in the Fiscal Year 2010 budget was \$4.6 million in the General Fund and \$7.8 million citywide. Since the majority of the MEA employees have since chosen to waive the City's SPSP matching contribution to the employee's mandatory contribution, the lack of higher savings in budgeted salaries is offset by fringe savings in SPSP and other associated fringe that is variable to salary rates.

Fringe Benefits

Citywide fiscal year-end fringe projections total \$351.8 million with \$259.4 million in the General Fund. The hiring freeze implemented in the third month of the fiscal year has also yielded projected fringe expense savings. Many fringe accounts are expected to produce savings as the obligation for the expenses is based on a position being filled. These fringe accounts include Medicare, Employee Offset Payment, Retirement Offset Contribution, Unemployment Insurance and Unused Sick Leave. The projected total savings from these accounts is \$1.5 million citywide and \$783,000 in the General Fund.

The Supplemental Pension Savings Plan (SPSP) budgeted fringe account is projecting a savings of \$6.1 million citywide, with \$3.6 million of this in the General Fund. This savings are largely

due to MEA employees electing to waive their right to the City's mandatory matching contribution of the SPSP program.

Table 11 further illustrates General Fund budgeted fringe and projected expenditures for Fiscal Year 2010.

FY 2010 General Fund Fringe Benefits Budget and Projections				
Table 11				
Fringe Benefits Account	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Retirement ARC	\$ 124,871,402	\$ 120,117,926	\$ 4,753,476	4%
Flexible Benefits	39,007,082	38,783,514	223,568	1%
Retiree Healthcare Contribution	22,320,912	22,398,925	(78,013)	0%
Workers' Compensation	20,418,061	20,198,656	219,405	1%
OPEB	17,384,195	17,459,723	(75,528)	0%
SPSP	13,189,891	9,565,914	3,623,977	27%
Medicare	6,850,557	6,035,602	814,955	12%
Risk Management Administration	5,408,541	5,622,887	(214,346)	4%
Retirement Offset Contribution	5,101,219	4,620,487	480,732	9%
Long-Term-Disability	2,954,884	2,930,866	24,018	1%
Unemployment Insurance	902,884	854,451	48,433	5%
Unused Sick Leave	329,274	327,868	1,406	0%
Employee Offset Payment	9,974,640	10,536,849	(562,209)	6%
Total	\$ 268,713,542	\$ 259,453,668	\$ 9,259,874	3%

Certain fringe accounts are projected to be fully expended regardless of the number of vacancies due to fixed or obligated commitments related to settlement requirements and the City's Reserve Policy. These fixed fringe accounts include Workers' Compensation, Long-Term Disability, SDCERS Annual Required Contribution (ARC), OPEB, Retiree Healthcare Pay-Go Contribution and the Risk Management Administration. These budgeted expenditures total \$249.0 million citywide. Collection rate adjustments will continue to occur as necessary to ensure these fringe accounts are fully expended by fiscal year-end.

Supplies

General Fund departments are projected to be \$632,000, or 3 percent, over budget in supply expenditures at year-end. The unfavorable variance is primarily due to carry-forward encumbrances from prior fiscal years which will be expended in Fiscal Year 2010 and offset by the release of prior year appropriations to the General Fund reserve. Contributing to the variance in this category are various supply expenditures for storm water pumps and operations, landscape services, janitorial services and paving supplies. The unfavorable variance increased by \$927,000 from the First Quarter Report primarily due to repairs to various storm water pump stations.

Contracts

General Fund departments are projected to be \$2.0 million, or 2 percent, over budget in contracts at year-end. The unfavorable variance is primarily due to carry-forward encumbrances from prior

fiscal years which will be expended in Fiscal Year 2010 and will be offset by the release of prior year appropriations to the General Fund reserve. The carry-forward encumbrances include various contracts for slurry seal, storm water projects, landscape maintenance, brush management and the City's annual audit. The favorable variance decreased by \$12.1 million from the First Quarter Report due to less than anticipated expenses related to storm water contracts, community plan updates and less than anticipated usage and assignment charges by Fleet Services.

Information Technology

General Fund departments are projected to be \$1.2 million, or 4 percent, over budget in information technology at year-end which is similar to the First Quarter Report. The unfavorable variance is primarily due carry-forward encumbrances which will be expended in Fiscal Year 2010 and will be offset by the release of prior year appropriations to the General Fund reserve. The majority of the carry-forward encumbrances are for annual maintenance and new or upgraded computer software for various departments.

Other

General Fund departments are projected to be \$1.5 million, or 2 percent, over budget in this category at year-end. The unfavorable variance is primarily due to carry-forward encumbrances which will be expended in Fiscal Year 2010 and offset by the release of prior year appropriations to the General Fund reserve. The majority of the carry-forward encumbrances are for transfers to storm water capital improvement projects. The unfavorable variance increased by \$3.4 million from the First Quarter Report primarily due to a budgetary posting correction. The posting caused the Contract category budget to be \$2.9 million lower and the Other category budget to be \$2.9 million higher but had no impact on the total General Fund. This was corrected and is reflected in the Mid Year Report. In addition, the Citywide Program Expenditures projection increased by \$1.6 million in this category due to unanticipated increases in lease payments, election costs and consultant services for various fringe analyses.

Capital Expenditure

General Fund departments are projected to be \$1.1 million, or 21 percent, under budget in capital expenditures at year-end which is comparable with the First Quarter Report. The Park and Recreation Department is projecting the majority of the savings in this category due to conservative spending and less equipment needed due to vacant positions.

Energy and Utilities, CIP Contingency and Debt

General Fund projections reflect spending in the areas of energy and utilities, CIP contingency and debt to be on target with the current budget and are comparable with the First Quarter Report.

Department Expenditures

Table 12: FY 2010 Significant General Fund Expenditure Variances by Department, displays the departments with projected over or under budget expenditure variances of \$500,000 or greater. These variances are discussed following the table. Attachment II: General Fund Projected Expenditures includes projections for all General Fund departments.

FY 2010 Significant General Fund Expenditure Variances by Department
Table 12

Department	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Police	\$ 393,161,435	\$ 373,331,093	\$ 19,830,342	5%
Storm Water	36,165,274	42,848,686	(6,683,412)	18%
Park and Recreation	84,426,134	86,921,339	(2,495,205)	3%
City Planning and Community Inv.	14,261,202	12,796,309	1,464,893	10%
Citywide Program Expenditures	52,921,079	54,104,796	(1,183,717)	2%
Administration	3,812,779	2,674,309	1,138,470	30%
General Services	65,556,678	66,415,088	(858,410)	1%
Environmental Services	36,872,562	36,019,181	853,381	2%
City Auditor	2,531,204	3,260,804	(729,600)	29%
Fire-Rescue	183,017,067	182,372,569	644,498	0%
DSD-Neighborhood Code Comp.	6,399,880	5,807,668	592,212	9%

Police

The Police Department is projecting to end the year with expenditures under budget by \$19.8 million, or 5 percent of the current budget of \$393.2 million. This variance is attributed to \$21.3 million in projected salary and fringe savings resulting from an average 112.0 vacant sworn and non-sworn positions per month due to a combination of attrition and the City's hiring freeze. The favorable variance increased by \$5.9 million from the First Quarter Report due to a combination of the Fiscal Year 2010 budget reductions and revised salary projections. Salary projections significantly decreased as a result of using second quarter actuals in forecasting.

Storm Water

The Storm Water Department's current budget is \$36.2 million. The department projects to end the fiscal year with \$6.7 million, or 18 percent, of expenditures over budget. The projected expenditure variance is associated with the carry-forward encumbrances for storm water related contracts and will be offset by the release of prior year appropriations to the General Fund reserve. The unfavorable variance decreased by \$2.7 million from the first quarter projection due to less than anticipated expenditures in contracts for storm water related projects.

Park and Recreation

The Park and Recreation Department's current budget is \$84.4 million. The department projects to end the fiscal year with \$2.5 million, or 3 percent, of expenditures over budget. The projected expenditure variance is primarily due to a deficit in fringe and carry-forward expenses related to landscape maintenance and brush management contracts. The carry-forward expenses will be offset by the release of prior year appropriations to the General Fund reserve. The unfavorable variance increase by \$2.3 million from the First Quarter Report due to revised fringe projections and higher than anticipated expenses associated with prior year commitments.

City Planning and Community Investment

The City Planning and Community Investment Department is projecting to end the fiscal year with expenditures \$1.5 million, or 10 percent, under the current budget of \$14.3 million. The

favorable variance is due to less than anticipated expenditures for community plan updates. Compared to the First Quarter Report, the favorable variance increase of \$3.1 million is primarily due to community plan update contracts that will not be in place by the close of the fiscal year.

Citywide Program Expenditures

The total year-end projection for Citywide Program Expenditures is \$54.1 million, which represents an unfavorable variance of \$1.2 million or 2 percent of the revised current budget of \$52.9 million. The unfavorable variance is primarily due to an unanticipated McGuigan settlement interest payment which was originally anticipated to occur in Fiscal Year 2011.

Administration

The Administration Department is projecting to end the year with expenditures under budget by \$1.1 million or 30 percent which is similar to the First Quarter Report. This is due to a new contract awarded to San Diego Medical Services Enterprise, LLC for Emergency Medical Transport Services which resulted in estimated savings of over \$1.0 million.

General Services

The General Services Department's current budget is \$65.6 million. The department projects to end the fiscal year with \$858,000, or 1 percent, of expenditures over budget which is similar with the First Quarter Report. The projected expenditure variance is due to projected expenditures associated with the carry-forward encumbrances for slurry seal contracts and asphalt materials and will be offset by the release of prior year appropriations to the General Fund reserve.

Environmental Services

The Environmental Services Department is projecting to end the year with expenditures under budget by \$853,000 or 2 percent and does not represent a significant change from the First Quarter Report. This is primarily due to vacancy savings, conservative spending and a decrease in tipping fee expenses related to a decrease in tonnage collected and disposed.

City Auditor

The City Auditor is projecting to end the fiscal year with expenditures over budget by \$730,000 or 29 percent which is similar to the First Quarter Report. The variance is primarily attributed to the expenses for the Fiscal Year 2009 annual audit, which will be offset by the release of prior year appropriations to the General Fund reserve.

Fire-Rescue

The Fire-Rescue Department's current budget is \$183.0 million. The department projects to end the fiscal year \$645,000 under budget which is similar with the First Quarter Report. The projected expenditure variance is primarily due to less than anticipated usage and assignment charges by Fleet Services.

Development Services – Neighborhood Code Compliance

The Development Services – Neighborhood Code Compliance Department is projecting expenditures to be 9 percent, or \$592,000, under the current budget, which is comparable to the

First Quarter Report. This is primarily due to vacancies in the department which are not planned to be filled this fiscal year.

NON-GENERAL FUNDS

Projections based on the first six accounting periods of Fiscal Year 2010 are provided in Attachment III: Non-General Fund Projections for all non-general funds with staff. Non-general funds have also included expenditures associated with prior year encumbrances in the Fiscal Year 2010 projections. In contrast to the General Fund, non-general funds will retain prior year appropriations during this transition year and the carry-forward budgets are included in this reports. The new procedure regarding the treatment of prior year encumbrances will be fully implemented for non-general funds in Fiscal Year 2011. Also note that expenditures associated with the Capital Improvements Program are not included in the current budget or projections provided below or in the attachment. Those funds with significant budgetary variances in revenues or expenditures of \$500,000 or more are displayed in Table 13: FY 2010 Significant Non-General Fund Expenditure Variances and are discussed below.

Central Stores Internal Service Fund

Year-end expenditure projections for the Central Stores Internal Service Fund are \$721,000, or 3 percent, under the current budget of \$23.8 million. Similarly, revenues are projected to be \$2.2 million, or 9 percent, under the revenue budget. The expenditure variance is due to decrease in product demand from customer departments, which is offset by decreased revenues.

City Airport Fund

The City Airport expenditure projection is over budget by \$771,000 or 18 percent of the current budget of \$4.2 million. The unfavorable expenditure variance is primarily due to an unanticipated Federal Aviation Administration (FAA) requirement to remove gypsum at Brown Field Airport. Projected year-end revenues in the City Airport Fund exceed projected expenditures by approximately \$748,000.

Development Services Enterprise Fund

Year-end expenditure projections for the Development Services Enterprise Fund are \$10.8 million, or 24 percent, under the current budget of \$44.5 million. Revenues are projected to be \$8.7 million, or 19 percent, under the revenue budget. The expenditure variance is due to fringe savings associated with staffing vacancies captured in the \$9.2 million vacancy factor reduced from the salary category. In addition, the fund is projecting savings in contract expenditures due to less than anticipated development permit activity. The under budget revenue is due to a decrease in licenses and permits as a result of the current economic downturn, which is partially offset by \$2.1 million in fee increases approved by City Council.

Emergency Medical Services Fund

The Emergency Medical Services Fund's expenditure projection is under budget by \$1.8 million or 23 percent of the current budget of \$7.6 million and the revenue projection is under budget by \$1.7 million or 24 percent. This favorable projected expenditure variance is primarily due to anticipated overtime savings. The under budget revenue is due to a reduction in the General Fund transfer as a result of a new contract awarded to San Diego Medical Services Enterprise, LLC for

Emergency Medical Transport Services. This new contract resulted in an estimated savings of over \$1.3 million. Year-end expenditures are projected to exceed revenues by approximately \$247,000, which will be covered by fund balance.

FY 2010 Significant Non-General Fund Expenditure Variances

Table 13

Fund	Revenue/Expenditure	Current Budget	Year-End Projection	Variance Amount	Variance %
Central Stores	Rev \$	23,780,557	\$ 23,229,543	\$ (551,014)	2%
	Exp	23,780,557	23,059,251	721,306	3%
City Airport	Exp	4,214,381	4,984,966	(770,585)	18%
Development Services	Rev	45,868,370	37,153,777	(8,714,593)	19%
	Exp	44,476,673	33,654,031	10,822,642	24%
Emergency Medical Services	Rev	7,327,295	5,588,145	(1,739,150)	24%
	Exp	7,613,806	5,834,856	1,778,950	23%
Fleet Services	Rev	47,378,809	46,232,448	(1,146,361)	2%
	Exp	56,400,566	47,545,636	8,854,930	16%
PETCO Park	Exp	23,426,528	22,770,976	655,552	3%
QUALCOMM Stadium	Exp	18,617,415	18,019,756	597,659	3%
Recycling	Rev	15,866,794	20,199,063	4,332,269	27%
	Exp	22,549,810	20,254,293	2,295,517	10%
Refuse Disposal	Rev	31,094,511	29,584,599	(1,509,912)	5%
	Exp	39,559,585	32,887,853	6,671,732	17%
Sewer	Rev	449,332,556	432,127,389	(17,205,167)	4%
	Exp	380,440,592	350,964,758	29,475,834	8%
Water	Rev	513,630,272	491,682,615	(21,947,657)	4%
	Exp	396,698,552	376,523,497	20,175,055	5%

Fleet Services Internal Service Fund

Year-end expenditure projections for the Fleet Services Internal Service Fund are \$8.9 million, or 16 percent, under the current budget of \$56.4 million. Revenues are also projected to be under budget by \$1.2 million or 2 percent. The expenditure variance is primarily due to less than anticipated fuel costs. The unfavorable revenue variance is due to less than anticipated reimbursements from the Fire-Rescue Department for usage and assignment charges.

PETCO Park Fund

Year-end expenditure projections for the PETCO Park Fund are \$656,000, or 3 percent, under the current budget of \$22.3 million. The expenditure variance is due to less than anticipated expenses as a result of a decline in attendance. Year-end expenditures are projected to exceed revenues by approximately \$5.3 million, which will be covered by fund balance.

QUALCOMM Stadium Operating Fund

The QUALCOMM Stadium Operating Fund is projecting under budget expenditures of \$598,000 or 3 percent. The favorable expenditure variance is due to delays in contracts and less than anticipated gas and electricity costs. Year-end expenditures are projected to exceed revenues by approximately \$89,000, which will be covered by fund balance.

Recycling Fund

The Recycling Fund projects expenditures to end the year \$2.3 million, or 10 percent, under the current budget of \$22.5 million. Similarly, a \$4.3 million, or 27 percent, favorable variance is projected in revenue. The positive variance in expenditures is primarily attributed to vacant positions in the department due to efficiencies. In addition, the fund is realizing less than anticipated assignment fees for over-age vehicles that have not been replaced. The projected over budget revenue is primarily due to an increase in revenue from the sale of recyclable commodities and higher than anticipated tonnage. The fund projects to end the year with \$55,000 of expenditures in excess of revenues, which will be covered by fund balance.

Refuse Disposal Fund

The Refuse Disposal Fund projects \$6.7 million, or 17 percent, of expenditures to end the year under the current budget of \$39.6 million. This variance is attributed to a projected decline in overall tonnage being deposited in the City landfill. Similarly, revenues are projected to be \$1.7 million under budget, or 5 percent, due to a reduction of tonnage deposited in the City landfill. Year-end expenditures are projected to exceed revenues by approximately \$4.0 million, which will be covered by fund balance.

Sewer Funds

The Sewer Funds are projecting year-end expenditures to be under the \$380.4 million current budget by \$29.5 million, or 8 percent. Under budget revenues of \$17.2 million, or 4 percent, are also projected. The expenditure variance is due to delayed contracts, budgeted contingency reserve that is not planned to be spent, vacancies in the department, decrease in bond repayments and less than anticipated supplies used for maintenance of wastewater plants. The under budget revenue is primarily due to a decrease in commercial and residential permit activities, users adherence to water conservation efforts and less than anticipated revenue from participating agency for wastewater treatment.

Water Department Fund

The Water Department Fund projects year-end under budget expenditures of \$20.2 million, or 5 percent, of the \$396.7 million current budget. An unfavorable revenue variance of \$22.0 million, or 4 percent, is also projected. The expenditure variance is primarily due to a revised allocation of the Indirect Potable Reuse Project (IPR) expenses from a single year (Fiscal Year 2010) to multi-year (Fiscal Years 2010 – 2012). Other contributing factors include the budgeted contingency reserve that is not planned to be spent, vacancies in the department and conservative spending. The unfavorable revenue variance is primarily due to the decline in capacity fee charge revenue as the result of a decrease in large-scale commercial building permit activity and less than anticipated interest earnings. Additionally, the Water Department Fund is projecting less than anticipated reimbursement revenue from various Service Level Agreements (SLA).

ATTACHMENTS

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

General Fund Projected Revenues
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Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Major General Fund Revenues					
Franchise Fees ¹	\$ 73,586,929	\$ 73,586,929	\$ 70,037,853	\$ (3,549,076)	5%
Interest Earnings	4,091,471	4,091,471	4,091,471	-	0%
Motor Vehicle License Fees	3,900,000	3,900,000	3,081,296	(818,704)	21%
Property Tax ²	382,627,885	358,047,711	366,048,530	8,000,819	2%
Property Transfer Tax	4,511,178	4,511,178	4,454,718	(56,460)	1%
Refuse Collector Business Tax	1,000,000	1,000,000	780,000	(220,000)	22%
Safety Sales Tax	7,057,580	7,057,580	6,232,514	(825,066)	12%
Sales Tax	210,141,169	210,141,169	185,048,181	(25,092,988)	12%
Transfers from Other Funds	82,408,793	82,502,293	78,649,606	(3,852,687)	5%
Transient Occupancy Tax ³	75,907,285	76,168,836	66,115,157	(10,053,679)	13%
TOTAL	\$ 845,232,290	\$ 821,007,167	784,539,326	\$ (36,467,841)	4%
City Planning and Development					
City Planning and Community Investment	2,762,148	2,762,148	3,367,988	605,840	22%
Development Services - Neighborhood Code Compliance	810,134	810,134	853,258	43,124	5%
Community Services					
Library	1,539,418	1,539,418	1,252,004	(287,414)	19%
Park and Recreation	29,893,493	29,843,493	22,468,316	(7,375,177)	25%
Non-Mayoral					
City Attorney	6,183,020	6,183,020	6,283,537	100,517	2%
City Auditor	122,323	122,323	207,913	85,590	70%
City Clerk	30,352	49,550	23,060	(26,490)	53%
City Council - District 1	-	-	-	-	0%
City Council - District 2	-	-	-	-	0%
City Council - District 3	27,486	27,486	27,486	-	0%
City Council - District 4	-	-	-	-	0%
City Council - District 5	32,000	32,000	32,000	-	0%
City Council - District 6	32,000	32,000	32,000	-	0%
City Council - District 7	32,000	32,000	32,000	-	0%
City Council - District 8	32,000	32,000	32,000	-	0%

General Fund Projected Revenues

Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Non-Mayoral (continued)					
Council Administration	\$ 59,212	\$ 59,212	\$ 59,212	\$ -	0%
Ethics Commission	-	-	15,950	15,950	100%
Independent Budget Analyst	-	-	-	-	0%
Personnel	73,500	73,500	141,527	68,027	93%
Office of the Assistant Chief Operating Officer					
Administration	253,500	253,500	261,201	7,701	3%
Assistant Chief Operating Officer	-	-	-	-	0%
Business Office	-	-	-	-	0%
Human Resources	-	-	66,939	66,939	100%
Information Technology	-	-	-	-	0%
Purchasing and Contracting	796,856	796,856	838,151	41,295	5%
Office of the Chief Financial Officer					
Chief Financial Officer	500,000	500,000	500,000	-	0%
City Comptroller	2,723,824	2,632,792	2,371,320	(261,472)	10%
City Treasurer	26,298,217	26,236,217	22,983,334	(3,252,883)	12%
Citywide Program Expenditures	-	-	-	-	0%
Debt Management	1,137,885	1,137,885	1,071,748	(66,137)	6%
Financial Management	371,695	331,341	271,955	(59,386)	18%
Office of the Chief of Staff					
Community and Legislative Services	1,587,244	1,587,244	1,587,258	14	0%
Office of the Mayor and Chief Operating Officer					
Mayor and Chief Operating Officer	-	-	-	-	0%
Public Safety and Homeland Security					
Fire-Rescue	16,155,140	16,155,140	19,163,949	3,008,809	19%
Office of Homeland Security	915,742	915,742	660,404	(255,338)	28%
Police	38,956,001	38,956,001	36,100,300	(2,855,701)	7%

Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Public Utilities					
Water - Reservoir Recreation	\$ 1,835,513	\$ 1,835,513	\$ 1,549,336	\$ (286,177)	16%
Public Works					
Engineering and Capital Projects	63,400,000	63,400,000	61,580,603	(1,819,397)	3%
Environmental Services	1,144,105	1,144,105	1,032,632	(111,473)	10%
General Services	35,865,128	42,602,581	37,505,207	(5,097,374)	12%
Public Works	-	-	-	-	0%
Real Estate Assets	41,794,909	41,794,909	38,063,600	(3,731,309)	9%
Storm Water	9,109,240	9,109,240	7,714,119	(1,395,121)	15%
Total General Fund Revenues	\$ 1,129,706,375	\$ 1,111,994,517	\$ 1,052,689,633	\$ (59,304,884)	5%

Unless otherwise noted, the current budget presented in this table is as of December 2009, accounting period 6, plus the adjustments approved by City Council on December 14, 2009, O-19917, that were implemented in January 2009.

¹ Total City FY 2010 current revenue budget for transient occupancy tax is \$145.2 million and the projection is \$126.2 million. The balance is budgeted in the Transient Occupancy Tax Fund.

² Total City FY 2010 current revenue budget for property tax is \$382.6 million and the projection is \$390.6 million. The balance is budgeted in the FY 2011 General Fund Reserve Fund.

³ Total City FY 2010 current revenue budget for franchise fees is \$137.0 million and the projection is \$137.0 million. The balance is budgeted in the Environmental Growth and Utilities Undergrounding Program Funds.

General Fund Projected Expenditures					
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Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
City Planning and Development					
City Planning and Community Investment	\$ 14,802,681	\$ 14,261,202	\$ 12,796,309	\$ 1,464,893	10%
Development Services - Neighborhood Code Compliance	6,530,597	6,399,880	5,807,668	592,212	9%
Community Services					
Library	37,068,257	35,307,936	35,209,513	98,423	0%
Park and Recreation	85,952,859	84,426,134	86,921,339	(2,495,205)	3%
Non-Mayoral					
City Attorney	37,790,631	37,785,738	37,688,587	97,151	0%
City Auditor	2,531,417	2,531,204	3,260,804	(729,600)	29%
City Clerk	4,404,528	4,316,948	4,394,809	(77,861)	2%
City Council - District 1	939,500	939,371	842,915	96,456	10%
City Council - District 2	939,500	939,371	826,008	113,363	12%
City Council - District 3	966,986	966,857	925,502	41,355	4%
City Council - District 4	939,500	939,371	863,260	76,111	8%
City Council - District 5	971,500	971,384	828,566	142,818	15%
City Council - District 6	971,500	971,371	889,335	82,036	8%
City Council - District 7	971,500	971,371	959,174	12,197	1%
City Council - District 8	971,500	971,371	885,329	86,042	9%
Council Administration	1,712,081	1,699,420	1,616,997	82,423	5%
Ethics Commission	891,287	865,912	908,258	(42,346)	5%
Independent Budget Analyst ¹	1,453,234	1,453,105	1,473,124	(20,019)	1%
Personnel	6,227,456	6,105,563	6,103,586	1,977	0%
Office of the Assistant Chief Operating Officer					
Administration	3,915,763	3,812,779	2,674,309	1,138,470	30%
Assistant Chief Operating Officer	526,242	429,150	285,846	143,304	33%
Business Office	1,456,057	1,295,819	926,808	369,011	28%
Human Resources	2,466,151	2,331,903	2,443,174	(111,271)	5%
Information Technology	16,511,184	16,234,995	16,223,475	11,520	0%
Purchasing and Contracting	4,267,264	4,054,049	3,753,645	300,404	7%

General Fund Projected Expenditures
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Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Office of the Chief Financial Officer					
Chief Financial Officer	\$ 879,473	\$ 878,434	\$ 876,115	\$ 2,319	0%
City Comptroller	10,598,676	10,467,361	10,466,228	1,133	0%
City Treasurer	17,866,743	17,402,504	17,549,738	(147,234)	1%
Citywide Program Expenditures					
Assessments to Public Property	450,235	450,235	450,235	-	0%
Annual Audit	-	98,703	98,703	-	0%
Citywide Elections	2,000,000	2,000,000	1,195,000	805,000	40%
Corporate Master Leases Rent	9,350,765	9,350,765	9,360,389	(9,624)	0%
Employee Personal Property Claims	5,000	5,000	5,000	-	0%
Insurance	1,358,129	1,358,129	1,274,935	83,194	6%
McGuigan Settlement	-	-	1,001,835	(1,001,835)	100%
Memberships	630,000	531,297	595,098	(63,801)	12%
Preservation of Benefits	1,425,000	1,425,000	1,158,000	267,000	19%
Property Tax Administration	4,639,984	4,639,984	4,639,984	-	0%
Public Liability Claims Fund Transfer	25,071,350	25,071,350	25,071,350	-	0%
Special Consulting Services	1,350,000	1,350,000	2,613,651	(1,263,651)	94%
TRANS Interest Expense Transfer	1,326,331	1,326,331	1,326,331	-	0%
Transfer to Park Improvement Funds	5,036,208	5,036,208	5,036,208	-	0%
Transportation Subsidy	278,077	278,077	278,077	-	0%
TOTAL	\$ 52,921,079	\$ 52,921,079	\$ 54,104,796	\$ (1,183,717)	2%
Debt Management	2,632,092	2,527,035	2,437,051	89,984	4%
Financial Management ¹	3,788,279	3,685,854	3,788,488	(102,634)	3%
Office of the Chief of Staff					
Community and Legislative Services	5,878,025	5,877,548	5,802,701	74,847	1%
Office of the Mayor and Chief Operating Officer					
Mayor and Chief Operating Officer	642,234	642,195	636,885	5,310	1%

Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Public Safety and Homeland Security					
Fire-Rescue	191,092,571	183,017,067	182,372,569	644,498	0%
Office of Homeland Security	1,536,220	1,536,069	1,305,876	230,193	15%
Police	398,258,568	393,161,435	373,331,093	19,830,342	5%
Public Utilities					
Water - Reservoir Recreation	\$ 1,994,583	\$ 1,994,583	\$ 1,994,583	\$ -	0%
Public Works					
Engineering and Capital Projects	63,344,067	62,650,957	62,202,785	448,172	1%
Environmental Services	37,270,592	36,872,562	36,019,181	853,381	2%
General Services	61,393,308	65,556,678	66,415,088	(858,410)	1%
Public Works	314,407	309,388	294,657	14,731	5%
Real Estate Assets	3,798,100	3,679,355	3,486,159	193,196	5%
Storm Water	37,651,248	36,165,274	42,848,686	(6,683,412)	18%
Total General Fund Expenditures	\$ 1,128,039,440	\$ 1,110,327,582	\$ 1,095,441,019	\$ 14,886,563	1%
General Fund Appropriated Reserve	1,666,935	1,666,935	-	1,666,935	100%
General Fund Expenditures + Appropriated Reserve	\$ 1,129,706,375	\$ 1,111,994,517	\$ 1,095,441,019	\$ 16,553,498	1%

Unless otherwise noted, the current budget presented in this table is as of December 2009, accounting period 6, plus the adjustments approved by City Council on December 14, 2009, O-19917, that were implemented in January 2009.

¹ Over budget variance due entirely to fringe which is offset by fringe savings in other departments.

Non-General Fund Projections						
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Business Center/Fund		Adopted Budget	Current Budget	Year-End Projection	Variance Amount	Variance %
City Planning and Development						
Development Services Enterprise Fund	Revenues	\$ 45,868,370	\$ 45,868,370	\$ 37,153,777	\$ (8,714,593)	19%
	Expenditures	44,009,130	44,476,673	33,654,031	10,822,642	24%
Facilities Financing Fund	Revenues	2,337,579	2,337,579	2,007,156	(330,423)	14%
	Expenditures	2,473,364	2,476,627	2,317,055	159,572	6%
HUD Programs Administration Fund	Revenues	2,358,969	2,358,969	2,358,969	-	0%
	Expenditures	2,300,196	2,300,196	2,286,606	13,590	1%
Redevelopment Fund	Revenues	3,399,596	3,399,596	3,331,702	(67,894)	2%
	Expenditures	3,399,596	3,403,272	3,276,008	127,264	4%
Solid Waste Local Enforcement Agency Fund	Revenues	857,528	857,528	617,394	(240,134)	28%
	Expenditures	894,705	895,086	727,158	167,928	19%
Community Services						
Golf Course Enterprise Fund	Revenues	17,013,019	17,013,019	16,596,603	(416,416)	2%
	Expenditures	13,685,717	14,034,254	13,794,696	239,558	2%
Los Peñasquitos Canyon Preserve Fund	Revenues	176,000	176,000	176,000	-	0%
	Expenditures	194,838	194,838	194,081	757	0%
Office of the Assistant Chief Operating Officer						
Central Stores Internal Service Fund ¹	Revenues	23,780,557	23,780,557	23,229,543	(551,014)	2%
	Expenditures	23,780,557	23,780,557	23,059,251	721,306	3%
Information Technology Fund	Revenues	3,164,595	2,990,226	3,016,114	25,888	1%
	Expenditures	4,304,839	4,407,373	4,195,589	211,784	5%
Office of the Chief Financial Officer						
OneSD Support Fund	Revenues	12,898,704	12,898,704	12,882,392	(16,312)	0%
	Expenditures	12,592,861	12,592,861	12,217,449	375,412	3%
Risk Management Administration Fund	Revenues	7,895,579	7,759,270	7,770,579	11,309	0%
	Expenditures	9,100,205	9,238,322	9,252,062	(13,740)	0%

Non-General Fund Projections

Business Center/Fund		Adopted Budget	Current Budget	Year-End Projection	Variance Amount	Variance %
Office of the Chief of Staff						
Commission for Arts and Culture ²	Revenues	\$ -	\$ -	\$ 13,138	\$ 13,138	100%
	Expenditures	836,326	795,999	792,886	3,113	0%
Special Events ²	Revenues	150,000	150,000	152,324	2,324	2%
	Expenditures	567,314	532,307	539,419	(7,112)	1%
Public Safety and Homeland Security						
Emergency Medical Services Fund	Revenues	7,327,295	7,327,295	5,588,145	(1,739,150)	24%
	Expenditures	7,154,723	7,613,806	5,834,856	1,778,950	23%
Public Utilities						
Sewer Funds	Revenues	449,332,556	449,332,556	432,127,389	(17,205,167)	4%
	Expenditures	359,271,205	380,440,592	350,964,758	29,475,834	8%
Water Department Fund	Revenues	513,630,272	513,630,272	491,682,615	(21,947,657)	4%
	Expenditures	384,541,038	396,698,552	376,523,497	20,175,055	5%
Public Works						
City Airport Fund	Revenues	5,434,888	5,434,888	5,733,408	298,520	5%
	Expenditures	3,100,398	4,214,381	4,984,966	(770,585)	18%
Concourse and Parking Garages Operating Fund	Revenues	3,323,005	3,323,005	3,293,868	(29,137)	1%
	Expenditures	3,984,236	4,139,358	4,122,428	16,930	0%
Energy Conservation Program Fund	Revenues	2,002,305	2,002,305	1,989,115	(13,190)	1%
	Expenditures	1,845,379	2,068,855	2,133,420	(64,565)	3%
Fleet Services Internal Service Fund	Revenues	48,318,809	47,378,809	46,232,448	(1,146,361)	2%
	Expenditures	51,362,815	56,400,566	47,545,636	8,854,930	16%
PETCO Park Fund	Revenues	17,701,165	17,701,165	17,500,924	(200,241)	1%
	Expenditures	23,423,234	23,426,528	22,770,976	655,552	3%
Publishing Services Internal Service Fund	Revenues	5,475,862	5,475,862	5,381,055	(94,807)	2%
	Expenditures	5,475,862	5,759,784	5,732,186	27,598	0%

Non-General Fund Projections

Business Center/Fund		Adopted Budget	Current Budget	Year-End Projection	Variance Amount	Variance %
Public Works (continued)						
QUALCOMM Stadium Operating Fund	Revenues	\$ 18,672,629	\$ 18,528,129	\$ 18,499,919	\$ (28,210)	0%
	Expenditures	18,080,125	18,617,415	18,019,756	597,659	3%
Recycling Fund	Revenues	15,866,794	15,866,794	20,199,063	4,332,269	27%
	Expenditures	21,695,273	22,549,810	20,254,293	2,295,517	10%
Refuse Disposal Fund	Revenues	31,094,511	31,094,511	29,584,599	(1,509,912)	5%
	Expenditures	36,765,823	39,559,585	32,887,853	6,671,732	17%
Utilities Undergrounding Program Fund	Revenues	50,030,432	50,030,432	50,045,614	15,182	0%
	Expenditures	1,173,395	1,175,758	1,098,938	76,820	7%
Wireless Communications Technology Fund	Revenues	8,967,673	8,824,943	8,852,119	27,176	0%
	Expenditures	10,055,665	10,162,935	10,204,501	(41,566)	0%

Unless otherwise noted, the current budget presented in this table is as of December 2009, accounting period 6, plus the adjustments approved by City Council on December 14, 2009, O-19917, that were implemented in January 2009. Budgets carried forward from FY 2009 are included while Capital Improvement Program expenditure budgets are excluded.

¹ The carry-forward budget has been removed from the Central Stores Internal Service Fund, this error was corrected in a subsequent period.

² The Commission for Arts and Culture and Special Events Department are funded by the Transit Occupancy Tax (TOT) Fund.