# CITY OF SAN DIEGO
# MEMORANDUM

**DATE:** May 23, 2006

**TO:** City Council President Peters and Members of the City Council

**FROM:** Jay M. Goldstone, Chief Financial Officer

**RE:** Request to Consider Technical Corrections for Inclusion in the Fiscal Year 2007 Budget

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**Attachment 1** is a chart summarizing technical changes not specifically included in the Independent Budget Analyst's recommendations; however, were referenced in the IBA's report of May 19, 2006 and the Mayor's Recommended Revisions to the Fiscal Year 2007 Proposed Budget distributed to City Council on May 15, 2006. These changes include corrections to the budget associated with restructuring and errors that were not discovered until after the publication of the Mayor's Fiscal Year 2007 Proposed Budget of April 14, 2006.

I respectfully request that these items be considered by Budget and Finance Committee and the full City Council for inclusion in the Fiscal Year 2007 Budget. This information has been previously submitted to the Office of the Independent Budget Analyst.

The net result of the technical corrections in Attachment 1 is an additional $652,384 available to be added to the unallocated General Fund reserve.

In addition to the above noted adjustments, staff is requesting that two additional adjustments to General Fund revenues be incorporated into the final budget. First, is a reduction of $2,969,907. This is the result the elimination of general fund revenue from the enterprise funds as a result of reforms enacted by the Mayor to correct prior Service Level Agreement (SLA) charging practices. **Attachment 2** describes the effect on the Fiscal Year 2007 Proposed Budget of the cancellation of these SLAs.

The second adjustment is to increase General Fund revenues by $620,000 in order to capture a payment to the City from CCDC.

The net result of all of these adjustments means that **$5,528,598** will be available to be allocated to the unappropriated General Fund reserve in fiscal year 2007. The adjustments are outlined below.

| | |
|---|---|
| Unallocated General Fund Reserve<br>IBA Report May 19, 2006 | $7,226,121 |
| Adjustment to Reserve from<br>Additional Technical Corrections<br>Attachment 1 | $652,384 |
| SLA Revenue Adjustment to Reserve<br>Attachment 2 | ($2,969,907) |
| Inclusion of Revenue from CCDC | $620,000 |
| Proposed revised unallocated<br>General Fund Reserve | $5,528,598 |

Attachments:
Fiscal Year 207 Proposed Budget Technical Corrections
Memorandum to Council Member Donna Frye: Effect on the
Fiscal Year 2007 Proposed Budget of Discontinuing Service Level Agreements

cc: Mayor Sanders
Ronne Froman, Chief Operating Officer
Mary Lewis, Financial Management Director
Andrea Tevlin, Independent Budget Analyst

## FY 2007 Proposed Budget Technical Corrections
(Does not include recommendated changes from the IBA Office)

Attachment 1

## General Fund

| Department | Action | FTE | PE | NPE | Total | Revenue |
|---|---|---|---|---|---|---|
| Business & Grant Administration | **Restructuring:** Reversal of previous addition of 1.00 Payroll Specialist to the Administration staff. | -1.00 | $ (61,962) | $ - | $ (61,962) | $ - |
| City Auditor and Comptroller | **Restructuring:** Transfer 1.00 Accountant III from Auditor to Office of Ethics & Integrity. | -1.00 | $ (97,992) | $ - | $ (97,992) | $ - |
| City Council - All Districts | **Adjustments** ranging from $4K to $5K to balance each Council Office to prescribed $990K budgets. | 0.00 | $ 4,659 | $ - | $ 4,659 | $ - |
| Citywide Program Expenditures | **Transfer** from General Fund for revenue source in Special Promotional Programs. | 0.00 | $ - | $ 11,469 | $ 11,469 | $ - |
| Community & Legislative Svcs | **Restructuring:** Convert 1.00 Program Manager from 1.00 Assistant Deputy Director, transfer of revenue and NPE for Bi-National Affairs, from Governemental Relations and NPE | 1.00 | $ 147,721 | $ 14,669 | $ 162,390 | $ 248,803 |
| Customer Services | **Restructuring:** Transfer Director and associated non-personnel expense from Neighborhood Code Compliance. | 1.00 | $ 190,181 | $ 3,000 | $ 193,181 | $ - |
| E&CP - Architectural Engineering & Contracts | **Restructuring:** Reinstate 1.00 Contracts Processing Clerk transferred in error to Purchasing and Contracting. Transfer out or revenue to Purchasing and Contracting | 1.00 | $ 57,437 | $ - | $ 57,437 | $ (335,035) |
| General Svcs - Parking Management | **Restructuring:** Convert 1.00 Program Manager from Streets Division to Assistant Deputy Chief in Public Works Department. | -1.00 | $ (142,465) | $ - | $ (142,465) | $ - |
| Governmental Relations | **Restructuring:** Transfer out of 1.00 Assistant Deputy Director and associated revenue and NPE to Community & Legislative Services. | -1.00 | $ (166,737) | $ (14,669) | $ (181,406) | $ (141,896) |
| Human Resources | **Restructuring:** Transfer in of Benefit Plan Services and Long Term Disability Payment Processing from Risk Management. | 4.50 | $ 336,834 | $ 220,275 | $ 557,109 | $ 558,901 |
| Neighborhood Code Compliance | **Restructuring:** Transfer out of 1.00 Director position and associated non-personnel expense to Customer Services Department. | -1.00 | $ (189,524) | $ (3,000) | $ (192,524) | $ - |
| Office of Ethics & Integrity | **Adjustment** of $25,000 to cover cost of statutorily mandated administrative hearings by the Citizen's Review Board of Police Practices. | 0.00 | $ - | $ 25,000 | $ 25,000 | $ - |
| Park & Recreation | **Adjustment** to reduce NPE to cover a supplemental .50 Word Processing Operatof | 0.50 | $ 29,726 | $ (29,869) | $ (143) | $ - |
| Park & Recreation - Developed Regional Parks | **Transfer** 1.00 Park Ranger from Special Promotional Program to more appropriately budget in Developed Regional Parks Division. | 1.00 | $ 88,181 | $ 100 | $ 88,281 | $ 88,281 |
| Public Safety | **Adjustment** to Remove contribution in aid expenditure budgeted in error during the development of the Fiscal Year 2007 Proposed Budget. | 0.00 | $ - | $ (250,000) | $ (250,000) | $ - |
| Purchasing & Contracting | **Restructuring:** Transfer Water and Sewer Design Contracts Section to Purchasing and Contracting. | 5.00 | $ 382,883 | $ 49,264 | $ 432,147 | $ 781,074 |
| Purchasing & Contracting | **Restructuring:** Removal of 1.00 Contracts Processing Clerk transferred in error from Architectural Engineering and Contracts. | -1.00 | $ (57,437) | $ - | $ (57,437) | $ - |

## Enterprise Funds

| Department | Action | FTE | PE | NPE | Total | Revenue |
|---|---|---|---|---|---|---|
| Development Services | **Adjustment** to redistribute the $4.5M Vacancy Factor across six divisions | 0.00 | $ - | $ - | $ - | $ - |
| Metropolitan Wastewater | **Adjustment** to increase 45 Day Operating Reserve to 12.5% of operating expenditures. | 0.00 | $ - | $ 1,000,000 | $ 1,000,000 | $ - |
| Metropolitan Wastewater | **Adjustment** of $2.9M to reconcile the CIP expenditures in the division operating budgets. | 0.00 | $ - | $ 2,855,751 | $ 2,855,751 | $ - |
| Water | **Adjustment** to reflect an increase of $3,118 to the CIP budget and offset the 45 Day Reserve by the same amount. | 0.00 | $ - | $ - | $ - | $ - |

## Internal Service Funds

| Department | Action | FTE | PE | NPE | Total | Revenue |
|---|---|---|---|---|---|---|
| E&CP - Water & Sewer Design | **Adjustment** to revenue to balance with department expenditures. | 0.00 | $ - | $ - | $ - | $ (34,240) |
| E&CP - Water & Sewer Design | **Restructuring:** Transfer out of Water and Sewer Design Contracts Section to Purchasing and Contracting. | -5.00 | $ (388,931) | $ (49,264) | $ (438,195) | $ (446,039) |
| E&CP - Water/Wastewater Field Engineering | **Adjustment** to revenue to balance with department expenditures. | 0.00 | $ - | $ - | $ - | $ (52,022) |
| Risk Management | **Restructuring:** Transfer of Benefit Plan Svcs and Long Term Disability (LTD) Payment Processing to Human Resources. | -4.50 | $ (336,834) | $ 338,626 | $ 1,792 | $ - |

## Special Revenue Funds

| Department | Action | FTE | PE | NPE | Total | Revenue |
|---|---|---|---|---|---|---|
| C&ED - Redevelopment | **Adjustment** to revenue to balance with department expenditures. | 0.00 | $ - | $ - | $ - | $ 288,678 |
| Environmental Svcs | **Adjustment** to Revenue to balance with department expenditures. | 0.00 | $ - | $ - | $ - | $ (1,526) |
| Special Promo - Commision for Arts & Culture | **Adjustment** to revenue to match the new FY07 position cost of 1.25 FTE (Associate Management Analysts). | 0.00 | $ - | $ - | $ - | $ (661) |
| Special Promotional Programs | **Reinstate** Accessible San Diego budget and **adjust** revenue from General Fund to balance Special Promotional Programs. | 0.00 | $ - | $ 11,712 | $ 11,712 | $ 11,469 |
| Special Promotional Programs | **Restructuring:** Transfer out of 1.00 Senior Park Ranger to the Park and Recreation Department. Special Promotional Programs will still fund this position. No net impact to the General Fund or the TOT Fund. | -1.00 | $ (88,181) | $ 88,181 | $ - | $ - |

File: M-013
**Attachment 2**

# CITY OF SAN DIEGO
# MEMORANDUM

**DATE:** May 23, 2006

**TO:** Council Member Donna Frye

**FROM:** Jay M. Goldstone, Chief Financial Officer

**SUBJECT:** Effect on the Fiscal Year 2007 Proposed Budget of Discontinuing Service Level Agreements

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In the Fact Sheet that addressed the San Diego County Grand Jury's recommendations regarding Service Level Agreements (SLAs) with enterprise funds, the Mayor committed to various actions to address irregularities in the execution and administration of these SLAs. Included in those commitments was the elimination of several SLAs where provision of services to enterprise funds did not appear to justify the charges to those funds.

The impact of the cancellation of the SLAs on the proposed fiscal year 2007 budget is a loss of approximately $2.9 million in revenue from the enterprise funds. These revenues were budgeted to be received primarily from the Water, Sewer, and Environmental Services enterprise funds. A detail breakout by department, by service provided, by fund is included in **Exhibit 1**.

The affected departments are as follows:

| Department/Program | Service Provided | Budgeted Revenues |
|---|---|---|
| Planning Department | General Plan Update | $ 539,395 |
| Binational Affairs | Liaison to Mexico | $ 127,706 |
| Park & Recreation | Reservoir Concessions | $1,710,330 |
| Park & Recreation | Chollas Lake/Park Maintenance | $ 70,000 |
| Equal Opportunity Contracting | Minority Construc. Contracts | $ 522,476 |
| Total Unrealized FY 2007 Revenues | | $2,969,907 |

Mitigation activities will occur to offset in part the loss of these revenues in some affected departments. The Park and Recreation Department, for example, is in the process of placing staff that formerly operated reservoir concessions into vacancies elsewhere in the department. Equal Opportunity Contracting through restructuring may

File: M-013
**Attachment 2**



partially reduce the impact of the reduction in revenue. The loss of revenue, however, will need to be covered by reducing the contribution to the City's unappropriated General Fund reserves by a commensurate amount.

Attachment

cc: Mayor Sanders
Council Members
Ronne Froman, Chief Operating Officer
Mary Lewis, Financial Management Director
Andrea Tevlin, Independent Budget Analyst

ATTACHMENT II

Exhibit 1

Fiscal Year 2007 - General Fund SLAs with Enterprise Funds

| Department | Water Revenues | Metro Revenues | ESD Revenues | Airports Revenues | Golf Course Revenues | DSD Revenues | Street Revenues* | TOTAL Revenues |
|---|---|---|---|---|---|---|---|---|
| Planning - General Plan Update | $215,758 | $215,758 | $107,879 | $0 | $0 | $0 | $0 | **$539,395** |
| Binational Affairs Program (Dept 200) | $35,474 | $70,948 | $21,284 | $0 | $0 | $0 | $14,190 | **$127,706** |
| Park & Rec Concessions (Dept 073) | $1,710,330 | $0 | $0 | $0 | $0 | $0 | $0 | **$1,710,330** |
| Park & Rec Chollas Reservoir (Dept 444) | $70,000 | $0 | $0 | $0 | $0 | $0 | $0 | **$70,000** |
| EOCP - Minor Construction | $238,477 | $254,302 | $18,538 | $900 | $10,259 | $0 | $0 | **$522,476** |
| TOTALS BY DEPARTMENT | **$2,270,039** | **$541,008** | **$147,701** | **$900** | **$10,259** | **$0** | **$14,190** | **$2,969,907** |