

A CITIZEN'S GUIDE TO THE BUDGET PROCESS & FY 2022 ADOPTED BUDGET

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The City of

SAN DIEGO

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Introduction

Introduction

Each year the City must forecast the revenues it will receive and the expenditures it will incur for the upcoming fiscal year. The resulting official document is known as the Municipal Budget.

The budget is a management and planning tool. Because the City is limited by the amount of resources available, the budget aids officials in determining which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact in the community. The annual budget document serves as a plan for how the monies that come into the City of San Diego will be spent to operate and maintain the City.

This guide, created by the Office of the Independent Budget Analyst (IBA), is designed to help interested residents gain a better understanding of the City of San Diego's Fiscal Year (FY) 2022 Adopted Budget, and the process by which the annual operating budget is developed each year. This guide provides residents with the following:

- An overview of the FY 2022 Adopted Budget
- A description of the annual budget process
- Information about how you can become more involved in the City's budget process
- Assistance in how to access and interpret budget documents

This year's budget continues to feel the impacts of the worldwide COVID-19 pandemic on the economy, though gradual recovery from the severest pandemic impacts, and revenue from the federal American Rescue Plan Act, has allowed the budget to maintain most existing services and to expand some City programs. This will be discussed in detail at several points throughout the guide.

Since this guide focuses on the FY 2022 operating budget, it excludes details regarding the FY 2022 Capital Improvements Program (CIP) budget. Capital infrastructure projects funded by the CIP budget are generally large and expensive, take multiple years to complete, and are supported by financing sources outside the City's General Fund (the main funding source for core City functions and services included in the operating budget). The IBA's [Guide to Infrastructure](#) provides an in-depth explanation of the CIP and its annual budget process. It may be used in conjunction with this guide to learn more about how the City formulates and funds major components of the annual budget. This guide to the budget will also be available on the IBA's website:

www.sandiego.gov/iba

For additional information regarding the City's annual budget and other important topics, contact our office at:



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FY 2022 Adopted Budget at a Glance

How large is the City's FY 2022 Budget?

Total FY 2022 Budget
\$4.6 Billion



Operating Budget
(all funds)
\$3.8 Billion



Capital Improvements
Program Budget
\$789.5 Million

How many full time-equivalent (FTE) positions are included in the budget?



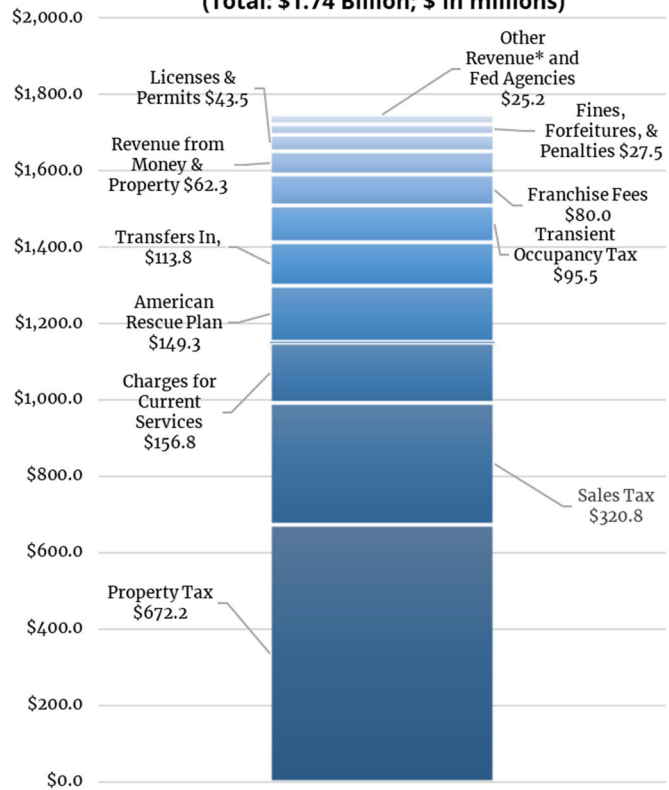
11,943.71 Total FTE
Positions



7,731.03 General Fund
FTE Positions

What are the City's major General Fund resources?

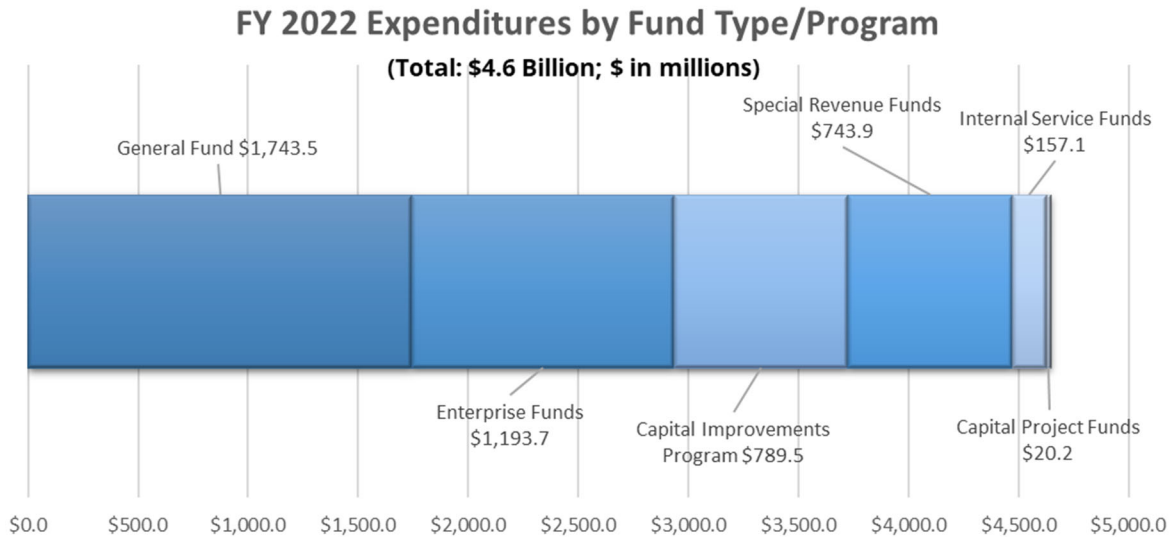
FY 2022 General Fund Revenue
(Total: \$1.74 Billion; \$ in millions)



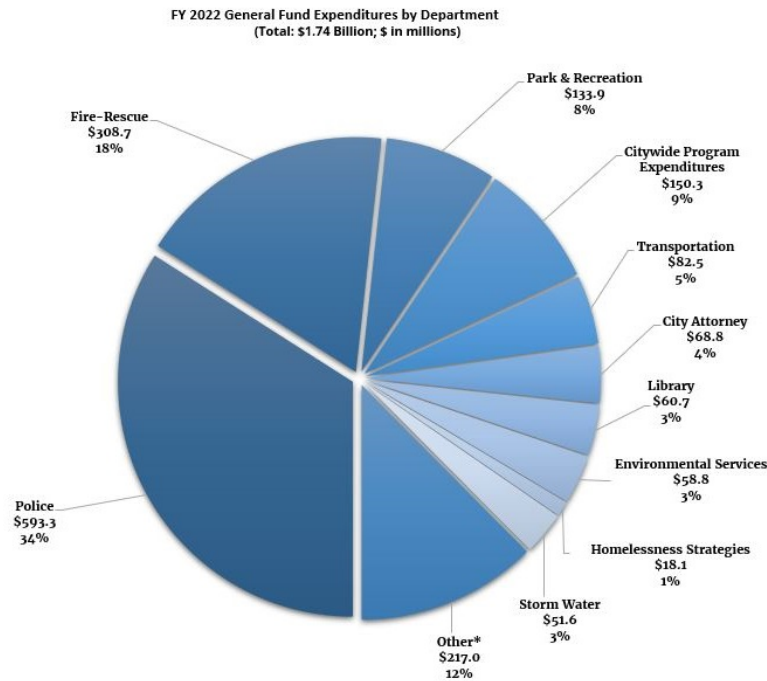
* The other revenue category is composed of a number of ongoing and one-time revenue sources including property transfer tax, revenue from other agencies, and interest earnings.

FY 2022 Adopted Budget at a Glance

How much is budgeted for operations and capital expenditures?



How much is budgeted to carry out General Fund Department Programs and Services



*Other includes: READ-Facilities Services, Economic Development, Department of Finance, Purchasing & Contracting, City Treasurer, City Council, Personnel, Development Services, Planning, City Clerk, Human Resources, Communications, Real Estate Assets, Performance & Analytics, City Auditor, Office of Race & Equity, Office of the Mayor, Mobility, Public Utilities, Smart & Sustainable Communities, Office of Homeland Security, Office of the IBA, Debt Management, Ethics Commission, Government Affairs, Office of the COO, Office of Boards & Commissions, Sustainability, Department of Information Technology, Office of the Assistant COO, Office of the CFO, Neighborhood Services, General Services, Public Works & Utilities, and Internal Operations.

FY 2022 Adopted Budget Highlights

The focus of this year’s budget is maintaining City and beginning to expand City services as the City begins to recover from the effects of the COVID-19 pandemic. While the City continues to feel significant impacts from the pandemic, and its revenues and expenditures continue to suffer pandemic-related impacts, the Adopted Budget anticipates the beginning of a recovery, while acknowledging ongoing uncertainty and economic volatility associated with the pandemic.

Challenges in Balancing the Budget

This year’s budget process was unique due to the continued impact that the world-wide COVID-19 pandemic has had on City revenues and operations. With the beginning of a recovery from the pandemic, and assistance from the American Rescue Plan Act, the Mayor and Council were able to adopt a balanced budget for FY 2022 of \$4.64 billion, which is an estimated 7.6% increase from the FY 2021 Adopted Budget.

After accounting for the COVID-19 pandemic’s impacts on City revenues, and an increase of \$112.4 million in new Critical Strategic Expenditures, the Adopted Budget includes \$209.0 million in mitigating actions in order to balance the FY 2022 Proposed Budget. The vast majority of the mitigation is through the use of \$149.3 million in federal money from the American Rescue Plan Act (ARPA), which covers 68.8% of the projected deficit.

For more information on how the Mayor plans to utilize these funds, please refer to the American Rescue Plan Funding section of this report.

The City of San Diego’s FY 2022 Adopted Budget totals \$4.64 billion. Of this amount the City’s General Fund, which provides essential City functions and services such as public safety (including police and fire), parks and recreation, City streets, storm water management, and trash collection, totals \$1.74 billion.

One-time vs. Ongoing Funding

When forming the City’s annual budget, it is considered best practice to fund ongoing expenses with ongoing funding resources. For instance, when adding new facilities or programs to the budget, the City must consider what ongoing operational costs are associated, and find an appropriate ongoing revenue source (e.g. an anticipated increase in property tax revenues) to fund it.

By utilizing this best practice, the City can avoid using “temporary fixes” to fund ongoing programs, resulting in a more stable financial environment and a structurally balanced budget.

For more information about the City’s best practices regarding budget formation, refer to the financial policy descriptions later in this report, and to [IBA Report 10-18](#).

Enterprise Funds, which support water delivery, wastewater collection, and development services, total \$1.19 billion, and approximately \$789.5 million are budgeted in the Capital Improvements Program (CIP) for capital projects across the City. Another \$921.2 million is budgeted across several Special Revenue and Internal Service funds for specific and dedicated uses.

In the Mayor’s FY 2022–2026 Five-Year

FY 2022 Adopted Budget Highlights

Financial Outlook (Outlook), which was released in November 2020, the FY 2022 General Fund budget was projected to have a deficit of approximately \$124.1 million.

This projected deficit was largely attributable to significant declines in major General Fund revenues – especially Transient Occupancy Tax Revenues – that have been heavily impacted by the COVID-19 pandemic and associated health mandates and travel restrictions. Increases to the City’s mandatory payment into its pension fund (the ‘Actuarially Determined Contribution’ or ADC) also contributed to the projected deficit.

While the Outlook that was prepared in November projected a significant deficit for FY 2022, the FY 2022 Budget that was adopted in June is balanced and includes service enhancements over FY 2021. Increased revenue projections associated with an accelerating recovery from the COVID-19 pandemic, and the anticipated receipt of \$299 million in American Rescue Plan Act (ARPA) federal funding, have helped to close the deficit the City was originally facing. A detailed overview and analysis of revenue projections, ARPA funding, and City programs are provided in [the IBA’s Review of the FY 2022 Proposed Budget](#).

Moving forward, while economic conditions are continuing to improve, impacts from the pandemic also continue to be felt, especially in certain sectors of the City’s economy. As the City continues to adapt to a post-pandemic environment through new innovations such as the expansion of outdoor dining areas on sidewalks and parking lots, the potential for volatility in the City’s economy and in the associated city revenues continues to exist. While ARPA funding will help to mitigate revenue losses and potential deficits in future fiscal years beyond FY 2022, the City will still need

[SANDAG—The San Diego Economy - COVID-19 Impacts: A Year in Review](#)

“Looking forward, as stimulus funding and vaccines continue to arrive locally, businesses will start to reopen. For the hardest hit local businesses, recovery is expected to start later in 2021 as pent up demand for services such as travel increases. Sectors such as innovation will continue with business as usual, and others, such as home improvement, will continue their “ slow but steady growth.”

to ensure that it maintains department operations that are in balance with its revenues to ensure balanced budgets are possible in future years.

The City’s Operating Budget

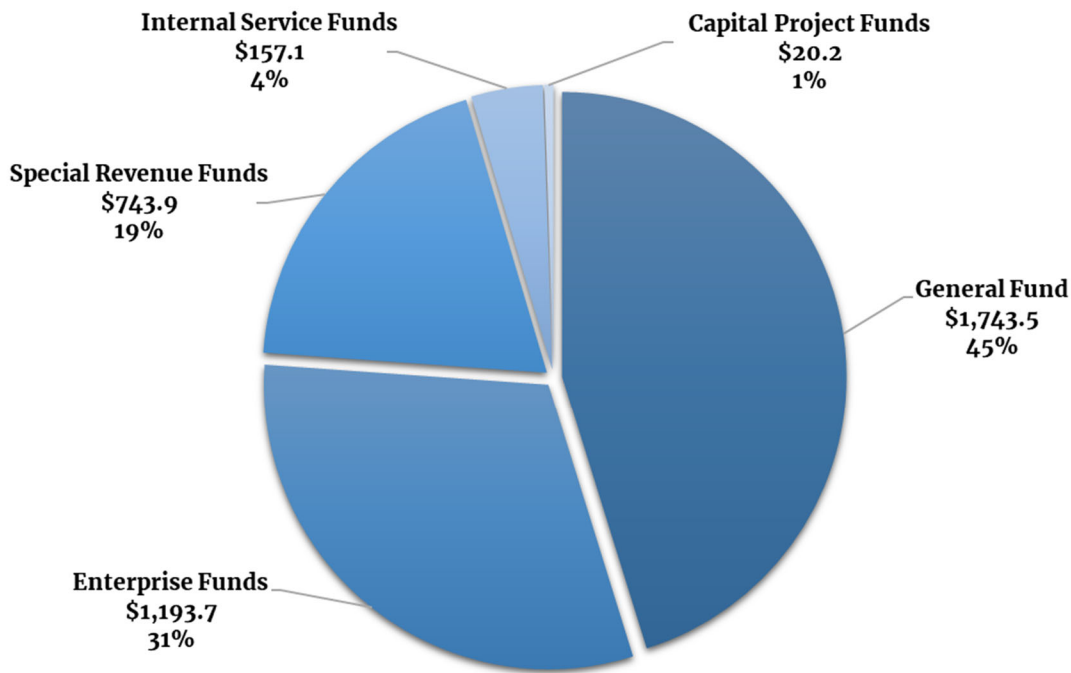
The \$4.6 billion operating budget provides a plan for how the monies coming into the City (revenues) will be spent in order to operate and maintain City functions and services, such as police, fire, parks, and libraries. In addition to the \$4.6 billion operating budget, \$789.5 million is set aside for the Capital Improvements Program (CIP) budget, which allocates available revenue for the rehabilitation, improvement or construction of new public infrastructure such as streets, libraries, parks, and water pipes. It is common for cities to separate the operating budget and the CIP budget as capital infrastructure projects are large and costly, require multiple years to complete, and generally utilize financing sources outside of

FY 2022 Adopted Budget Highlights

the City's main operating fund, the General Fund. In contrast, the operating budget focuses on revenues and expenditures to carryout City services & programs for a specific fiscal year. For more information regarding the CIP, refer to the IBA's [Guide to Infrastructure](#).

The operating budget consists of five types of funds including the General Fund. It is necessary to have multiple fund types as certain monies can only be utilized for specific purposes. For example, revenue generated by the Gas Tax is deposited in a Special Revenue Fund and is used to repair streets, and maintain street lights, signals, and markings. The pie chart below depicts the portion of the operating budget that is comprised of each fund type.

FY 2022 Operating Budget by Fund Type
(Total: \$4.64 Billion; \$ in millions)



The General Fund

The General Fund is the most commonly discussed fund in the municipal budget. It is the largest of the five types of funds that the City of San Diego maintains, representing approximately 45% of the operating budget for FY 2022. The General Fund is usually at the forefront of budget discussions because it is the City's main operating fund and is funded through the City's general tax revenue. Fiscal impacts to the General Fund play a large part in the City's ability to pay for and maintain core community services such as public safety, roads and storm drains, parks and recreation, library services, and trash collection, which use most of the City's tax revenue. Each year the Mayor, City Council and City staff must forecast the coming year's General Fund expenditures and incorporate those estimates into

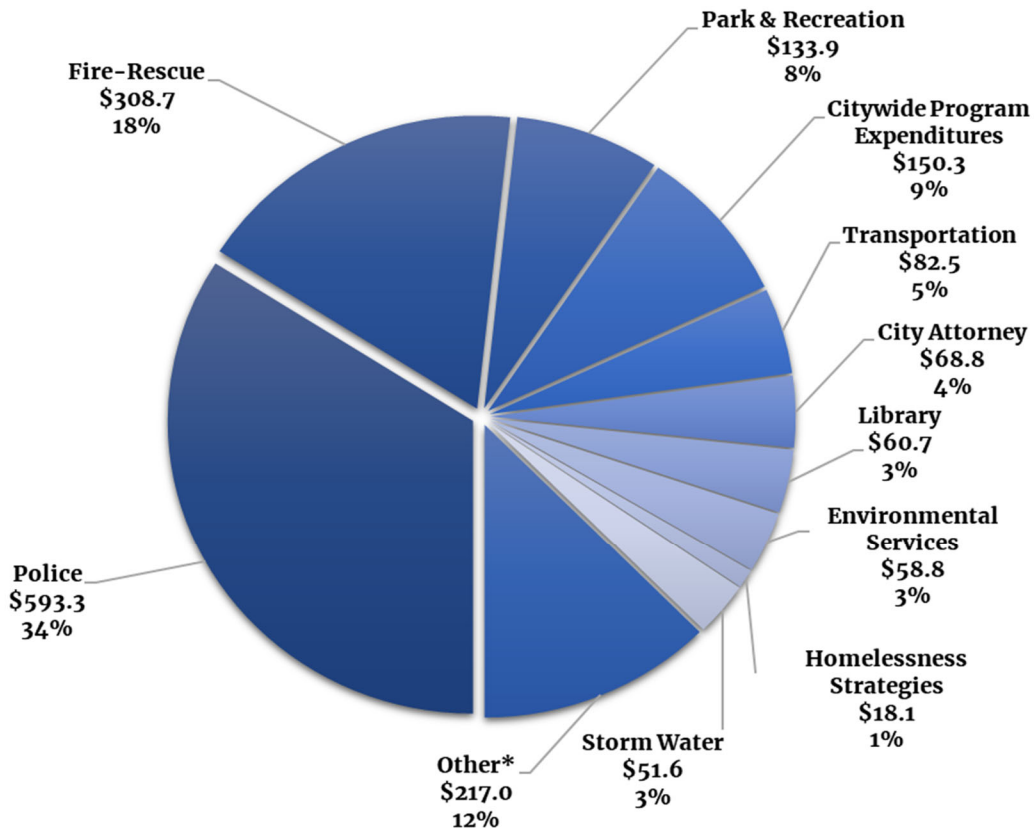
FY 2022 Adopted Budget Highlights

the budget, taking into account available funds that are projected to be collected from tax revenue.

General Fund Expenditures

The General Fund is the largest operating fund with \$1.74 billion in budgeted expenditures for FY 2022. This is a \$122.6 million or 7.6% increase from the FY 2021 Adopted Budget. The money is expended through departments within the General Fund that provide core community services. The pie chart above illustrates the main General Fund expenditures by department for FY 2022. Approximately 52% of the City's General Fund resources are dedicated to Police and Fire-Rescue services, a vital function of City government.

FY 2022 General Fund Expenditures by Department
(Total: \$1.74 Billion; \$ in millions)



*Other includes: READ-Facilities Services, Economic Development, Department of Finance, Purchasing & Contracting, City Treasurer, City Council, Personnel, Development Services, Planning, City Clerk, Human Resources, Communications, Real Estate Assets, Performance & Analytics, City Auditor, Office of Race & Equity, Office of the Mayor, Mobility, Public Utilities, Smart & Sustainable Communities, Office of Homeland Security, Office of the IBA, Debt Management, Ethics Commission, Government Affairs, Office of the COO, Office of Boards & Commissions, Sustainability, Department of Information Technology, Office of the Assistant COO, Office of the CFO, Neighborhood Services, General Services, Public Works & Utilities, and Internal Operations.

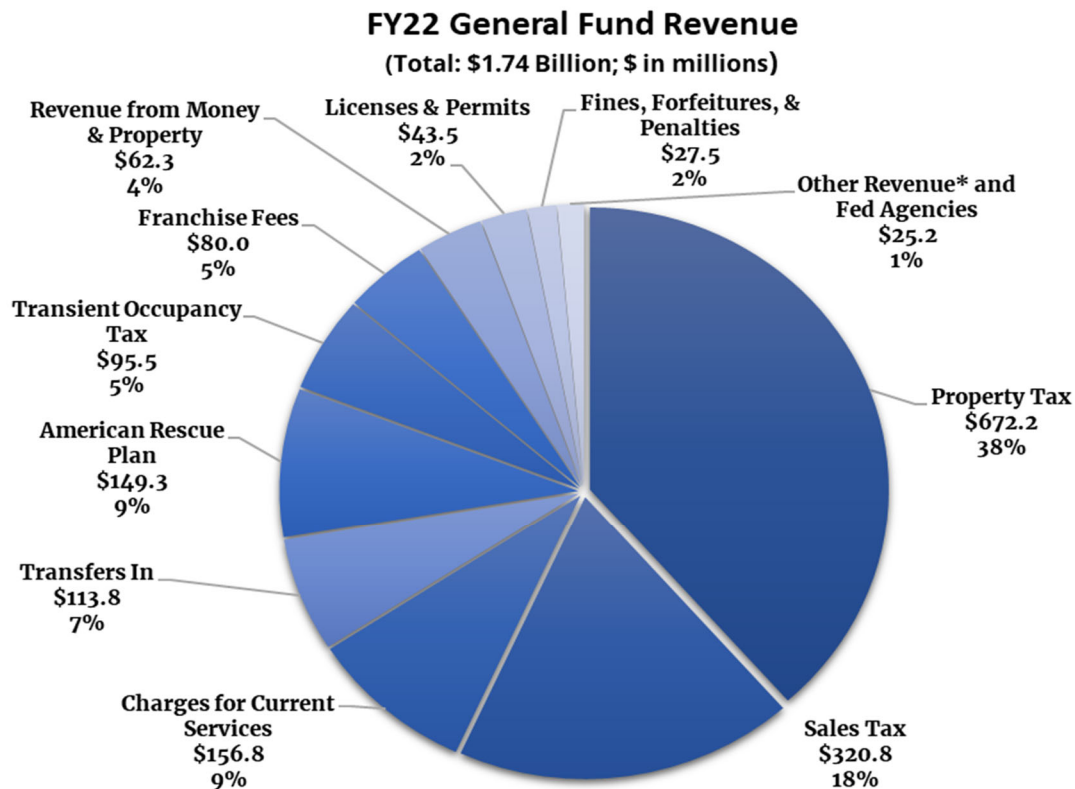
The FY 2022 General Fund budget includes costs associated with 7,731.03 budgeted full-time equivalent (FTE) positions, an increase of 177.55 FTE positions from the FY 21 General Fund budget.

FY 2022 Adopted Budget Highlights

General Fund Revenue

The FY 2022 Adopted Budget for the General Fund includes approximately \$1.74 billion in revenues, a \$122.6 million or 7.6% increase from the previous fiscal year.

A review of the revenues projected in the FY 2022 Adopted Budget, compared to the prior year Outlook illustrates the impact COVID-19 has had on the City's revenue sources, with primary losses in Sales Tax and Transient Occupancy Tax (TOT) revenue. This is largely attributed to stay at home orders which began in March, cancellation of major conventions, and the resulting decline of the tourism industry.



Core City services funded through the General Fund's budget are supported by a variety of revenue sources as shown in the pie chart above. Four major General Fund revenues—property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees—account for 66.0% of the General Fund's revenue. These revenue sources are dependent on the economic environment and can fluctuate from year-to-year. The FY 2022 Adopted Budget projects an increase of 9.6% or \$103.6 million in General Fund revenues from the FY 2021 Adopted Budget this increase is primarily due to the accelerated economic recovery from the COVID-19 pandemic.

Other General Fund revenue sources are impacted by the economic environment as well, but not to the same degree. Other sources of revenue for the General Fund include charges for current services; transfers in (from other funds); revenue from money and property; fines, forfeitures, and penalties; licenses and permits; and other smaller revenues such as proper-

FY 2022 Adopted Budget Highlights

ty transfer tax. See [pages 80- 91 in Volume 1](#) of the FY 2022 Adopted Budget for a detailed description of these revenue sources.

General Fund Tax Dollars at Work

The diagram below depicts General Fund services provided by the City of San Diego and how they are funded by your tax dollar for FY 2022.



Highlights of Services Included in the FY 2022 Budget

In FY 2022, the Adopted Budget includes a number of public services, some of which are highlighted in the following sections. Due to the impacts COVID-19 has had on the budget, departments were requested to submit budget reduction proposals equal to 4% of the departments FY 2022 Adopted Budget. The resulting reductions to the General Fund was \$41.8 million, and 85.54 FTE positions. Should additional reductions be necessary to balance the budget during FY 2022 residents may experience accompanying operational or public service impacts.

Parks, Recreation Centers, and Libraries

The City operates and maintains over 42,000 acres of park assets, 59 recreation and visitor centers, 13 pools and 7 skate parks. A list of recreation centers and details about hours and services at each location can be found on [Park & Recreation's website](#). For FY 2022, the Parks and Recreation department added funding to operate and maintain new parks, which include Fairbrook Neighborhood Park, La Paz Mini Park, Children's Park Enhancement,

FY 2022 Adopted Budget Highlights

Franklin Ridge Pocket Park and seven Joint Use Parks. Additional funding was added for youth programming in Council Districts 4, 8, and 9 and a new Youth Environmental /Recreation Corps Program.



The Library Department’s FY 2022 budget includes additional funding for electronic materials, library programming, and new Do Your Homework @ the Library Program Out-of-School Camps to occur during summer, winter, and spring breaks. Additionally, the Library received additional funding to restructure its staffing model with benefitted positions rather than hourly employees. Library hours are expected to return back to pre-pandemic levels by the end of FY 2022 as the Department completes its staffing restructure. A list of all the branches and their respective hours can be found on the [Library’s website](#).

Public Safety

Ensuring public safety is a primary function of the City’s General Fund, with over half of the General Fund budget being utilized by the Police and Fire-Rescue Departments.

The FY 2022 budget for the Police Department includes an overall decrease in funding for police overtime totaling \$7.4 million which reverses a trend of increased overtime expenditures that has continued for several years. Additions to the Department’s budget include funding for a new No Shots Fired Intervention and Prevention Pilot Program, COVID-19 related personal protective equipment, sanitation services, and testing, and information technology upgrades and improvements.



The Fire-Rescue Department received funding for two additional fire academies and the restoration of its Advance Lifeguard Academy that was reduced in the FY 2021 Budget. Other notable items include increased funding for the Fire-Rescue Wellness Program, and COVID-19 related overtime, testing and safety supplies. The Fire-Rescue Department did not have any significant budget reductions in FY 2022.

Community Needs and Neighborhood Services

The FY 2022 budget included numerous new programs and services to help improve the health and well being of the City’s neighborhoods. This included a new round of economic investment into communities impacted by the COVID-19 pandemic through the new Back to Work SD program which totaled \$14.2 million. This program includes \$11.0 million in Small Business Aid, including \$10.0 million in forgivable loans to be administered by the San Die-

FY 2022 Adopted Budget Highlights

go Foundation, as well as \$750,000 for the Small Business Enhancement Program and \$250,000 for technical assistance for street vendors. Back to Work SD also programed \$3.2 million for various youth programming activities, including funding for Connect2Careers, Youth Diversion Programming, Library Summer Camp, SD Access4All Initiative, and other summer youth recreational programming.



Another new initiative focusing on services to keep neighborhoods healthy and clean is the initial implementation of SB 1383 requirements for organics recycling and processing within the City. This state law, signed in September 2016, establishes methane emissions reduction targets statewide and seeks to reduce the statewide disposal of organic waste by 50% in 2020 and 75% in 2025. In addition to reforming various recycling ordinances within the City,

the FY 2022 Adopted Budget includes \$8.2 million, including \$7.4 million in General Funds, to begin the implementation of this new service. This includes \$5.9 million for facility upgrades as well as \$2.3 million for new positions, contracts, equipment, software, and supplies. Additional expenses will be added in future budgets as implementation activities continue.

Further, in line with a new Council Policy, the FY 2022 budget includes the first distribution for the Climate Equity Fund in the amount of \$7.0 million. The new policy calls for annual distributions to the Climate Equity Fund from various existing City revenues, including 1% of total TransNet revenue, 1% of total Gas Tax revenue, and 10% the General Fund revenue received through the annual gas and electric franchise agreements. This funding is to be used for City infrastructure projects within underserved communities to help these communities effectively respond to the impacts for climate change. In FY 2022, the City budgeted \$5.0 million from the annual franchise fees, as well as an additional \$2.0 million from the new gas and electric franchise agreements for this fund, which is distributed to the following projects:

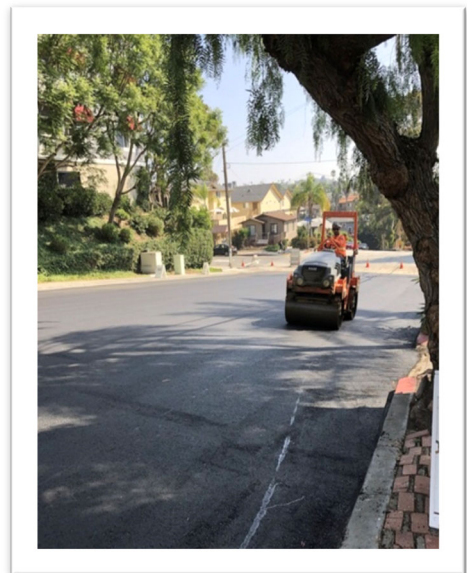
- Berardini Field GDP - \$400,000
- Bicycle Facilities - \$90,000
- Boston Ave Linear Park GDP - \$400,000
- Chollas Creek Oak Park Trail - \$900,000
- Cypress Dr Cultural Corridor - \$800,000
- Emerald Hills Park GDP - \$1,000,000
- Installation of City Owned Street Lights - \$450,000
- Southwest Neighborhood Park - \$1,000,000

FY 2022 Adopted Budget Highlights

- Traffic Signals – Citywide – \$750,000
- Traffic Signals Modification – \$375,178
- University Avenue Complete Street Phase 1 – \$800,000

Infrastructure Funding

Infrastructure includes the basic physical structures, systems, and facilities needed to provide critical services to the community such as sidewalks, streets, parks, fire stations, police facilities, and water and wastewater systems. Funding for the City’s infrastructure supports a variety of needs, including new infrastructure projects, repairing or maintaining existing infrastructure, condition assessments to determine the state of the City’s current assets, and employees to manage and implement these infrastructure projects. The Infrastructure Fund was created in 2018 as a result of voter approved measure, Proposition H, which requires that the City appropriate major revenue sources to fund General Fund infrastructure projects (i.e. those without a dedicated funding source) such as streets, sidewalks, bridges, buildings, and the maintenance and repair of other infrastructure projects.



Due to the negative impacts COVID-19 has had on revenue growth in Fiscal Year 2020 & 2021, City Council approved the Mayor’s requested suspension of the required contribution amounts to the Infrastructure Fund under section 77.1 of the City Charter for FY 2021. In FY

2022, although the infrastructure funding requirement was again suspended, partial funding was allocated to the Infrastructure Fund. Also, additional funding for General Fund infrastructure was provided outside the confines of the Infrastructure Fund. The following reflects several significant infrastructure investments in FY 2022:

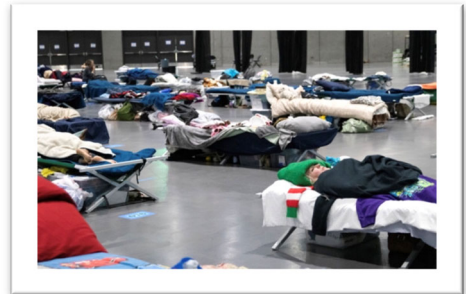
- \$355.6 million to fund construction of the Pure Water project which takes wastewater and purifies it into potable drinking water. This project is supported by revenue from water and sewer fees paid by residents.
- \$10.0 million for complete street components (e.g. sidewalks, bike lanes, safe pedestrian crossings) in underserved communities
- \$7.7 million in high priority projects for the City including traffic calming, new parks, and library investments. This includes \$5.0 million to adhere to the state’s new organic waste management requirements.
- \$7.0 million for infrastructure projects in underserved communities to help them effectively respond to the impacts of climate change.

FY 2022 Adopted Budget Highlights

Additional information on infrastructure funding in the FY 2022 budget can be found in the IBA's Guide to Infrastructure.

Funding for Homeless Programs and Services

The City provides funding for Homeless Programs and Services in several ways. Funding is provided in the City's annual adopted budget, the San Diego Housing Commission's annual adopted budget, and through approval of individual funding requests outside of the budget process. Funding for these programs also come from a variety of funding sources. In total, over \$145 million was provided in FY 2022 for Homeless Programs



and Services, some of which will be spent over multiple years. Of this amount, the FY 2022 Adopted Budget includes almost 22 million to continue existing programs and to provide a one-time program expansion for the following interventions: substance use disorder and detoxification beds; 300 additional interim shelter beds; more street outreach and rapid re-housing (i.e. rental assistance); and funding for a new community college course aimed to increase the homeless services workforce.

Homelessness spending in FY 2022 is expected to change from the FY 2022 Adopted Budget as more funding becomes available to the City.

New Departments

The FY 2022 Adopted Budget introduced the creation of several new departments through citywide restructuring and reorganization of existing departments and divisions as well as some new additions. Detailed information of these departments can be found in [Volume 1, pages 30—32 of the FY 2022 Adopted Budget](#). Although these departments were included as part of the FY 2022 Adopted Budget, per [Charter Section 26](#), new departments included in the Adopted Budget must be approved via ordinance by a majority, or two-thirds vote by council.

The Compliance Department

Is a newly-created Department that will focus on citywide facilitation and response to internal and external audits, and coordinate compliance with local, state and federal regulations related to labor, wages, health and safety, and environmental issues. The Department will align existing City programs to create an Office of Labor Standards Enforcement to uplift health and safety labor standards, effectively enforce labor laws and protect workers and citizens by combining oversight of the Minimum Wage and Earned Sick Days Program, Prevailing Wage, Living Wage Program, and Labor Compliance Programs. The Department will also play a central coordinating role in the City's Enterprise Risk Management efforts. This restructure reflects the consolidation of existing non-personnel expenditures and positions into this new Department and nearly budget neutral. The consolidation of existing

FY 2022 Adopted Budget Highlights

positions and resources include: 4.00 FTE positions from the Purchasing and Contracting department Living Wage program and Administrative Hearings programs; 4.00 FTE positions from the City Treasurer Minimum Wage Compliance program; 7.00 FTE positions from the Risk Management Safety & Environmental program; and 1.00 FTE position associated with the implementation of the Surveillance Ordinance.

Homelessness Strategies Department

The Homelessness Strategies department is responsible for managing the City's homelessness related programs and services. The department is also responsible for providing oversight over state grant funds related to homelessness programs and initiatives. The FY 2022 Adopted Budget includes three new positions intended to increase the City's in-house expertise on homelessness. These positions are consistent with recommendations from the Mayor's homelessness consultant.

Office of Child and Youth Success

The Office of Child and Youth Success has been created within the Office of the Chief Operating Officer, for the coordination of existing youth and family services that are currently spread across various City Departments (such as Parks and Recreation, Library, etc.), developing programs to increase childcare access and availability, and other collaborative efforts with school districts, community based organizations, and other regional partners. Initial funding for the new office includes the addition non-personnel expenditures and 1.00 Executive Director position.

Other Funds

In addition to the General Fund, the City of San Diego's FY 2022 Adopted Budget includes four other fund types and the CIP. It is necessary to have separate funds due to specific restrictions on how certain funds may be used. The following descriptions summarize the operating budgets of the other four types of funds, what they may be used for, and how they acquire revenue. New this year was also the addition of Coronavirus Aid Relief and Economic Security (CARES) Act funds. For additional information regarding these funds, please refer to [Volume 1](#) of the FY 2022 Adopted Budget.

Enterprise Funds

These funds apply to specific services that are funded directly through user fees. Enterprise Funds are intended to be fully self-supporting and are not subsidized by the General Fund. Examples include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airport Funds. For FY 2022, Enterprise Funds are budgeted at \$1.19 billion, an increase of \$62.3 million or 5.5% over the FY 2021 Adopted Budget.

Special Revenue Funds

Special Revenue Funds account for revenue that is received for a specifically identified

FY 2022 Adopted Budget Highlights

purpose. Examples include the Gas Tax Fund that is used for the repair of streets and the maintenance of street lighting, traffic signals, traffic signs, and markings; TOT Funds for Special Promotional Programs that are used to promote tourism in the City of San Diego; and the Infrastructure Fund which can be used for the acquisition of real property, and the construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure. The FY 2022 Adopted Budget includes \$743.8 million for these Special Revenue Funds, which is an increase of \$40.6 million or 5.8% from the FY 2021 Adopted Budget. This increase is primarily due to citywide compensation increases, information technology expenditures in the Engineering & Capital Projects Fund, and an increase in projected gas tax proceed supported expenditures in the Road Maintenance and Rehabilitation Fund.

Internal Service Funds

Internal Service Funds were created to finance and account for services provided by one City department or division to another such as fleet maintenance. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The FY 2022 Adopted Budget for these funds total \$157.1 million, a decrease of \$9.4 million or 5.6% from the FY 2021 Adopted Budget.

Capital Project Funds

Capital Project Funds which includes the Capital Outlay fund and Transportation Improvement Program (TransNet) Extension funds, support the acquisition or construction of capital facilities which are maintained and managed by asset owning departments. For FY 2022, the Adopted Budget for Capital Project Funds is \$20.2 million which is a decrease of \$12.2 million or 37.6% from the FY 2021 Adopted Budget. This decrease is primarily due to a reduction in the Capital Outlay Fund related to debt service payments for deferred capital bonds funded on a one-time basis in Fiscal Year 2021.

For more information about Capital Project Funds and how they fund the CIP, refer to the IBA's *Guide to Infrastructure*.

American Rescue Plan Act Funding

The American Rescue Plan Act of (ARPA) of 2021 was signed into law on March 11, 2021. The City expects to receive a total of \$299.7 million from ARPA, half of which was received in May 2021 with the other half expected no sooner than May 2022. ARPA funds must be used by December 31, 2024 and are available to provide government services by replacing much of the City revenue lost because of the COVID-19 pandemic.

The City plans to use \$149.3 million of its ARPA funds to provide an array of public services included in the FY 2022 Adopted Budget. This leaves the remaining \$150.4 million to be used by December 31, 2024. The City's Five-Year Financial Outlook for FY 2023-2027 plans on using the remaining \$150.4 million of ARPA funds in FY 2023 (\$103.3 million), FY 2024 (\$38.8 million), and FY 2025 (\$8.2 million). This will help the City maintain critical

FY 2022 Adopted Budget Highlights

public services by partially mitigating projected revenue shortfalls in FY 2023, FY 2024, and FY 2025.

Overview of the Budget Process

How is the Budget Created?

The City of San Diego's fiscal year runs from July 1 through June 30. As shown in the chart below, the budget process typically begins in November with the release of the Five-Year Financial Outlook, and concludes in June with Council's adoption of the Budget Resolution and the Appropriation Ordinance.

The Mayor, City Council, City staff, Office of the IBA, and residents of San Diego all play a significant role in the formation of the budget.



Overview of the Budget Process

Mayor's Role

The Mayor is the Chief Executive Officer of the executive branch of the City's government. The Mayor and his or her staff are responsible for:

- Developing the City's Five-Year Financial Outlook, which outlines the Mayor's fiscal priorities for the next five years and presents a forecast for anticipated revenues and expenditures
- Creating the Proposed Budget by working with the Chief Financial Officer (CFO), Chief Operating Officer (COO), and other City staff
- Providing the City Council with a May Revision to the Proposed Budget for its consideration
- Implementing the Adopted Budget
- Monitoring the Adopted Budget throughout the year and proposing modifications as necessary to ensure that it is balanced
- Managing the City's day-to-day operations

City Council's Role

The City Council serves as the legislative branch of the City's government, and is responsible for setting policy. Each Councilmember represents the residents that live in his or her district. The Council's responsibilities include:

- Reviewing the Mayor's Proposed Budget
- Holding public hearings to gather input from residents and understand City department priorities and needs
- Considering and recommending changes to the Proposed Budget after public budget hearings
- Adopting the annual budget after consideration of public input, research, and policy priorities
- Accepting or rejecting proposed budget modifications throughout the year
- Providing policy direction for the governance of City operations through legislative actions

IBA's Role

The Office of the IBA assists the City Council throughout the budget process by providing research, objective analysis, and recommendations for the budget. The IBA performs the following functions:

1. Analyzes and issues a report on the Mayor's Five-Year Financial Outlook
 2. Reviews and analyzes quarterly budget monitoring reports produced by the Department of Finance and prepares reports for the Council and the Public
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Overview of the Budget Process

3. IBA prepares the City Council Budget Priority Resolution in January based on individual budget priorities of the Council members and their communities which is released to the Mayor for his consideration.
4. Prepares preliminary and final reports on the Mayor's Proposed Budget for consideration by the City Council
5. Provides analysis and recommendations year-round on legislative items that have financial and policy impacts to the City of San Diego
6. Attends and participates in City Council Town Halls on the Mayor's Proposed Budget, and meets with citizens groups as requested to better understand the budget process and the Mayor's budget.

Additionally, the Office of the IBA, working with various key departments¹ releases a draft timeline of the [FY 2023 Budget Development Process & FY 2022 Budget Monitoring Calendar](#). This includes key dates related to the release of budget-related reports from both the operating and Capital Improvements Program (CIP) budgets and are based on timelines required by the City Charter.

Public's Role

In order for the Mayor and City Council to discern which programs and issues are of the highest priority to residents, it is important for members of the public to play an active role in the budget process. Residents are encouraged to provide their input through multiple forums including:

- Contacting the Office of the Mayor and relevant City staff as the Proposed Budget is being developed
- Contacting your City Councilmember to weigh in on important issues in your community
- Attending and participating in City Council meetings, Budget & Government Efficiency Committee meetings, and annual Budget Review Committee hearings to provide input to the City Council as budget discussions are being held

In order to fully understand what is important to the residents of San Diego, the Mayor, City Council, and City staff need input from residents like yourself. Writing, calling, or emailing any of these officials is the first step in solving problems that are important to you. Additionally, becoming involved by attending public meetings provides an opportunity to provide input, make suggestions, and become more knowledgeable about City affairs.

Please refer to the *Important Resources* section of this guide to find out how to contact the Mayor's office, your City Councilmember, and other key City staff.

¹This includes Department of Finance, Engineering & Capital Projects, Public Utilities, Human Resources, the Budget and Government Efficiency Committee Consultant, the Active Transportation and Infrastructure Committee Consultant, the Office of the City Attorney, and the Director of Legislative Affairs.

Overview of the Budget Process

What are the Key Components of the Budget Documents?

Annual budget documents (including the Proposed and Adopted Budgets) are produced by the Department of Finance with direction from the Mayor. There are three main parts to the City of San Diego's annual budget. These parts include:

Volume 1: Budget Overview and Schedules

[Volume 1](#) provides an overview of the operating budget and CIP budget. Schedules are included that provide quick access to some of the general financial information for the City. It is an easy reference point for information about all components of the annual budget.

Volume 2: Department Detail for the City's Operating Budget

The Operating Budget contains estimates of the total value of resources required for the City to provide services to its residents, and estimates of how much revenue the City will collect. This volume is broken down by department, and includes total budgeted revenues, expenditures, and positions for the fiscal year, noting any change from the prior fiscal year. A guide to reading the Operating Budget can be found at the beginning of [Volume 2](#).

Volume 3: The Capital Improvements Program (CIP) Budget

A capital improvement is a project that refurbishes or improves City infrastructure, for example, the replacement of street lights or the development of a new City park. The Capital Improvements Program (CIP) budget is the long range plan for all individual capital improvements projects and funding sources. Further explanation of the CIP Budget, its process, funding sources, and other details can be found in the IBA's [Guide to Infrastructure](#). Additionally, the beginning of [Volume 3](#) includes an introduction to facilitate comprehension of this component of the annual budget.



Volume I: Budget Overview and Schedules

Volume II: Department Detail

Volume III: Capital Improvements Program

Does the Annual Budget Have to be Balanced?

The City is required by law to balance its budget each year. The budget is monitored throughout the year to determine whether the city is spending more or less than its revenues. The City then makes adjustments to its spending in order to ensure that at the end of the year there are sufficient resources to cover the expenditures and the budget is in balance.

Overview of the Budget Process

Who Monitors the Budget?

In order to maintain a high level of transparency and accountability in government, the City of San Diego has multiple methods to ensure that taxpayer dollars are being used to achieve the best results from the resources available.

City Council

As the Legislative Branch of City government, the City Council is responsible for setting policy direction; enacting, reviewing, and modifying legislation as appropriate; and adopting the annual budget. The Council provides a check and balance to the City's Executive Branch, which is run by the Mayor.

Nine committees are comprised of City Councilmembers to help the Council analyze specific legislative matters in a focused and efficient manner. Four of the Council Committees are specifically charged with overseeing major components of City financial operations.

Audit Committee

The Audit Committee was created in January 2007 to oversee the City's finances. Members of the Audit Committee provide independent legislative oversight for the City's accounting, financial reporting processes, internal controls, as well as the results of program audits.

Budget & Government Efficiency Committee

The Budget and Government Efficiency Committee was created to oversee legislative issues that directly impact the annual budget. Committee responsibilities include the annual budget, financial reports, purchasing and contracting, and equal opportunity contracting, among other issues.

Budget Review Committee

The Budget Review Committee, which is composed of all members of the City Council, is responsible for reviewing the annual budget, and includes the public budget hearings held each May. These Committee meetings allow members of the City Council to receive feedback from the public relating to budget priorities, and provide an opportunity for the Council to study, analyze, and evaluate the budget.

Active Transportation and Infrastructure Committee

The Active Transportation & Infrastructure Committee began meeting in 2013 and is focused on the condition of the City's capital assets—such as streets, sidewalks, parks and libraries—and identifies resources for addressing different capital needs. It is charged with reviewing the Five-Year Capital Infrastructure Planning Outlook (CIP Outlook), and oversees asset management, additional streamlining opportunities, infrastructure financing



Overview of the Budget Process

strategies, among other related topics.

City Attorney

The [City Attorney](#) serves the residents of San Diego as both the Chief Legal Advisor and misdemeanor prosecutor. The office is divided into divisions, including: the Advisory Division provides advice to City Departments; the Civil Litigation Division prosecutes or defends civil lawsuits in which the City is a party; the Criminal Division prosecutes criminal misdemeanors and infractions committed within the City limits; and the Community Justice Division prosecutes cases that the community has identified as important to quality of life.

City Auditor

The [City Auditor](#) is charged with providing audit services to promote accountability to the public and to improve the economy, efficiency, and effectiveness of City government. Through performance audits, financial audits, and special investigations, this office provides essential information to assist the City Council in its decision-making process.

Office of the IBA

The [Office of the IBA](#) assists the City Council by providing analysis, reports, and recommendations on issues that affect the budget. Reports on numerous fiscal and policy matters are presented at City Council meetings, and during budget hearings and Committee meetings.

Office of the Mayor

The [Mayor](#) serves as the City's Chief Executive Officer. Through the Chief Operating Officer, the Mayor oversees the City's daily operations, and implements programs and initiatives to carry out the City's policy objectives. The Mayor is also responsible for proposing the City's Annual Budget by April 15th of each year, revising it as appropriate after input from the public and City Council through the May budget hearings, and producing the final Adopted Budget that is approved by the City Council in June.

Chief Financial Officer (CFO)

The CFO provides the City with quality public services in the areas of financial reporting, auditing, management, and stewardship of City assets. All financial departments are organized under the CFO. The CFO is responsible for maintaining the financial records of the City, the development of the City's financial statements, external audit functions, preparing annual budgets, developing debt financing proposals, managing the City's investments, revenue collection and tracking, and long-range financial planning.

Department of Finance

The [Department of Finance](#) (DOF) provides services to the Mayor and serves as an internal fiscal consultant to other City Departments. DOF prepares the Proposed and Adopted Budgets in accordance with the City Charter each year. During the fiscal year, DOF monitors the City's expenditures and revenue receipts, oversees budget transfers and adjustments, and reviews requests for City Council and Mayoral actions for both the operating budget and the Capital Improvements Program. The DOF also prepares the City's Comprehensive Annual Financial Report (CAFR) at the end of each fiscal year and updates the City's Five-Year Financial Outlook for future years.

Overview of the Budget Process

Performance & Analytics

The [Performance & Analytics Department](#) (P&A) supports the improvement of City operations and customer service through its Citywide Engagement, Data and Analytics, Operational Excellence, Performance Management, and 311 Customer Experience programs. P&A directly supports the annual budget in a number of ways, such as working with DOF to develop the [online budget visualization tool](#) that displays budget information from 2011 and later, and its performance management team coordinates the inclusion of department nar-

What Financial Policies Guide the Budget Process?

The City of San Diego has adopted several financial policies that serve as a guide to the Mayor and City Council in making policy decisions that affect the fiscal health of the City. They can be found on the Department of Finance's website at:

www.sandiego.gov/finance/about

City Budget Policy

The City's Budget Policy ([Council Policy 000-02](#)) assists the City in achieving its current and future goals in a fiscally responsible and sustainable manner. These policies establish guidelines for developing and monitoring the City's annual operating and capital budgets.

City Reserve Policy

Appropriate reserves is a key attribute of a financially stable organization. The City's reserve policy ([Council Policy 100-20](#)) recommends that the City establish and maintain appropriate reserves for its major funds. Adequate reserve levels allow the City to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the organization.

User Fee Policy

The City charges a range of fees for services provided to residents and businesses. These fees are imposed as a result of a public need, such as recreational services, rental uses, and other types of services. The User Fee Policy ([Council Policy 100-05](#)) outlines the method for establishing fees and the extent to which they recover the cost of the service provided.

City Debt Policy

The City's CFO executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. Debt is an equitable means of financing projects and represents an important means of meeting fiscal responsibilities. The Debt Policy ([2017 Update via Resolution R-311057](#)) primarily addresses debt instruments and securities issued by the City in public or private bond markets.

Structural Budget Deficit Elimination Guiding Principles

These principles, adopted by the City Council in February 2010, guided the development of a comprehensive plan to eliminate the City's structural budget deficit. The Mayor's Office

Overview of the Budget Process

worked with the Office of the IBA, the Budget & Finance Committee (now the Budget & Government Efficiency Committee) and the full City Council in the development and implementation of this plan. Although the City is in a better financial position than it was at the time of adoption, these principles for fiscal responsibility continue to be an important structure when formulating and making decisions about the annual budget. These principles can be found in [IBA Report 10-18](#) or by referring to Resolution R-305615.

Important Resources

Important Resources

Contact Information

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Elizabeth Maland

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Important Resources

City Council Offices

City Council offices are located on the 10th floor of the City Administration Building at: 202 C Street, San Diego, CA 92101. For more information about the City Council, or to find your Council District, please visit <https://www.sandiego.gov/citycouncil>.



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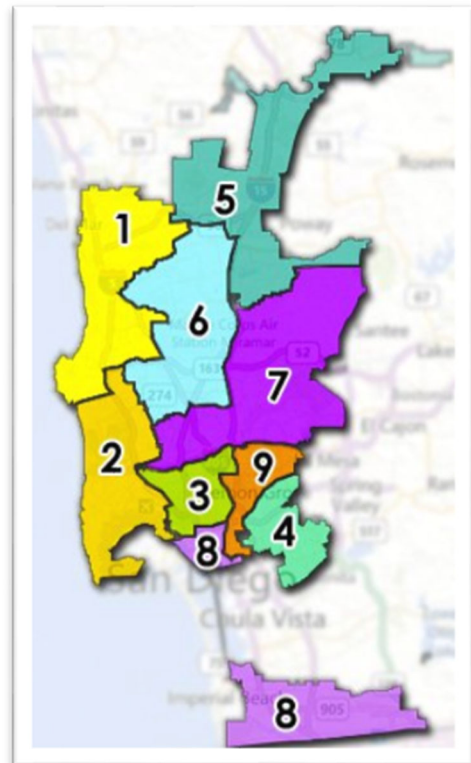
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Important Resources

Locating Budget Documents

The Annual Budget

Annual budget documents, including the Proposed and Adopted budgets of current and prior fiscal years, can be found on the Department of Finance's website: www.sandiego.gov/finance. You can also find budget monitoring reports and the City's Five-Year Financial Outlook on this website.

City Council & Committee Meeting Agendas

City Council and Committee meeting agendas and related materials, including those for the Audit, Budget & Government Efficiency, Budget Review, and Active Transportation & Infrastructure Committees, can be found on the City Clerk's website: www.sandiego.gov/city-clerk/councilcomm.

IBA Reports and Presentations

IBA reports and presentations on the budget and other fiscal and policy matters can be found at: www.sandiego.gov/iba. For updates when new reports are released, follow the IBA on Twitter [@SanDiegoIBA](https://twitter.com/SanDiegoIBA), or sign up for email updates on our website.

Interactive Online Budget Visualization Tool

In April 2016, the City released an online budget visualization tool so residents can see how tax dollars are budgeted. You can access the City's budget data from 2011 and later on the Open Data website at: <https://data.sandiego.gov/>

Glossary

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Adopted Budget

The Mayor and City Council's approved plan for the City's financial operations, which includes an estimate of expenditures and revenues for a given fiscal year.

Appropriation

A legal authorization to make expenditures and to incur obligations for specific purposes.

Appropriation Ordinance

The official enactment by the City Council to establish legal authority for City officials to obligate and expend resources.

Balance (Fund Balance)

Revenues and assets in excess of the expenditure and reserve obligations of a fund at year end.

Balanced Budget

The amount of budgeted expenditures is equal to or less than the amount of budgeted revenues plus available fund balance.

Bond

A funding tool representing a written promise to pay a specific sum (face value or principal amount) in the future (maturity date), plus interest. In California, municipal government bonds are only used to finance capital improvements.

Budget

Proposed plan of expenditure and revenue over a specified period of time such as a fiscal year or accounting period.

Budget Priorities Resolution

A resolution in which the City Council has adopted a set of priorities for the annual budget. Priorities of each Councilmember are compiled by the Office of the IBA and transmitted to the Mayor for consideration when forming the proposed budget.

Capital Improvement Project

A capital improvement is generally a large construction project such as the development of park land, the construction of an overpass, the installation of a traffic signal, the acquisition of land, or the construction or remodeling of a City building.

Capital Improvements Program (CIP)

The long-range plan for all individual capital improvement projects and funding sources. CIP projects are unique construction projects that aim to install new, replace old, or rehabilitate existing infrastructure. Information regarding the City of San Diego's CIP can be found in Volume 3 of the City's Annual Budget document.

Comprehensive Annual Financial Report (CAFR)

A report prepared by the City Comptroller's Office that summarizes financial data for the previous fiscal year in a standardized format. The CAFR is organized by fund and contains

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two basic types of information: a balance sheet and an operating statement.

American Recovery Plan Act (ARPA)

The President signed the American Rescue Plan Act of 2021 (ARPA) into law on March 11, 2021. Similar to, but much larger than, last year's Coronavirus Aid, Relief, and Economic Security Act (CARES), ARPA is estimated to provide the City with \$299.7 million in Coronavirus State and Local Fiscal Recovery Funds.

The ARPA federal recovery funds will be deposited with the City in two equal installments. The first tranche (approximately \$149.8 million) was deposited within at the end of FY 2021. The remaining \$149.8 million is to be provided to the City later in FY 2022 or early in FY 2023.

Expenditure

The actual outlay of monies from the City treasury.

Expenses

Charges incurred for operations, maintenance, interest, or other charges.

Fiscal Year (FY)

A 12-month timeframe designating the beginning and ending period for recording financial transactions. The City of San Diego has specified July 1 through June 30 as the fiscal year.

Five-Year Financial Outlook

The Five-Year Financial Outlook includes revenue and expenditure forecasts which are based on various assumptions. It serves as a long-range planning tool which identifies priorities, economic trends, risks and opportunities, and guides the City in the development of future budgets.

Franchise Fees

Fees resulting from agreements with private utility companies in exchange for use of the City's rights-of-way.

Fund

A fiscal and accounting entity with a self-balancing set of accounts to record revenue and expenditures.

General Fund

The City's main operating fund that pays for basic City services that use most of the City's tax revenue, such as public safety, parks, and library services.

Grant

A contribution by a government or other organization to support a particular function.

Infrastructure

The basic structures and underlying facilities needed for the functioning of a community and its economy, such as public facilities, streets, roads, bridges, tunnels, parks, storm drains, and water and sewer systems.

One-Time Expenditures and/or Revenues

Expenditures and/or revenues for one-time projects or services. After the project or service

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is completed, expenditures and/or revenues are terminated and are not considered part of the budget for the following year.

Ongoing Expenditures and/or Revenues

Expenditures and/or revenues that are recurring and continue over more than one fiscal year.

Operating Budget

Authorized expenditures for ongoing municipal services such as public safety, street maintenance, parks, and libraries. The detail of the City of San Diego's operating budget can be found in Volume 2 of the City's annual budget document.

Proposed Budget

The Mayor's recommendation for the City's financial operations, which includes an estimate of proposed expenditures and revenues for a given fiscal year.

Reserve

An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Revenue

Funds received from various sources and treated as income to finance expenditures.

Schedules

Schedules provide a summary of revenues, expenditures, and positions for the operating budgets of all departments and budgeted funds, and reflect the funding sources and spending areas of the Capital Improvements Program.

Transient Occupancy Tax (TOT)

A tax that is imposed on occupants of hotel and motel rooms in the City of San Diego.

User Fee

A charge for services provided by the City to residents and businesses.