

# FISCAL YEAR 2018

Executive Summary



The City of  
**SAN DIEGO**

## ADOPTED BUDGET

MAYOR KEVIN L. FAULCONER



# Executive Summary

The City of San Diego's Fiscal Year 2018 Adopted Budget is \$3.64 billion and is comprised of five operating fund types and the Capital Improvements Program (CIP):

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Enterprise Funds;
- Internal Service Funds; and
- Capital Improvements Program

This represents an increase of \$254.8 million or 7.5 percent compared to the Fiscal Year 2017 Adopted Budget.

The Fiscal Year 2018 Adopted Budget includes a total of 11,419.51 Full-Time Equivalent (FTE) positions, representing an increase of 74.40 FTE positions or 0.7 percent compared to the Fiscal Year 2017 Adopted Budget. The largest addition of positions is in the Engineering & Capital Projects Fund in support of the City's CIP. Additional positions are also included to support public safety communications and new facilities anticipated to become operational during Fiscal Year 2018.

## Budget Process

The annual operating budget is developed in conjunction with the Mayor, City Council, City departments, Independent Budget Analyst, and public input. The Budget Process consists of three main phases: budget development, budget review, and budget adoption.

The Budget Development phase began with the release of the Fiscal Year 2018-2022 Five-Year Financial Outlook, which created the framework for the development of the Fiscal Year 2018 Adopted Budget.

Next, City departments submitted budget requests and reduction proposals that were analyzed, reviewed, and prioritized by City management. General Fund revenues were

## Total City Expenditures Fiscal Years 2017-2018 by Fund Type/Program

(in millions)

Fund Type/Program	FY 2017	FY 2018
General Fund	\$ 1,338.0	\$ 1,433.8
Special Revenue Funds	506.9	555.3
Capital Project Funds	13.3	19.4
Enterprise Funds	990.8	1,029.2
Internal Service Funds	117.9	129.3
Capital Improvements Program	421.0	475.6
<b>Total</b>	<b>\$ 3,387.8</b>	<b>\$ 3,642.6</b>

## Total City FTE Positions Fiscal Years 2017-2018 by Fund Type

Fund Type	FY 2017	FY 2018
General Fund	7,530.69	7,527.43
Special Revenue Funds	925.05	988.15
Enterprise Funds	2,481.79	2,500.35
Internal Service Funds	344.58	340.58
Other Funds	63.00	63.00
<b>Total</b>	<b>11,345.11</b>	<b>11,419.51</b>

projected and expenditures balanced through the budgeting process and included in the Fiscal Year 2018 Proposed Budget, along with changes to the non-general funds and CIP.

During the Budget Review phase, the City Council held a series of public meetings to obtain input from San Diego residents on spending priorities. The Mayor and City Council used the information at these hearings to recommend changes to the Fiscal Year 2018 Proposed Budget. On June 5, 2017, the City Council modified and approved the budget. On June 9, 2017, the Mayor line-item vetoed and modified the budget. On June 13, 2017, the City Council failed to override the Mayor's veto of the budget approved by the City Council on June 5, 2017, resulting in an adopted budget, as vetoed

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by the Mayor on June 9, 2017, becoming the approved Fiscal Year 2018 Budget. On July 26, the City Council adopted the Appropriation Ordinance, enacting the Fiscal Year 2018 Adopted Budget into law.

## General Fund Overview

The Fiscal Year 2018 Adopted Budget includes General Fund expenditures of \$1.43 billion to provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. These four major revenue sources account for \$1.01 billion, or 71.5 percent, of revenue in the Fiscal Year 2018 Adopted Budget with the remainder of revenues generated by a variety of sources as discussed in the General Fund Revenues section of this Volume.

## Summary of Fiscal Year 2018 Adopted General Fund Budget

On November 9, 2016, the Mayor released the Fiscal Year 2018-2022 Five-Year Financial Outlook (Outlook), which projected expenditures exceeding revenue by \$36.9 million in Fiscal Year 2018 for the General Fund. While the City's local and regional economic indicators were positive, the rate of growth and improvement has slowed from previous fiscal years. Projected growth rates for Fiscal Year 2018 for the City's major General Fund revenue categories are as follows:

- **Property Tax:** 5.0 percent
- **Sales Tax:** 2.5 percent
- **Transient Occupancy Tax:** 5.7 percent
- **Franchise Fees:**
  - SDG&E: 2.0 percent
  - Cable: 0.0 percent

Consistent with the Outlook, the Fiscal Year 2018 Adopted Budget reflects expenditure growth outpacing revenue growth, primarily due

to increases in City's Actuarially Determined Contribution (ADC) to the pension system and a new City Charter requirement to dedicate funding to the Infrastructure Fund (Charter Section 77.1), as well as funding for critical strategic expenditures. These General Fund expenditure obligations are mitigated through the use of Pension Payment Stabilization Reserves, available excess reserves, operating budget reduction proposals, and the use of Excess Equity (unassigned fund balance). The Fiscal Year 2018 Adopted Budget adheres to the City's Budget Policy, maintaining a balanced budget, where ongoing expenditures are supported by ongoing revenues. Additional detail on both revenue and expenditure adjustments are provided later in the Volume.

## Critical Strategic Expenditures

The Fiscal Year 2018 Adopted Budget includes critical strategic expenditures that focus on three strategic goals:

- Achieve safe and liveable neighborhoods
- Create an economically prosperous City
- Provide high quality public service

The list below highlights some of the General Fund critical strategic expenditures.

### Achieve Safe and Liveable Neighborhoods

**San Diego Misdemeanant At-Risk Track (SMART) Program:** funding of a position to support the SMART Program.

**Emergency Command and Data Center Staffing:** funding and positions in support of Emergency Command and Data Center dispatch.

**Horton Plaza Park Security:** funding for security services at Horton Plaza Park.

**Infrastructure Fund:** funding for the transfer to the Infrastructure Fund in support of General Fund infrastructure.



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**Bayside Fire Station Operations:** funding and positions in support of the new Bayside Fire Station scheduled to open December 2017.

**Police Zero-Based Overtime:** adjustment to Police Department overtime as a result of a zero-based budget process.

**San Pasqual Valley Fast Response Squad:** funding and positions for the San Pasqual Valley Fast Response Squad.

**Self-Contained Breathing Apparatus (SCBA):** funding for the replacement of Fire-Rescue Department SCBA equipment.

**Park and Recreation New Facilities:** funding and positions to support operation and maintenance of new park facilities and acreage.

**Parks Master Plan:** funding for the first phase of the parks master plan.

**Funding for the City Attorney's Office:** funding and positions for legal services related to homelessness issues, Climate Action Plan initiatives, labor issues, domestic violence and neighborhood prosecution unit.

**Police Chief Recruitment Services:** funding to support a Police Chief executive recruitment.

**Police Officer Recruitment and Retention:** funding for retention study and marketing plan and new initiatives to improve the recruitment and retention of Police Officers.

**AB 953 Implementation:** funding associated with the implementation of AB 953 (Racial and Identity Profiling Act of 2015.)

**Sexual-Assault Testing Kits:** funding in support of sexual-assault testing kits.

**Maintenance and Improvement of Police Facilities:** funding to support the maintenance and improvement of Police Department facilities.

**Littering and Graffiti Abatement Pilot Program:** funding for the littering and graffiti abatement pilot program.

**Library Programming:** funding to support programming throughout the Library system.

**Tree Planting Services:** funding for the planting of new trees in support of the City's Climate Action Plan.

**Create an Economically Prosperous City Regulatory Reform and Process Improvement Initiatives:** funding for positions to support a policy and ordinance initiative that will modernize regulations and remove development barriers.

**Reinvestment Initiative:** funding, positions, and associated revenue in support of the Community Development Block Grant (CDBG) Reinvestment Initiative.

**Affordable Housing Initiatives:** funding for a study to evaluate Transit Priority Area parking standards, and a program with incentives for developers to provide units for entry-level/workforce households.

**Homeless Initiatives:** funding for the San Diego Housing Commission's Homeless Prevention and Diversion Program.

**Provide High Quality Public Service**

**Cannabis Business Tax Administration:** funding and associated revenue to administer and enforce the Cannabis Business Tax.

**Earned Sick Leave and Minimum Wage Ordinance Enforcement:** funding and positions to administer and enforce the Earned Sick Leave and Minimum Wage Ordinance.

**General Fund Reserve:** funding to meet the Fiscal Year 2018 General Fund Reserve policy target level of 15 percent and pre-funding Fiscal Year 2019 target level of 15.25 percent.

**Office Improvements and Relocation:** funding for the improvements and relocation of City staff offices from the Executive Complex and City Operations Building to the 101 Ash Street building.

**Public Liability:** funding for the contribution to the Public Liability Fund for reserves, public liability claims, and insurance premiums.

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**Short-Term Rental Audit Support:** funding, positions, and associated revenue in support of audits of short-term rental compliance with Transient Occupancy Tax provisions.

## Budget Reduction Proposals

In order to support new General Fund critical expenditures, the Fiscal Year 2018 Adopted Budget includes budget reduction proposals. The list below highlights these budgeted reduction proposals grouped by organizational branch.

### Infrastructure / Public Works

**Reduction in Asphalt Materials:** reduction of funding for asphalt materials used to support City parking lot repairs.

**Reduction in Master Maintenance Program:** reduction of funding for the Master Maintenance Program which identifies flood control channels requiring maintenance services.

**Reduction in Pollution Prevention Outreach:** reduction of funding for education and outreach materials that promote pollution prevention.

**Reduction in Total Maximum Daily Load Studies:** reduction of expenditures for Total Maximum Daily Load (TMDL) studies which assesses water quality levels.

**Reduction in Transportation & Storm Water Services:** reduction of funding for channel and environmental permitting, weed abatement, weather monitoring, and traffic data collection services.

**Reduction of Facilities Maintenance Staffing:** reduction of positions and expenditures for facilities maintenance.

**Tipping Fee Subsidy:** reduction in expenditures associated with continuation and reinstatement of a General Fund tipping fee discount for refuse disposed at the Miramar Landfill.

### Neighborhood Services

**Library Programming and Support Staff:** reduction of expenditures in the Library

Department for system-wide programming and hourly support staff.

**Reduction in Economic Development Services:** reduction in funding for economic development services provided by Civic San Diego.

**Reduction in Economic Development Program Support:** reduction in funding for San Diego Economic Development, San Diego Workforce Partnership, Business Cooperation Program, and the Small Business Enhancement Program.

**Reduction of Citywide Park Maintenance Staff:** reduction of positions and expenditures for citywide park maintenance.

**Water Conservation Efforts:** reduction of water usage expenditures in the Park and Recreation Department.

### Non-Mayoral

**City Attorney Funding:** Reduction of funding and positions for legal services in the Office of the City Attorney.

**Personnel Funding:** Reduction of funding and a position for compensation and classification studies in the Personnel Department.

### Public Safety

**Continuation of One Fire Academy:** reduction of expenditures associated with overtime and supplies as a result of conducting one fire academy to maintain full staffing.

**Paramedic Rotation Program:** reduction of expenditures and revenue associated with the transition from the Paramedic Rotation Program (PMR) to the Paramedic Training Institute.

## Non-General Fund Overview

In addition to the General Fund, the Fiscal Year 2018 Adopted Budget includes the following major changes in other non-general funds:

- **Engineering & Capital Projects:** additional funding and 72.00 FTE positions to support the Capital Improvements Program.

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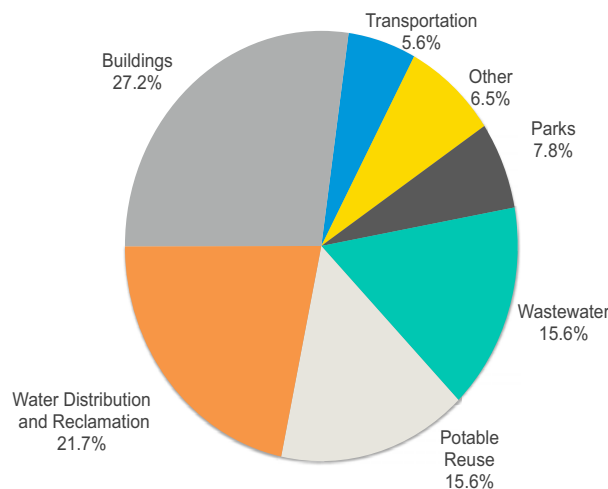
- **Environmental Services:** includes funding to support waste collection, recycling, and landfill operations.
- **Commission for Arts & Culture:** reduction in the Commission for Arts & Culture allocation.
- **Public Utilities:** funding for wastewater planning and pipeline condition assessments, offset by budget reduction proposals.

increases in expenditures, the Fiscal Year 2018 Adopted Budget includes the use of the Pension Payment Stabilization Reserves, available excess reserves, budget reduction proposals, and the use of projected Excess Equity. The Fiscal Year 2018 Adopted Budget adheres to the City's Budget Policy, maintaining a balanced budget, where ongoing expenditures are supported by ongoing revenues. Additional details are included throughout this Volume.

## Capital Improvements Program Overview

The Fiscal Year 2018 Adopted CIP Budget for all funds is \$475.6 million. This budget allocates existing funds and anticipated revenues to both new and continuing projects. The allocation of funds is based upon an analysis of available funding sources, as well as a review of project needs and priorities.

Adopted Fiscal Year 2018 CIP Budget by Project Types



## Conclusion

The Fiscal Year 2018 Adopted Budget reflects General Fund expenditures growth outpacing revenue growth, primarily due to increases in the ADC to the pension system, and funding for the Infrastructure Fund, and funding for critical strategic expenditures. To offset these



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