

Executive Summary	3
City Profile.....	11
Budget Development Process	25
Citywide Budget Overview	31
General Fund Revenues	69
General Fund Expenditures	97
Fiscal Policies	133
Performance Management	143
Debt Obligations	149
Financial Summary and Schedules	155
Capital Improvements Program	229
City Agencies	235
Glossary	239
Appendix	249

Adopted Budget Fiscal Year 2020

Volume 1

Budget Overview and Schedules

MAYOR KEVIN L. FAULCONER



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The Government Finance Officers Association
of the United States and Canada

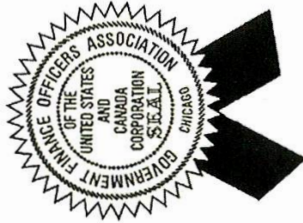
presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

**Finance Department
City of San Diego, California**

The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.



Christopher P. Morrell

Executive Director

Date March 11, 2019

*California Society of
Municipal Finance Officers*

Certificate of Award

*Excellence Award for
Fiscal Year 2018-2019 Operating Budget*

Presented to the

City of San Diego

For meeting the criteria established to achieve the CSMFO Excellence Award for Budgeting.

December 19, 2018



Margaret Moggia

*Margaret Moggia
CSMFO President*

Sara J. Roush

*Sara Roush, Chair
Recognition Committee*

Dedicated Excellence in Municipal Financial Reporting

Disclaimer

Pursuant to the City Charter, the Mayor proposes, and the City Council is responsible for enacting, an annual budget.

The annual budget is developed during the six to ten month period preceding the start of each fiscal year using economic and financial assumptions that reflect the best information then available. Such assumptions are updated during the budget process but actual economic and financial conditions may differ materially from those assumed. The annual budget may be modified by City Council during the course of the fiscal year to reflect updated economic and financial information.

The annual budget is intended for use by the City Council and the citizens of the City and is not intended as information to reach investors and the trading markets. The City does file its official statements for bond offerings, audited financial statements, comprehensive annual financial reports, annual financial information, material event notices, and voluntary disclosures with the Municipal Securities Rulemaking Board (MSRB) and posts such information on the City's investor information webpage. The annual budget will not be filed with the MSRB or posted on such webpage and should not be relied upon by an investor as projections of economic and financial conditions in determining whether to buy, hold, or sell a security that is secured directly or indirectly by City revenues.



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Mayor's Budget Message



To my fellow San Diegans:

I am pleased to present a balanced **Fiscal Year 2020 Adopted Budget** that protects and furthers the progress the City of San Diego has made to put neighborhoods first, creates a better quality of life for all communities, and maintains service levels throughout the City. This is a structurally-balanced plan that keeps the focus on the core community services San Diegans value such as a clean San Diego, parks, libraries, and public safety.

The Adopted Budget preserves neighborhood services added over the last five budget years and continues major investments in streets and infrastructure while maintaining responsible financial management. I directed departments to once again hold the line on spending to allocate critical funds needed to protect and expand neighborhood services, including expanding the Clean San Diego initiative to keep neighborhoods clean and safe.

San Diego's economy remains strong, and the Adopted Budget projects moderate growth in all of the City's four Major General Fund revenue categories – Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Franchise Fees. The Adopted Budget balances the continuing trend of positive key economic indicators with a corresponding softening in the year-over-year rate of growth in some major revenues, including property tax and TOT.

The Adopted Budget includes funding for programs and projects that make a difference in the lives of San Diegans. This includes road repairs; parks and critical infrastructure; police recruitment and retention and increased overtime for Neighborhood Policing; funding to support the annual reporting for the Climate Action Plan and the Climate Resiliency Plan; staffing for new and expanded recreation facilities; staffing and supplies for two new library facilities and preservation of restored library and recreation center hours; increased homeless services and housing affordability initiatives; a lifeguard academy; arts and culture funding; mobility related projects and services, and increased funding for the Pure Water program that will create a drought-proof, independent local water supply.

Even though the City is projecting revenue growth to help fund these priorities, Fiscal Year 2020 continues to be a lean budget year. This Adopted Budget is fiscally responsible. We are fully funding General Fund and Risk Management reserves to their target levels and will contribute to the Pension Payment Stabilization Reserve per the City's Reserve Policy. We continue to fully fund our pension payment, which significantly grew this year due to actuarial changes and experience losses. The difficult choices we made in both Fiscal Year 2018 and Fiscal Year 2019, including combined strategic reductions of \$31.8 million in General Fund ongoing costs, have provided relief in this budget so that we can expand funding for neighborhood services and programs San Diegans have said are critical. Previous budget reductions as well as those included in this year's budget are expected to strengthen the City's financial position for future years.

The Adopted Budget protects neighborhood services and expands the Clean SD initiative with more crews to keep our communities clean. Public safety and investments in infrastructure

Mayor's Budget Message

continue to be funded as priorities in all communities. We have embraced new ideas and taken new approaches to address homelessness. This Adopted Budget has increased funding for Bridge Shelters and homelessness coordination staff, and maintains funding for the Housing Navigation Center which is anticipated to open in the fall. The City is leveraging \$14.1 million from the State to expand landlord engagement, rapid rehousing efforts, safe parking, and storage facilities, and create a flexible spending pool for housing solutions.

The Adopted Budget is structurally balanced in accordance with the City's Budget Policy, with ongoing expenditures supported by ongoing revenues.

Building Our Better Future: Repairing Streets and Investing in Infrastructure

The Adopted Budget includes funding of \$24.1 million for infrastructure per Charter Section 77.1 (Proposition H), which requires the City to dedicate specific revenue sources to fund General Fund infrastructure such as streets, sidewalks, bridges and buildings, and requires the maintenance and repair of such infrastructure. The infrastructure funding will support critical road repairs and resurfacing, sidewalk repair and reconstruction, including ADA curb ramps, parks and recreation center improvements, as well as new infrastructure projects for storm drain pipe lining and the City Heights pool reconstruction.

Road conditions affect every San Diegan in every community, so the City's highest infrastructure priority remains street repair. On October 29, 2018, I announced that City road crews had fixed 1,000 miles of streets in a three-year period, a record pace for road repair, and two years earlier than the pledge I made in January 2015 at my first State of the City Address. The Adopted Budget includes \$79.9 million in funding to pave, repair and replace 430 miles of streets, which will help the City maintain the long-term goal of an average Overall Condition Index of 70, or good condition.

The Pure Water Program is one of the most significant infrastructure projects in San Diego history and will deliver clean, reliable water to our residents for decades to come. The Adopted Budget includes the addition of \$386.8 million in funding for Pure Water infrastructure and is an investment made to significantly reduce San Diego's dependence on outside sources of water.

Other important infrastructure investments funded in the Adopted Budget include park improvements, streetlights, sidewalk repair and replacement, infrastructure to support elements of the Climate Action Plan, and water main replacements.

Clean, Safe and Livable Neighborhoods

Every neighborhood deserves clean streets and sidewalks. The Adopted Budget expands the Clean SD initiative by increasing funding by \$6.5 million for additional focus in the highest demand areas throughout the City, including canyons. The additional funding increases contractual services to include litter removal 24 hours per day, seven days per week, and waste abatements associated with illegal encampments on two shifts, seven days a week. Two additional code compliance officers and a supervisor will monitor contractor performance. In addition, this funding includes \$3.5 million in additional Police Department overtime specifically for Clean SD .

Making San Diego the greenest city in America is the goal of our Climate Action Plan (CAP). The Adopted Budget includes \$396.0 million in new funding across city departments that support the

Mayor's Budget Message

key strategies of the CAP. This investment supports new actions to combat climate change locally by creating a community choice energy program for San Diego, changing the way San Diegans move around the city with new bike lanes and mobility projects, funding the Pure Water Program to support the City's climate resiliency efforts, and working with our local partners to transform our regional transportation network. There is also new funding in the Sustainability Department to support annual CAP reporting requirements and the Climate Resiliency plan.

San Diego is one of the safest big cities in the country, and overall crime is at its lowest point in half a century. The Adopted Budget includes funding for the July 1, 2019 and January 1, 2020 salary increases for the largest recruitment and retention package in San Diego Police Department (SDPD) history. This police contract, approved by the City Council on December 5, 2017, makes SDPD more competitive with other law enforcement agencies.

The Adopted Budget also includes the addition of \$7.9 million in overtime for the Neighborhood Policing Division for expanded neighborhood patrols and expansion of Clean SD. There is also funding for three civilian positions for crime lab and information system units, continuation of the Lateral and Recruitment Incentive Programs, a Police Officer Homebuyer Down Payment Assistance Program pilot, and funding for the maintenance and utility costs for a new Police facility in Kearny Mesa.

The Adopted Budget funds resources to improve citywide response times by Fire-Rescue crews and other emergency first responders. Funding is provided for 37 new firefighters, three fire academies, nine dedicated fire academy instructors, and lower overtime costs to establish a vacation relief pool that will result in savings in future fiscal years. There is also funding for a lifeguard academy, increased funding for helicopter maintenance and pilot training, and a dedicated bomb squad unit.

Opportunity in Every Community: Protecting Key Neighborhood Services

We all deserve equal access to essential and effective public services, no matter which zip code we call home. Neighborhood services are key to building stronger communities where more residents have the opportunity to succeed.

The Adopted Budget protects all parks service enhancements funded in recent fiscal years such as keeping recreation centers open longer throughout San Diego – bringing the total number of recreational centers with expanded hours to 45 over the last few budget years. The Adopted Budget also provides additional funding to support operation and maintenance needs for five new park facilities. Funding is also included for one tree trimmer and a boom truck for the park forestry program, one pesticide applicator, new park rangers, brush management, and several maintenance workers to maintain increased acreage throughout the Parks System.

The Adopted Budget protects our community centers for lifelong learning by maintaining library hours and the popular “Do Your Homework @ the Library” program. The Adopted Budget also includes funding for the operations of the new Mission Hills/Hillcrest and San Ysidro branch libraries, library programming to maintain equity throughout the library system, and library technology upgrades.

Mayor's Budget Message

The Fiscal Year 2020 Adopted Budget includes \$10.0 million in funding for homeless programs and services, with \$9.8 million budgeted in the General Fund and \$250,000 budgeted in the Low to Moderate Income Housing Asset Fund. It also includes \$3.1 million for the three bridge shelters to provide up to 674 beds a day and supply meals, showers, restrooms, laundry facilities, 24-hour security, alcohol and substance abuse counseling, job training, and mental health services. There is \$550,000 in funding for Housing Navigation Center operations, and funding to add three positions to support the Chief of Homelessness Strategies.

An additional \$12.6 million in Community Development Block Grant (CDBG) funding is programmed for homelessness and housing related programs, services, and projects for Fiscal Year 2020. CDBG funding will provide continued support for interim housing programs, and the Day Center for Homeless Adults, and new funding for multifamily rehabilitation, homeless program operations, and other affordable housing programs and facility improvements.

In September 2018, the State of California approved the City's application for \$14.1 million from the Homeless Emergency Aid Program (HEAP). The HEAP funding includes \$4.3 million for new storage facilities, safe parking programs, expanded family reunification efforts, the Housing Commission's Diversion program, and the Prosecution and Law Enforcement Assisted Diversion Services (PLEADS) pilot program. In addition, there is \$5.2 million for rental assistance or subsidies, \$3.2 million for the deconstruction, relocation, and reconstruction of the Single Women and Families Bridge Shelter, and \$705,521 for youth-serving homeless programs.

Housing SD is a strategy to remove the roadblocks to housing. Housing SD reforms will remove height restrictions outside coastal zones, create generous incentives to build affordable housing, and eliminate parking requirements to lower housing costs. The Adopted Budget includes funding for the Affordable Housing Density Program, which fully implements the housing plan for middle-income residents as well as funding in the General Fund to expand the successful program to provide fee waivers for Companion Unit permits.

Excellent Customer Service and Open Government

Our goal is to make San Diego's government as innovative as the people it represents. The Adopted Budget maintains our investment in cutting-edge technologies to improve customer service, cultivate civic engagement, and operate with greater levels of accountability and transparency.

The "Get It Done" customer experience platform continues to receive resources to implement feature requests that will improve customer satisfaction.

The Adopted Budget includes \$1.0 million in additional funding for a citywide Disparity Study. The intention of a disparity study is to identify whether any gaps exist in an agency's contracting with traditionally underrepresented groups, and includes recommendations on how to remedy those gaps.

Strong Financial Management and Commitment to Operational Efficiencies

San Diego's commitment to fiscal stability and strong oversight promotes a healthy financial future while saving taxpayer money through lower borrowing costs. The City's fiscal health is the result of effective financial management policies, long-term financial planning and

Mayor's Budget Message

comprehensive efforts to manage both pension and retiree healthcare costs. The Adopted Budget continues the fiscally responsible practice of funding and maintaining reserves to policy target levels.

Conclusion

The Adopted Budget keeps the focus on key services that the public, City Council and I have worked hard to prioritize. This budget proposal is structurally balanced, using ongoing resources for ongoing expenditures in accordance with the City's Budget Policy.

The City is projecting improving revenue from property, sales, hotel, and franchise taxes in the Adopted Budget, but that growth continues to soften when compared to previous fiscal years. That being considered, this is the 15th consecutive year of fully funding the City's annual pension payment. The Adopted Budget does so without cutting critical funding for infrastructure or service level improvements previously restored by this administration. This budget fully funds reserves to target levels and contributes to the Pension Payment Stabilization Reserve, protects current library and recreation center hours, increases funding for housing affordability initiatives, and funds key parks projects. It will add staff to operate and maintain new parks, funds salary increases, including the police recruitment and retention package, provides new public safety resources and invests in road repairs to maintain good street conditions.

Balancing the budget again involved making tough decisions and a commitment to fiscal responsibility, and I sincerely appreciate every stakeholder who is helping to maintain the financial health of our City by contributing to this budget. I would also like to thank our City employees for their continued commitment to providing outstanding service to our communities.

Sincerely,

A handwritten signature in dark ink, reading "Kevin Faulconer". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Kevin L. Faulconer Mayor



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Kevin L. Faulconer
Mayor



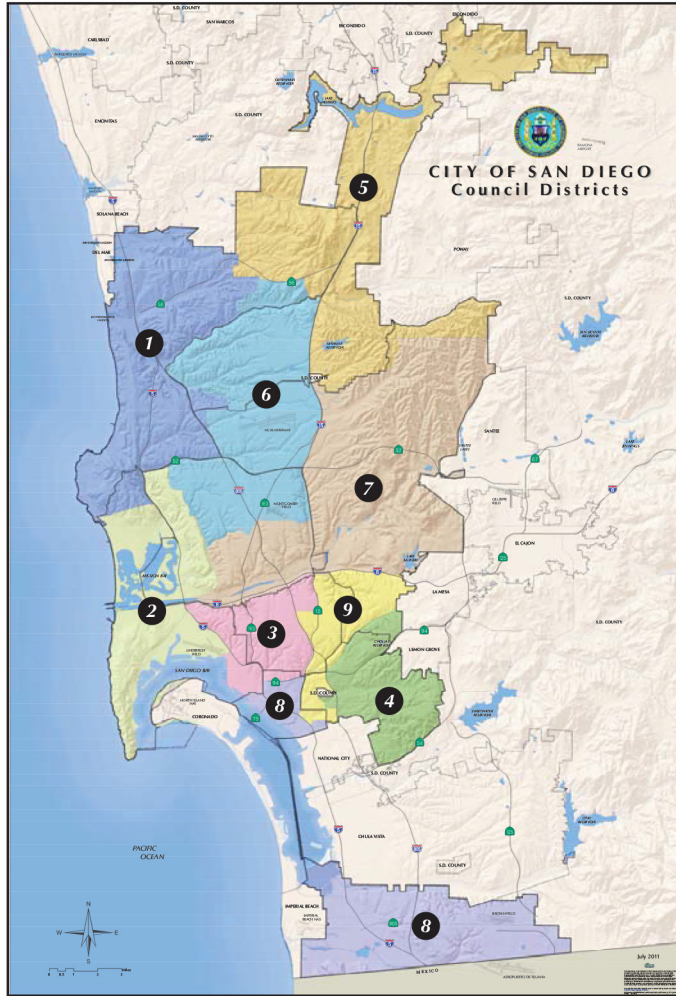
Barbara Bry
Council President Pro Tem
District 1



Jennifer Campbell
Councilmember
District 2



Christopher Ward
Councilmember
District 3



Monica Montgomery
Councilmember
District 4



Mark Kersey
Councilmember
District 5



Chris Cate
Councilmember
District 6



Scott Sherman
Councilmember
District 7



Vivian Moreno
Councilmember
District 8



Georgette Gómez
Council President
District 9



Kris Michell
Chief Operating Officer

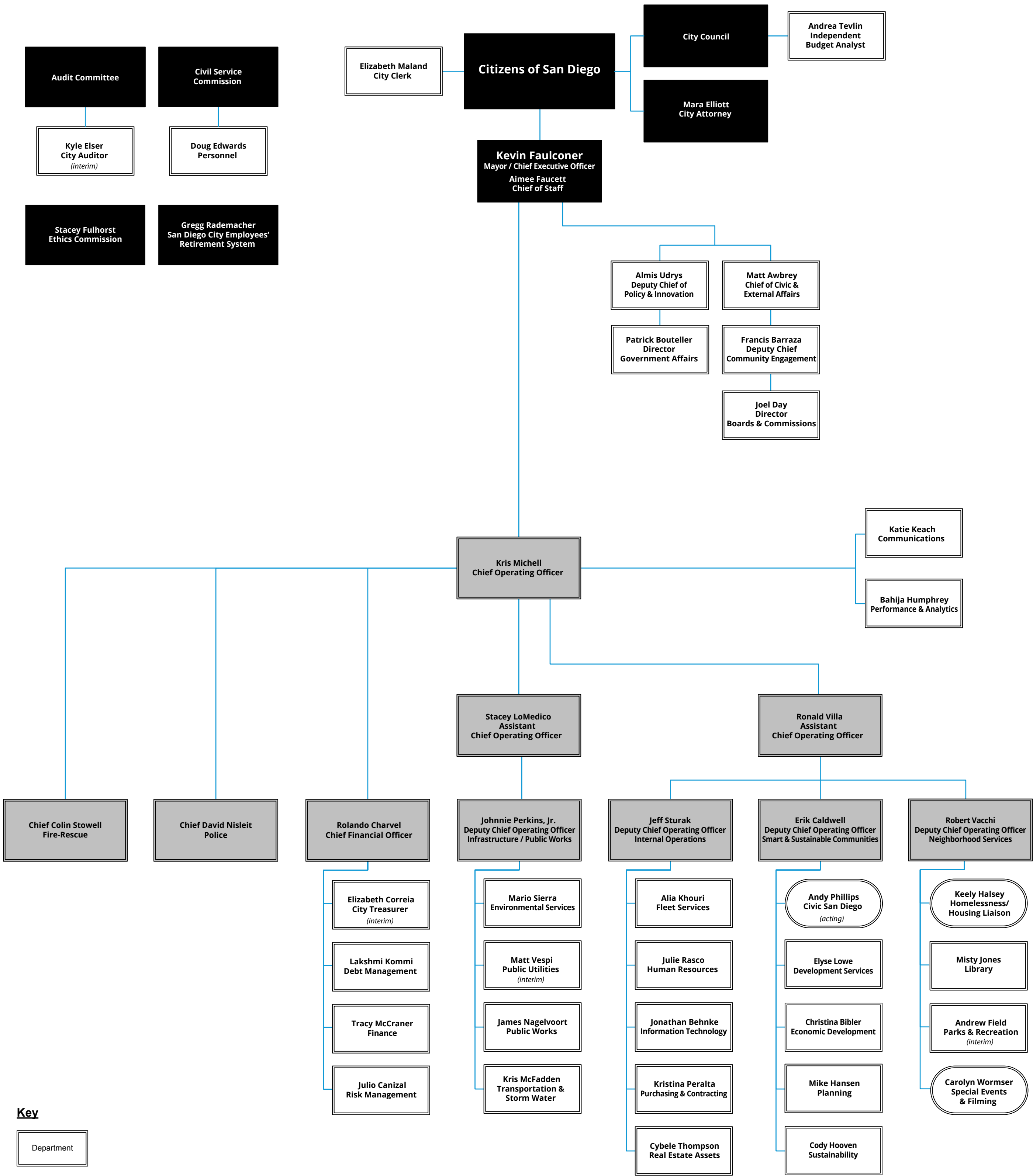


Mara W. Elliott
City Attorney

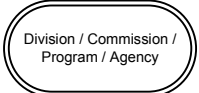


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ORGANIZATION
(All City Functions)



Key





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City Strategic Plan



Mission

To effectively serve and support our communities



Vision

A world-class city for all



Values

Integrity

- Do the right thing
- Be ethical, truthful, and fair
- Take responsibility for our actions

People

- Value customers and employees as partners
- Recognize that an engaged City workforce is the key to quality customer service
- Promote diversity as a strength

Service

- Exhibit pride in all that we do
- Treat others as we would like to be treated
- Anticipate and promptly respond to requests

Excellence

- Foster a high-performing culture
- Establish clear standards and predictable processes
- Measure results and seek improvement in everything we do



Goals

Goal 1: *Provide high quality public service*

Goal 2: *Work in partnership with all of our communities to achieve safe and livable neighborhoods*

Goal 3: *Create and sustain a resilient and economically prosperous City with opportunity in every community*



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