

FISCAL YEAR

2024

ADOPTED
BUDGET



Volume 1
Citywide Budget Overview

MAYOR TODD GLORIA



HOUSING • PROTECT & ENRICH • INFRASTRUCTURE • SUSTAINABILITY • PROSPERITY





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Citywide Budget Overview

Citywide Budget Overview

The City of San Diego's Fiscal Year 2024 Adopted Budget of \$5.17 billion 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

Table 1 - shows the change in expenditures from Fiscal Year 2022 to Fiscal Year 2024 by fund type/program.

Table 1 - Change in Total City Expenditures from Fiscal Years 2022 - 2024 by Fund Type/Program

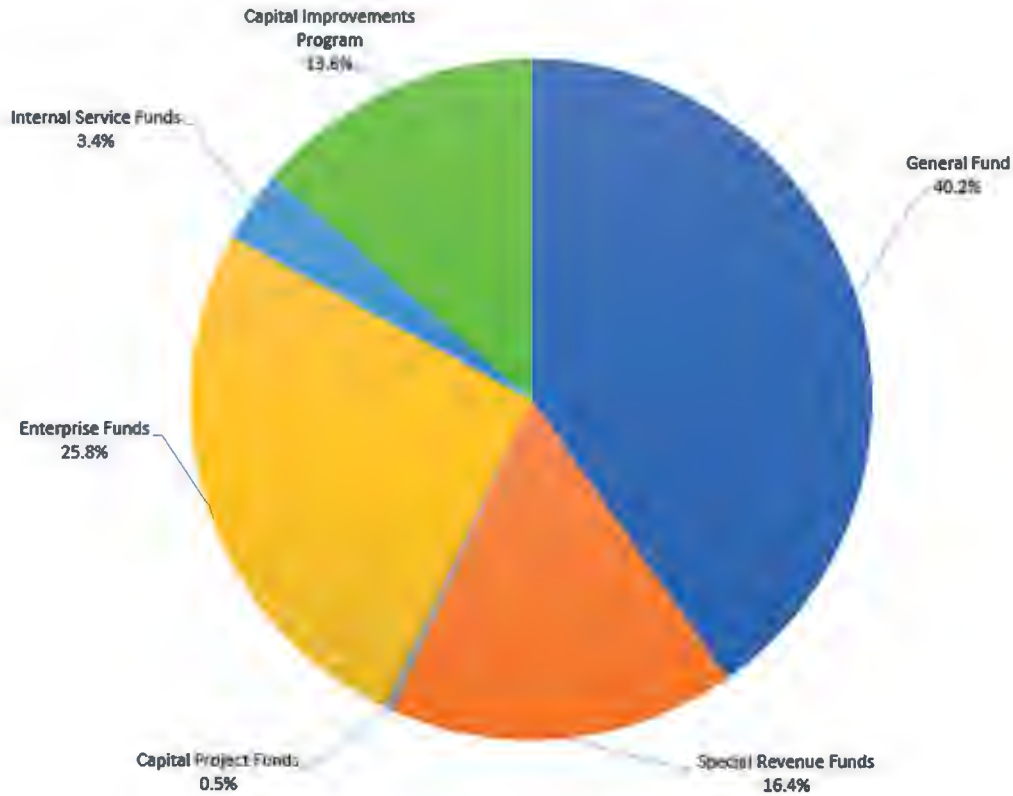
| Fund Type | FY 2022 Actual | FY 2023 Adopted Budget | FY 2024 Adopted Budget | FY 2023 – FY 2024 Change | Percent Change |
|------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|----------------|
| General Fund | \$ 1,760,232,191 | \$ 1,955,008,750 | \$ 2,081,833,190 | \$ 126,824,440 | 6.5% |
| Special Revenue Funds | 771,367,160 | 825,390,397 | 848,854,715 | 23,464,318 | 2.8% |
| Capital Project Funds | 22,159,672 | 27,580,778 | 23,655,473 | (3,925,305) | (14.2%) |
| Enterprise Funds | 1,144,644,867 | 1,265,280,400 | 1,336,082,705 | 70,802,305 | 5.6% |
| Internal Service Funds | 124,620,505 | 167,059,170 | 177,963,364 | 10,904,194 | 6.5% |
| Capital Improvements Program | 569,707,579 | 834,078,291 | 704,115,321 | (129,962,970) | (15.6%) |
| Total | \$ 4,392,731,974 | \$ 5,074,397,786 | \$ 5,172,504,768 | \$ 98,106,982 | 1.9% |



Citywide Budget Overview

Figure 1 - displays the Fiscal Year 2024 Adopted Expenditure Budget by Fund Type/Program.

Figure 1 - Fiscal Year 2024 Adopted Expenditure Budget by Fund Type/Program



Note: Percentages may not add to 100% due to rounding.

Table 2 - presents the changes in revenue from Fiscal Year 2022 to Fiscal Year 2024 by fund type.

Table 2 - Changes in Total City Revenue from Fiscal Years 2022 - 2024 by Fund Type

| Fund Type | FY 2022 Actual | FY 2023 Adopted Budget | FY 2024 Adopted Budget | FY 2023 - FY 2024 Change | Percent Change |
|--------------------------|-------------------------|-------------------------|-------------------------|--------------------------|----------------|
| General Fund | \$ 1,808,942,388 | \$ 1,948,804,916 | \$ 2,017,767,692 | \$ 68,962,776 | 3.5% |
| Special Revenue Funds | 857,477,457 | 780,699,002 | 836,792,659 | 56,093,657 | 7.2% |
| Capital Project Funds | 54,698,631 | 59,431,380 | 66,932,244 | 7,500,864 | 12.6% |
| Enterprise Funds | 1,603,595,594 | 2,078,753,944 | 1,927,602,456 | (151,151,488) | (7.3%) |
| Internal Service Funds | 142,865,839 | 177,415,513 | 172,501,490 | (4,914,023) | (2.8%) |
| Total¹ | \$ 4,467,579,909 | \$ 5,045,104,755 | \$ 5,021,596,541 | \$ (23,508,214) | (0.5%) |

¹ Operating revenue may be less than operating expenditures due to the use of fund balance in excess of reserves.

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Expenditure Overview by Fund Type/Program

Departments within the General Fund provide core community services such as public safety (including police/fire protection and life safety), parks and recreation, library services, and refuse collection, as well as vital support functions such as financial and legal services, 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. The City's Fiscal Year 2024 Adopted Budget reflects General Fund expenditures totaling \$2.08 billion, which is an increase of \$126.8 million, or 6.5 percent, from the Fiscal Year 2023 Adopted Budget. Details on the total net increase in the General Fund are described in the General Fund Expenditures section of this Volume.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The four largest special revenue funds are the Engineering & Capital Projects Fund, Transient Occupancy Tax Fund, Information Technology Fund, and Underground Surcharge Fund. The Fiscal Year 2024 Adopted Budget for Special Revenue Funds is \$848.9 million, representing an increase of \$23.5 million, or 2.8 percent, from the Fiscal Year 2023 Adopted Budget. This net increase is primarily due to additional reimbursements from the Transient Occupancy Fund to the General Fund for the safety and maintenance of visitor-related facilities, and additional funding for arts and culture, including support for the World Design Capital 2024. Additional increases in expenditures are associated with the Engineering and Capital Projects Fund, Convention Center Expansion Administration Fund, Infrastructure Fund, and Environmental Growth Funds. These increases are offset with a decrease in the Long Range Property Management Fund and the Underground Surcharge Fund.

Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall CIP, which can be supported by all fund types. The Fiscal Year 2024 Adopted Budget for Capital Project Funds is \$23.7 million, which is a decrease of \$3.9 million, or 14.2 percent, from the Fiscal Year 2023 Adopted Budget. This decrease is primarily due to a reduction in eligible transportation improvements as a result of lower than anticipated revenue in the TransNet Extension Funds, which are reimbursed by revenues from the San Diego Association of Governments (SANDAG).

Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2024 Adopted Budget for Enterprise Funds is \$1.34 billion, representing an increase of \$70.8 million, or 5.6 percent, from the Fiscal Year 2023 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$29.1 million in the Water Utility Operating Fund primarily associated with citywide compensation increases, Proposition B related pension costs, bond principal payments supporting operations, preventive maintenance to ensure the resilience and reliability of the city's water system, dam and reservoir maintenance and repair, Pure Water operations, water quality and compliance efforts, information technology improvements, and enhanced customer support.
- \$25.6 million in the Metropolitan Sewer Utility Fund primarily associated with citywide compensation increases, Proposition B related pension costs, wastewater treatment chemicals, backup energy sources for reliable power at wastewater treatment facilities, enhanced customer support, environmental monitoring, utilities, pump station maintenance and repairs, and cost increases for hauling and disposal of biosolids.

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- \$17.0 million in the Development Services Fund primarily associated with citywide compensation increases, Proposition B related pension costs, software implementation, permit processing support, as needed plan check and inspections services, and customer service support.

Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2024 Adopted Budget for Internal Service Funds totals \$178.0 million, which is an increase of \$10.9 million, or 6.5 percent, from the Fiscal Year 2023 Adopted Budget. This net increase is primarily due to increases to the Fleet Operations Operating Fund associated with cost increases for fuel, compensation increases, and fleet repair and maintenance; and an increase in the Fleet Replacement Funds associated with the acquisition of vehicles.

Capital Improvements Program

The CIP Budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital assets. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), General Fund Infrastructure, and developer fees. The Fiscal Year 2024 Adopted CIP Budget appropriates a total of \$704.1 million above the \$2.6 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2024 Adopted CIP Budget reflects a decrease of \$130.0 million, or 15.6 percent, when compared to the Fiscal Year 2023 Adopted CIP Budget of \$834.1 million. This is primarily due to a decrease in Pure Water related enterprise fund appropriations.



The CIP budget project pages include anticipated funding information for CIP projects. For Fiscal Year 2024, a total of \$293.3 million in funding for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2024 Adopted Budget. Anticipated funding includes a variety of funding types, such as commercial paper, lease revenue bonds, revenue bonds and notes, General Fund contributions, donations, grants, and developer funding. Not all anticipated funding materializes; however, as anticipated sources of funds are received, separate City Council actions will be brought forward to appropriate any anticipated funding during Fiscal Year 2024.

Citywide Reorganization/Restructuring

The Fiscal Year 2024 Adopted Budget reflects the reorganization and/or restructuring, and the renaming or creation of City departments related to mayoral or executive management priorities and department-initiated requests. The reorganizations are intended to refine programs and processes and provide comprehensive organizational improvements. Reorganizations are, but not limited to, the restructuring of departments and major divisions and programs within a department. The following provides an overview of the reorganizations and restructures that impact the City's organizational structure. These restructures have been addressed and implemented in the Fiscal Year 2024 budget process. Per Charter Section 26, all newly created departments included in the Adopted Budget must be approved by ordinance via a two-thirds vote of the City Council.

Airport Management

The Airports Division within the Department of Real Estate and Airport Management (DREAM) has changed its name to Airport Management to align with the renaming of DREAM. There are no programmatic or position changes associated with this change.

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Clean SD Division – Environmental Services

The Clean SD Program is a new division in the Environmental Services Department that will oversee solid waste related responsibilities such as Clean SD, solid waste code compliance, illegal dump abatements, litter removal, dead animal collection from the public right of way, roll-off bin services to other departments, and sidewalk vending impounds. This restructure will move 90.00 FTE positions and associated non-personnel expenditures into the new division.

City Planning Department

The Planning Department has changed its name to the City Planning Department. This change does not have any programmatic or position changes.

Citywide Maintenance Services Division – Parks and Recreation

The Parks and Recreation Department will create a new division titled Citywide Maintenance Services that will enable the department to address new responsibilities and span of control challenges. This new division includes the transfer of 122.00 FTE positions, non-personnel expenditures, and revenue from the Developed Regional Parks Division to the Citywide Maintenance Services Division.

Department of Finance and Debt Management Merge

The Debt Management Department will be eliminated and will become a division within the Department of Finance. As part of the restructure, a new division called Debt Management and CIP will be created in the Department of Finance, and CIP-related functions will be transferred to this division. This action will transfer all 17.00 FTE positions, non-personnel expenditures, and associated revenue from the Debt Management Department to the Department of Finance. Additionally, the Debt Management Director will be reduced and will offset the addition of 1.00 Principal Accountant to support the CIP program under the new division. Lastly, 1.00 Financial Operations Manager in Debt Management will be repurposed to 1.00 Assistant Director to oversee this new division.

General Public Benefit Programs – Environmental Services

This restructure will transfer several programs in the Environmental Services Department that benefit the public out of the Refuse Disposal Fund and move them into the General Fund. These programs include the Street Litter Container Collection Program, Community Cleanups, Abatements, Illegal Dumping Removal, Dead Animal Removal, and Franchise Administration. This restructure transfers 33.00 FTE positions, non-personnel expenditures, vehicles, and revenue from the Refuse Disposal Fund into the General Fund.

Historical Resources Program

The Historical Resources Program is being transferred from the Development Services Department to the City Planning Department. This transfer includes the transfer of 5.00 FTE positions, non-personnel expenditures, and revenue from the Development Services Department to the City Planning Department. This program supports the Historic Resources Board and the City's historic preservation efforts.

Office of Immigrant Affairs

The Office of Immigrant Affairs is transferring to the Office of the Chief Operating Officer from the Office of the Mayor. This restructure includes the transfer of 3.00 FTE positions, and expenditures associated with the positions.

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Office of the Chief Operating Officer

The Office of the Chief Operating Officer (COO) had an organizational management change that included adding 1.00 Deputy Chief Operating Officer who will support the External Services functions of the City. Along with this new position, departments were reallocated to fit this new structure, effective in March 2023. The Office of the Chief Operating Officer also transferred 1.00 Associate Management Analyst to the Department of Finance to support the Office of the Mayor and the Office of the COO with fiscal analysis and support.

Publishing Services Division

The Publishing Services Program in the Purchasing and Contracting Department is being transferred to the Communications Department as a new division. The Publishing Services Division restructure includes the transfer of 8.00 FTE positions, non-personnel expenditures, and associated revenue, and will continue to provide the same level of service but as part of the Communications Department.

Strategic Capital Projects Department

The Strategic Capital Projects (SCP) Department is a newly created department that is focused on specialized, large, and complicated capital improvement projects such as the Pure Water Program, dams and reservoir projects, and others. The newly created department includes the transfer of 35.00 FTE positions, non-personnel expenditures, and associated revenue from the Engineering and Capital Project Department.

Your Safe Place – A Family Justice Center

The Office of the City Attorney has changed the name of the Family Justice Center to Your Safe Place – A Family Justice Center. This change does not include any programmatic or position changes.

Fiscal Year 2024 General Fund Adopted Budget

The Fiscal Year 2024 General Fund Adopted Budget reflects a multi-year analysis that addresses the Fiscal Year 2024 baseline shortfall that was projected in the Fiscal Year 2024-2028 Five-Year Financial Outlook (Outlook) and makes certain revisions to projections based on updated revenues for Fiscal Year 2023 and 2024 as well as funding decisions made in Fiscal Year 2024. The multi-year analysis also includes a comprehensive review of critical expenditure requests submitted by each department in Fiscal Year 2024, as well as the recommended allocation of the Coronavirus State and Local Fiscal Recovery Funds included in the American Rescue Plan Act (ARPA), and other resources and mitigation actions to help address the projected revenue shortfalls in Fiscal Year 2024 and in future fiscal years. There is an ongoing need to reach a structurally balanced budget where ongoing expenditures are supported with ongoing revenue. To achieve a balanced budget in future fiscal years it will require further mitigations such as use of one-time revenues, reserves, additional budget reductions, or identification of new ongoing revenue sources. The following sections provide additional details considered in the Fiscal Year 2024 General Fund Adopted Budget.

Fiscal Year 2024-2028 Five -Year Financial Outlook

In November 2022, the Fiscal Year 2024-2028 Five-Year Financial Outlook (Five-Year Outlook) was released. The report included a projected baseline shortfall—in which baseline expenditures exceed baseline revenues—in Fiscal Years 2024 through 2026. As displayed in **Table 3 - Fiscal Year 2024-2028 Five-Year Financial Outlook**, baseline revenue growth was projected to exceed anticipated baseline expenditure growth by Fiscal Year 2027. To help mitigate some of the projected deficits, the Five-Year Outlook included the use of one-time resources; specifically, the Five-Year Outlook included the use of the remaining \$52.1 million in American Rescue Plan Act (ARPA) funds, and an estimated \$72.1 million in excess equity (available fund balance in excess of reserves).

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Table 3 - Fiscal Year 2024-2028 Five-Year Financial Outlook

| | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Baseline Revenues | \$ 1,881.12 | \$ 1,955.4 | \$ 2,017.3 | \$ 2,086.1 | \$ 2,149.4 |
| Baseline Expenditures | 1,931.6 | 1,978.0 | 2,038.1 | 2,085.4 | 2,143.3 |
| Baseline (Shortfall) / Surplus | \$ (50.5) | \$ (22.6) | \$ (20.9) | \$ 0.7 | \$ 6.1 |
| Use of ARPA | 52.1 | - | - | - | - |
| Use of Excess Equity | 23.8 | 48.3 | - | - | - |
| New Facilities/ Planned Commitments | (25.3) | (73.0) | (86.5) | (94.9) | (118.7) |
| (Shortfall) / Surplus | \$ 0.0 | \$ (47.3) | \$ (107.3) | \$ (94.1) | \$ (112.6) |

Since the release of the Five-Year Outlook, projected revenues for the Fiscal Year 2024 Adopted Budget have been updated, and additional critical expenditures have been added via the Fiscal Year 2024 budget process. Although Fiscal Year 2024 remains balanced through the remaining use of ARPA and the use of excess equity, more of these one-time resources were required to balance in Fiscal Year 2024, when compared to the Five-Year Outlook.

Table 4 - Updated Fiscal Year 2024-2028 Five-Year Financial Outlook displays the updated projected net position of the General Fund over the next five fiscal years. As a result of the expenditures added via the Fiscal Year 2024 budget process, the baseline deficit is projected to grow by \$78.1 million in Fiscal Year 2025, when compared to the Five-Year Outlook. Additionally, although the Five-Year Outlook projected that baseline revenues would exceed baseline expenditures in Fiscal Years 2027 and 2028, the revised projections reflect that this is no longer the case.

Moreover, although the Fiscal Year 2024 Adopted Budget is balanced, the bottom-line shortfall has increased in Fiscal Year 2025 and beyond primarily due to critical budget additions, negotiated compensation increases, increases in the City's retirement ADC payment, new facilities, and planned commitments. As a result of these additional expenditures, the deficit is projected to grow by \$29.2 million in Fiscal Year 2025, and by \$88.5 million in Fiscal Year 2026, when compared to the Five-Year Outlook.

Table 4 - Updated Fiscal Year 2024-2028 Five-Year Financial Outlook

| | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 |
|---|-------------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | \$ 2,017.8 ¹ | \$ 2,025.1 | \$ 2,070.8 | \$ 2,138.6 | \$ 2,199.8 |
| Expenditures | 2,089.9 | 2,125.8 | 2,222.1 | 2,274.8 | 2,330.9 |
| Net Position (Shortfall) / Surplus | (72.2) | (100.7) | (151.3) | (136.2) | (131.1) |
| Use of Excess Equity | 72.2 | 48.9 | - | - | - |
| Homelessness State Grants | - | 20.0 | 20.0 | 20.0 | 20.0 |
| New Facilities/Planned Commitments | - | (44.8) | (64.5) | (73.1) | (97.0) |
| (Shortfall) / Surplus | \$ 0.0 | \$ (76.5) | \$ (195.8) | \$ (189.3) | \$ (208.1) |

¹ Includes the use of \$52.1 million in ARPA funds in Fiscal Year 2024.

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The Fiscal Year 2024 Adopted Budget reflects additional revenue of \$136.7 million associated with: the use of ARPA funds of \$52.1 million; and \$84.6 million due to continued robust growth in property tax, franchise fees, sales tax, and transient occupancy tax revenues. There are also additional increases in future fiscal years when compared to the prior Five-Year Outlook. Property tax revenues continued to remain strong through the pandemic, buoyed largely by continued home sales and elevated median home prices. Additionally, transient occupancy tax revenues have recovered faster than previously anticipated, positively impacting the forecast in future years. Sales tax revenues saw an increase as a result of low unemployment rates, and a continued increase in the cost of goods as a result of elevated inflation. Lastly, forecasted franchise fee revenues have increased significantly from the Five-Year Outlook as a result of the most recent approved rate increases for both gas and electric commodities.

As reflected in **Table 4 - Updated Fiscal Year 2024-2028 Five-Year Financial Outlook**, expenditures are projected to be \$158.3 million more in Fiscal Year 2024 than originally projected in the Five-Year Outlook, and are expected to increase in future fiscal years as well. The primary changes to Fiscal Year 2024 expenditures and beyond include: negotiated compensation increases; increases in the City's Retirement ADC payment associated with the addition of the pension related costs to Proposition B-impacted employees entering the pension system; increases in electricity, gas, and fuel due to rate increases; contributions to the General Fund Reserves as outlined in the revised Reserve Policy updated in December 2022; and contributions to the Infrastructure Fund as a result of increased sales tax projections and projected fluctuations in the California Consumer Price Index (CCPI). Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume.

The new facilities/planned commitments highlighted in **Table 4** are a continuation of those identified in the Five-Year Outlook. These commitments are very likely to occur because they are related to new facilities, non-discretionary items, homeless services, and committed stormwater debt service.

As a result of all of these changes, the General Fund is projected to have significant deficits from Fiscal Year 2025 through Fiscal Year 2028. These updated Outlook projections demonstrate the importance of developing multi-year strategies to correct the projected structural deficits, where ongoing expenditures exceed ongoing revenues, and demonstrate the City's need for additional ongoing available resources to support the critical needs of the City. In Fiscal Year 2025, a projected \$48.9 million in excess equity will be needed to minimize service level impacts and avoid budget reductions. However, this is a one-time resource, and is not anticipated to be available in future fiscal years unless revenues grow above current projections. Additionally, the City is anticipated to receive approximately \$20.0 million in Homelessness State Grants for the remainder of the outlook period; however, the assumption is dependent on the State allocating funding for these programs each year. Given the State's current budget challenges, it is possible the State could choose to allocate this funding to other critical needs.

Since the shortfalls in the updated Five-Year Outlook have increased each year when compared to the Five-Year Outlook provided in November, the Department of Finance has identified additional actions and resources that may be leveraged to address the projected shortfalls. These potential resources and actions could include budget reductions, reducing reserve contributions, waiving contributions to the Infrastructure Fund, or the pursuit of additional one-time and ongoing revenue options. Opportunities for additional revenue could include: revenue associated with trash collection as a result of an approved amendment to the Peoples' Ordinance; a positive resolution to the litigation related to Measure C, which would increase transient occupancy taxes to support the expansion of the San Diego Convention Center and create a dedicated funding source for homelessness programs and services and street repair; and other potential local tax measures, which could be placed on upcoming ballots.

A full update to the Five-Year Outlook for Fiscal Years 2025-2029 will be released in November 2023.

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General Fund Reserves

The City's Reserve Policy was adopted by the City Council in 2002 to establish essential reserves to strengthen the City's financial position and address unexpected emergencies or unanticipated liabilities. The importance of maintaining cash reserves to strengthen the City's fiscal position and effectively manage potential future economic downturns has never been more critical. In December 2022, the City Council approved updates to the Reserve Policy to modify the annual funding targets for the General Fund Emergency Reserve and Stability Reserve, while maintaining the policy goal of 16.7% for the General Fund, which is a best practice per the Government Finance Officers Association (GFOA). In line with those updates, the Fiscal Year 2024 Adopted Budget includes a contribution of \$8.1 million to the General Fund Reserves to meet the Fiscal Year 2024 Reserve Policy target of 13.58%.

Table 5 – General Fund Reserve Contribution shows the General Fund Reserve contributions projected for the next five years to meet the reserve targets as outlined in the Reserve Policy. The Fiscal Year 2024 Adopted Budget does not appropriate the \$8.1 million reserve contribution as it will not be an expenditure to the General Fund. Instead, the reserve contribution is earmarked as a component of fund balance.

Table 5 - General Fund Reserve Contribution (in millions)

| Description | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Emergency Reserve Target | 7.21% | 7.21% | 7.50% | 7.90% | 8.00% |
| Stability Reserve Target | 6.37% | 6.37% | 6.60% | 6.80% | 7.35% |
| Total Reserve Target | 13.58% | 13.58% | 14.10% | 14.70% | 15.35% |
| Total Estimated Reserve Target | \$ 215.2 | \$ 236.4 | \$ 258.9 | \$ 279.6 | \$ 301.9 |
| General Fund Contribution | \$ 8.1 | \$ 21.2 | \$ 22.5 | \$ 20.7 | \$ 22.3 |

Fiscal Year 2024 Critical Expenditures

In addition to solving the baseline revenue shortfall, the Fiscal Year 2024 Adopted Budget prioritizes the maintenance of current core services, while allowing for select budget additions needed to: comply with various mandates, address a high-level of employee vacancies, address quality of life issues, provide public safety, support homelessness programs and services, and operate new parks and library facilities. Program summaries for the Infrastructure Fund, Climate Equity Fund, Homelessness Programs and Services, Climate Action Plan, Organics Collection Program mandated by State Senate Bill 1383, Opioid Settlement Funds, Vision Zero, the Use of One-Time Resources, American Rescue Plan Act Funds, and Citywide Personnel Expenditures are included in the following sections.

For a summary of all significant budget adjustments included in the General Fund, please refer to the General Fund Expenditures section of this Volume.

Infrastructure Fund (Charter Section 77.1)

In June 2016, voters approved Proposition H, requiring the City to dedicate specific sources of revenue to fund new General Fund infrastructure, such as streets, sidewalks, bridges, buildings, and the maintenance and repair of such infrastructure.

The calculation to fund the new Infrastructure Fund is based on the following:

- Sales Tax Increment – an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the California Consumer Price Index (CCPI) for Fiscal Year 2018 through Fiscal Year 2042
- General Fund Pension Cost Reduction – for Fiscal Year 2018 through Fiscal Year 2042, any amount of pension costs below the base year of Fiscal Year 2016

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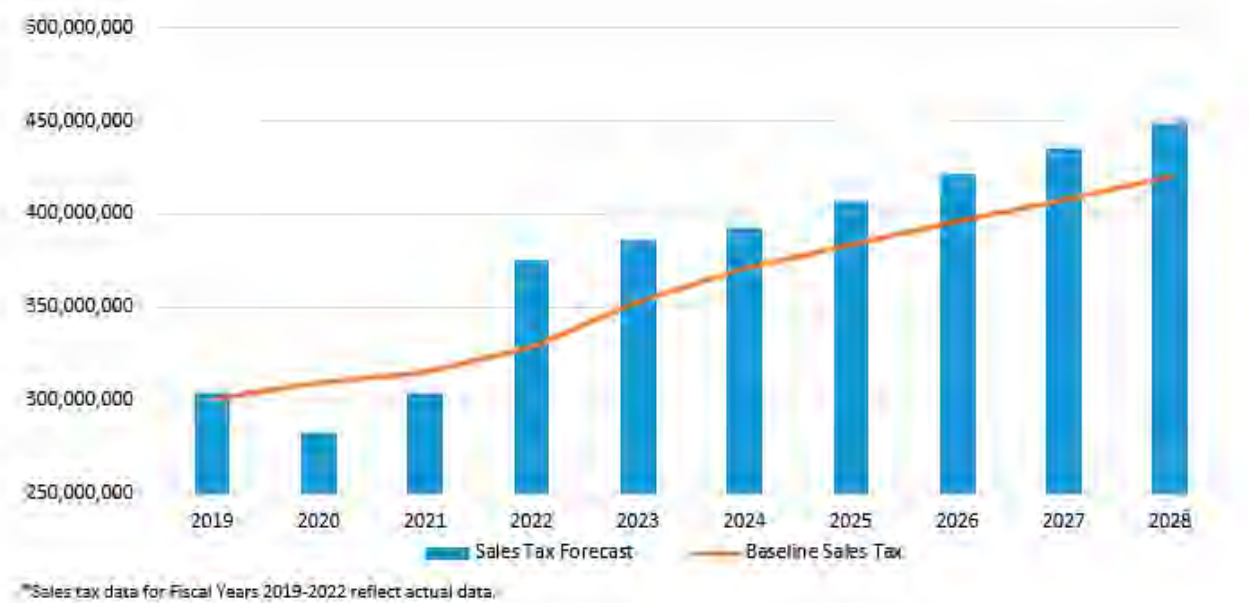
Prior to Fiscal Year 2023, the calculation to fund the Infrastructure Fund included a Major Revenues Increment based on an amount equal to 50.0 percent of the year over year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees. However, the City Charter only required this increment for Fiscal Year 2018 through Fiscal Year 2022.

Based on this calculation, the required Infrastructure Fund contribution for Fiscal Year 2024 totals \$31.0 million. This amount is primarily attributed to the sales tax increment calculation; the General Fund Pension Cost Reduction calculation remains above the base year of Fiscal Year 2016.

Based on the definitions in Charter Section 77.1, \$31.0 million is required to be deposited into the Infrastructure Fund for Fiscal Year 2024 unless the Mayor recommends the suspension of Charter section 77.1 for one fiscal year, and two-thirds of the City Council approves that suspension. For Fiscal Year 2024, the budget allocates \$27.2 million to the Capital Improvements Program (CIP), of which \$12.5 million is for General Fund facilities, \$5.2 million is for transportation projects, \$3.9 million is for stormwater projects, \$4.8 million is for Parks & Recreation projects, and \$700,00 for Library projects. The remaining \$3.8 million will support repairs and tenant improvements for Police facilities, and streetlight repairs.

Figure 2 - Proposition H Sales Tax Baseline Comparison Outlook illustrates a comparison outlook between the calculated baseline for sales tax and the contribution to the Infrastructure Fund. The Baseline sales tax is subject to change and adjusted by the California Consumer Price Index (CCPI) for each fiscal year of the outlook years.

Figure 2 - Proposition H Sales Tax Baseline Comparison Outlook



Climate Equity Fund

The goal of the Climate Equity Fund (CEF) is to provide additional funding for City infrastructure projects to enable underserved communities to better respond to the impacts of climate change. Currently, to be eligible to receive CEF funding, projects must have an impact on reducing greenhouse gas emissions, enhancing safety in the public right-of-way, relieving congestion, or achieving other climate equity concerns and be located in a Community of Concern as identified using the Climate Equity Index. City staff work with community-based organizations, Council offices, and City departments to decide which projects to fund. In accordance with the City Council resolution, the minimum annual allocation to CEF eligible projects is:

- 1 percent of the total annual revenue received through TransNet

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- 1 percent of the total annual revenue received through Gas Tax
- 10 percent of the total General Fund revenue received through the annual gas and electric franchise fees

The Fiscal Year 2024 Adopted Budget includes CEF allocations of \$11.1 million; the \$11.1 million allocation includes \$9.2 million in funding for CEF eligible projects that were allocated during the May Revision, and an additional \$1.9 million that is available in fund balance due to higher franchise fee revenue and interest earnings in Fiscal Year 2023. A list of planned projects is included in Volume III of the Adopted Budget.

Homelessness Programs and Services

In Fiscal Year 2024, the City has allocated \$85.8 million for homelessness programs and services, with \$44.0 million budgeted in the General Fund for the Homelessness Strategies & Solutions Department, \$3.4 million budgeted in the General Fund for the Police Department's Homeless Outreach Team, \$250,000 budgeted in the Low and Moderate Income Housing Asset Fund (LMIHAF), and \$38.1 million in grant funding. **Table 6 -** shows the **Homelessness Programs and Services by Department and Funding Source** below.

Table 6 - Homelessness Programs and Services by Department and Funding Source

| General Fund | FY 2024 Budget |
|---|----------------------|
| Homelessness Strategies & Solutions Department | |
| Homeless Shelters and Services Programs | \$ 35,322,905 |
| Coordinated Outreach | 3,350,000 |
| Prevention Programming | 2,250,000 |
| Coordination of City Homeless Programs and Services | 3,084,549 |
| Total Homelessness Strategies & Solutions Department | \$ 44,007,454 |
| Police Department | |
| Homeless Outreach Team | 3,428,223 |
| Total Police Department | \$ 3,428,223 |
| Total General Fund | \$ 47,435,677 |
| Low and Moderate-Income Housing Asset Fund | |
| Homelessness Response Center | 250,000 |
| Total Low- to Moderate-Income Housing Asset Fund | \$ 250,000 |
| Grant Funding | |
| Community Development Block Grant (CDBG) | \$ 1,318,078 |
| Emergency Solutions Grant (ESG) | 1,029,691 |
| Encampment Resolution Funding (ERF) Grant | 1,988,409 |
| Family Homelessness Challenge Grant (FHCG) | 390,000 |
| County of San Diego Capital Grants | 1,287,845 |
| Homeless Housing, Assistance and Prevention (HHAP) Grant | 32,070,770 |
| Total Grant Funding | \$ 38,084,793 |
| Total Citywide Resources | \$ 85,770,470 |

Note: Table is not intended to capture all complementary Homelessness Programs and Services related costs within the City.

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General Fund

The Fiscal Year 2024 Adopted Budget includes \$47.4 million from the General Fund in the Homelessness Strategies & Solutions and Police Departments for the following homeless programs and services:

- Homeless Shelters and Services Programs
- Coordinated Outreach
- Prevention Programming
- Coordination of City Homelessness Programs and Services
- Homeless Outreach Team in the Police Department

Homeless Shelters and Services Program

The City of San Diego partners with agencies to operate congregate and non-congregate shelters which serve individuals experiencing homelessness. These shelters provide meals, restrooms, showers, case management, housing navigation, and mental health and substance abuse services and referrals.

In Fiscal Year 2024, the City General Fund will provide \$28.3 million to support beds at 12 shelters, which includes \$2.7 million supported by Opioid Settlement funding. General Fund supported shelters include the following:

- Paul Mirabile Interim Housing Shelter
- Connections Interim Housing Shelter
- Bishops Housing Shelter
- Bridge Shelters for Single Adults
- Safe Haven
- Women's Shelter
- Emergency Harm Reduction Center
- Shelters for Youth
- Winter Weather Shelters
- Non-congregate Shelter for Families
- Non-congregate Shelter for Seniors
- New shelter bed capacity

In addition to these shelter programs, the General Fund will provide \$7.0 million to support the following services:

- Serial Inebriate Program
- Homelessness Response Center
- Program for Engaged Educational Resources (PEER)
- Day Center for Homeless Adults
- Storage Facilities
- Safe Parking Locations

Coordinated Outreach

The City's Coordinated Street Outreach Program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services. Street-based case managers practice "Housing First" principles, working with clients to build individualized plans to move people from unsheltered conditions into housing. The program takes a coordinated approach to ensuring adequate and equitable coverage of outreach teams throughout the City and works to identify trends and proactively respond to critical areas throughout the City. The Coordinated Street Outreach Program includes Caltrans outreach and street outreach from bridge shelters.

Citywide Budget Overview

Prevention Programming

The Fiscal Year 2024 Adopted Budget includes \$2.3 million in the General Fund for the continuation of the Housing Instability Prevention Program (HIPP). HIPP helps pay rent and other housing-related expenses for 300 families in the City of San Diego with low income and unstable housing situations (e.g., those facing eviction for nonpayment of rent).

Coordination of City Homelessness Programs and Services

The Fiscal Year 2024 Adopted Budget also includes \$3.1 million in the Homelessness Strategies & Solutions Department associated with staff coordination of citywide homelessness programs and services. The Fiscal Year 2024 Adopted Budget includes the addition of 1.00 Administrative Aide 2. This position will provide administrative support to the department, including scheduling assistance, processing public records requests, and assisting the department's senior leadership team. In Fiscal Year 2024, the Adopted Budget includes a total of 16.00 FTE positions in the department.

Grant Funding for Homelessness Strategies & Solutions

In Fiscal Year 2024, the City is anticipated to leverage a total of \$38.1 million in State and Federal grant funding to address the immediate emergency needs of individuals and families experiencing homelessness, or at imminent risk of homelessness. This includes \$1.3 million in Community Development Block Grant (CDBG) funding and \$1.0 million in Emergency Solutions Grant funding for homelessness related programs and services, as shown below. Additionally, \$1.3 million is included from County of San Diego Capital Grants for shelter improvements. The City is also anticipated to leverage \$34.4 million in Fiscal Year 2024 from multiple State of California grants, including the Homeless Housing, Assistance, and Prevention (HHAP) grant program; Encampment Resolution Funding (ERF) grant program; and Family Homelessness Challenge Grant (FHCG). HHAP grants were allocated by the State in four rounds between Fiscal Year 2020 and Fiscal Year 2024.

Community Development Block Grant (CDBG) and Emergency Solutions Grant Funding

In Fiscal Year 2024, \$1.3 million in CDBG program allocations and \$1.0 million in Emergency Solutions Grant (ESG) allocations are anticipated to fund homeless programs, services, and projects.

\$1.3 million in CDBG Block grant funding will support the following programs:

- Day Center for Homeless Adults
- Non-Congregate Shelter for Families
- Paul Mirabile Interim Housing Shelter

\$1.0 million in ESG funding will support the following programs:

- Connections Interim Housing
- Rapid Rehousing
- Paul Mirabile Interim Housing Shelter

Homeless Housing, Assistance and Prevention (HHAP) Funding

The Homeless Housing, Assistance, and Prevention (HHAP) grants are one-time block grants that provide local jurisdictions in the State of California with funding to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. In June 2020, the City Council approved the use of HHAP grant funding for round one for a total of \$22.5 million. In June 2021, the City Council approved the use of the second-round funding of \$10.6 million. In June 2022, the third round of funding in the amount of \$27.5 million was approved by the City Council. In June 2023, the City Council approved the use of a fourth round of HHAP grant funding, totaling \$22.5 million.

Citywide Budget Overview

In Fiscal Year 2024, it is projected that \$1.8 million of HHAP 1 and HHAP 2 funding will be used to support Fiscal Year 2024 costs. In addition, there are planned expenditures of \$10.7 million from the third round of HHAP funding and \$19.6 million from the fourth round of HHAP funding. In total, \$32.1 million in HHAP funded expenditures are planned in Fiscal Year 2024 to support the following programs and services:

Shelters and Services

\$24.4 million is being allocated to support shelter beds at following shelters:

- Bridge Shelter at 16th & Newton
- Bridge Shelter at 17th & Imperial
- Single Adult Shelter (Previously Golden Hall)
- Youth Shelter & Case Management
- LGBTQ Youth Shelter
- Rosecrans Sprung Shelter
- Harm Reduction Shelter

Safe Parking Program

HHAP funding of \$1.7 million is designated in Fiscal Year 2024 for three safe parking lots across the City. These programs are designated parking lots for homeless individuals living out of their vehicles to safely stay overnight and be connected to services to help them obtain permanent housing.

Coordinated Street Outreach Program

HHAP funding of \$1.9 million is designated for the Coordinated Street Outreach program to amplify the General Fund contribution and ensure adequate and equitable coverage of outreach teams across the City.

Family Reunification Program

The family reunification program seeks to connect homeless individuals with family members and support systems across the United States. HHAP funding in the amount of \$764,000 will continue to support this program in Fiscal Year 2024.

Rapid Rehousing Program

HHAP programming includes \$1.7 million allocated to continue Rapid Rehousing programs currently in effect. Rapid Rehousing provides homeless individuals or individuals at imminent risk of becoming homeless with identification of housing, short-term rental assistance, and other services.

Administrative Costs

A total of \$1.6 million in costs to administer the HHAP programs are planned for Fiscal Year 2024. These costs are charged by City staff and staff from the San Diego Housing Commission.

Family Homelessness Challenge Grant (FHCG) and Encampment Resolution Grant (ERG) Funding

In Fiscal Year 2024, \$390,000 in Family Homelessness Challenge Grant (FHCG) program allocations and \$2.0 million in Encampment Resolution Funding (ERF) grant program allocations are anticipated to fund homelessness programs, services, and projects.

FHCG funding provides housing resources to families within the existing Safe Parking programs. ERF funding will support outreach and housing solutions for former residents within the E Street Neighborhood Encampment Solution project, as well as a joint encampment project with the County of San Diego.

The County of San Diego Capital Grants total \$1.3 million and are anticipated to fund costs associated with the following shelter sites: Rose Canyon safe parking program; Inclement Weather Shelter; and Seniors Landing non-congregate shelter.

Citywide Budget Overview

Police Department Homelessness Outreach Team (HOT)

The Police Department's Homeless Outreach Team (HOT) uses a community-oriented policing approach to address the unique needs of the City's homeless population. HOT team leaders bring together behavioral health clinicians from the Psychiatric Emergency Response Team (PERT), public health nurses, and social workers from the County of San Diego Health and Human Services Agency to provide outreach and engagement services throughout the City of San Diego, in order to connect unsheltered individuals with available services. HOT engages with individuals who may otherwise be subject to enforcement action for violation of various local ordinances and state statutes. Its approach is a means to connect individuals with services in a way that avoids contact with the criminal justice system.

The Fiscal Year 2024 Adopted Budget includes \$3.4 million from the General Fund to support personnel and non-personnel expenditures in the San Diego Police Department.

Implementation of the Climate Action Plan

On August 2, 2022, the City Council adopted the 2022 Climate Action Plan (CAP), setting a new community-wide goal of net-zero emissions by 2035, committing San Diego to an accelerated trajectory for greenhouse gas reductions. Achieving net-zero emissions will improve the air we breathe, the communities we live in, and our overall quality of life. The CAP identifies six (6) equity-focused strategies to achieve a goal of net zero emissions by 2035 through reducing and avoiding GHG emissions:

- Strategy 1: Decarbonization of the Built Environment
- Strategy 2: Access to Clean and Renewable Energy
- Strategy 3: Mobility and Land Use
- Strategy 4: Circular Economy and Clean Communities
- Strategy 5: Resilient Infrastructure and Healthy Ecosystems
- Strategy 6: Emerging Climate Actions

Staff developed an Implementation Plan that provided further information on funding needs, performance metrics, time frame, and implementation pathways. Staff released a draft Implementation Plan and Implementation Cost Analysis (ICA) in February 2023. The final versions of the Implementation Plan and ICA can be found here: <https://www.sandiego.gov/sustainability/climate-action-plan>

Over the next five years of implementation of the CAP, City staff will report on progress to City Council and the public through annual progress reports and comprehensive GHG emissions inventories at least every two years, depending on data availability. Additionally, in response to the 2020 CAP audit, staff have prepared an Administrative Regulation (AR) to establish annual department-level work plans for the implementation of the CAP with established responsibilities for overall CAP implementation. Draft work plans have been developed and can be found at the following link:

<https://www.sandiego.gov/sustainability/climate-action-plan>

The City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, and encourage the use of alternative modes of transportation. The City has successfully shifted 99 percent of city accounts to 100 percent clean energy through San Diego Community Power and anticipates that the remaining accounts will transition over the course of Fiscal Year 2024.

Principles of sustainability and projects that reduce GHG emissions or improve the City's economic, social, or environmental sustainability are woven throughout many departments and functions within City operations. However, the City budget is structured by functional departments rather than by sector or initiatives. Because the efforts that support the CAP cross many departments and are embedded in many different projects and initiatives, the CAP Implementation Budget Summary presented here highlights new

Citywide Budget Overview

Principles of sustainability and projects that reduce GHG emissions or improve the City’s economic, social, or environmental sustainability are woven throughout many departments and functions within City operations. However, the City budget is structured by functional departments rather than by sector or initiatives. Because the efforts that support the CAP cross many departments and are embedded in many different projects and initiatives, the CAP Implementation Budget Summary presented here highlights new funding which is requested through the City’s official budget process to support the various strategic areas of the CAP, to facilitate a discussion about implementation of the CAP. Of note, throughout the year there are other funding sources (e.g., base budgets or Community Development Block Grants) or budget adjustments that are not captured in this report but do assist in achieving the City’s CAP goals.

San Diego’s CAP is considered a national model. The City is breaking new ground in policies, programs, and methodologies to implement the plan. As a national leader, techniques for implementing evolve and improve over time as processes are established, metrics are created or enhanced, and annual monitoring begins. The Fiscal Year 2024 Adopted Budget demonstrates that the City remains committed to keeping the economic, social, and environmental principles of sustainability at the forefront of decision-making.

Progress Towards Achieving Climate Action Plan Goals

Figure 3 - Citywide Greenhouse Emissions Inventory and Projections shows the most recent citywide GHG inventory. The total GHG emissions from San Diego in 2021 were approximately 9.6 million metric tons CO₂e (MMT CO₂e), a 25 percent decrease from 2010. Reductions in GHG emissions from electricity consumption, transportation, solid waste and water use offset some increases seen from natural gas consumption and wastewater production year-over-year. The budget analysis incorporated below was developed using the strategies and actions from the new 2022 CAP.

Figure 3 - Citywide Greenhouse Emissions Inventory and Projections



Revised 2/14/2023

Summary of Climate Action Plan Adopted Budget

Table 7 – CAP Budget Changes Across City Departments is a summary of investments across City departments in Fiscal Year 2024 that support the six strategic areas of the CAP. The investment amounts represent new resources included in the Fiscal Year 2024 Adopted Budget. These changes are added to existing CAP investment in the departments’ continuing appropriations. CAP-related budget changes included in the Fiscal Year 2024 Adopted Budget total \$543.0 million and include operating and capital expenditure budgets.

Citywide Budget Overview

Table 7 - CAP Budget Changes Across City Departments

| Climate Action Plan Fiscal Year 2024 Adopted Budget | | | |
|--|-----------------------|-----------------------|-----------------------|
| Strategy | Direct | Indirect | Total |
| Overarching Implementation | \$ - | \$ (177,894) | \$ (177,894) |
| Strategy 1 - Decarbonization of the Built Environment | 3,216,200 | 1,622,522 | 4,838,722 |
| Strategy 2 - Clean & Renewable Energy | 1,225,000 | 250,000 | 1,475,000 |
| Strategy 3 - Mobility & Land Use | 85,053,068 | 27,007,974 | 112,061,041 |
| Strategy 4 - Circular Economy & Clean Communities | 6,726,066 | 11,908,922 | 18,634,987 |
| Strategy 5 - Resilient Infrastructure and Healthy Ecosystems | 117,166,086 | 288,973,558 | 406,139,644 |
| Strategy 6 - Emerging Climate Actions | - | 68,540 | 68,540 |
| Total | \$ 213,386,419 | \$ 329,653,622 | \$ 543,040,040 |

This budget analysis identifies both direct and indirect CAP efforts. Direct CAP efforts are explicitly identified as actions in the CAP (e.g., landfill gas capture) or directly support the CAP GHG reduction goals (e.g., increasing sidewalks or bikeways to increase walking or biking). Indirect CAP efforts are not explicitly referenced in the CAP or only partially support the CAP through climate change efforts (e.g., funding for pump station or sewer pipe repairs that will indirectly impact water facilities). **Figure 4 - Climate Action Plan Adopted Budget Changes by Strategy** represents these investments by each CAP strategy.

Figure 4 - Climate Action Plan Adopted Budget Changes by Strategy¹



¹Strategy titles noted in Table 7.

Organics Collection – Senate Bill 1383

In September 2016, Governor Jerry Brown signed into law Senate Bill 1383 (SB 1383) establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants. SB 1383 establishes targets of a 50.0 percent reduction in the level of the statewide disposal of organic waste from 2020, with a 75.0 percent reduction by 2025. The City Council approved an ordinance in April 2022, which was effective in June 2022, that required the City to implement the following:

- Expansion of organics collection citywide, including amendments to the Franchise Hauler

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- Agreements
 - Adoption of an enforcement mechanism
 - Establishment of an edible food recovery program
 - Procurement of recovered organic waste products
 - Tracking and reporting of metrics to California's Department of Resources Recycling and Recovery
 - Conduct education and outreach
 - Development of organic waste processing capacity
 - Conduct escalating mandatory enforcement

Full implementation of SB 1383 requirements will be phased over several years and will include upgrading facilities, additional vehicles, contracts, equipment, software and supplies, and the addition of approximately 130 positions. The Fiscal Year 2024 Adopted Budget includes a total of \$24.0 million across various funds to support implementation of SB 1383. This includes a base budget amount of \$17.5 million and an increase of \$6.5 million from the Fiscal Year 2023 Adopted Budget. This increase from the Fiscal Year 2023 budget includes a \$2.3 million increase in the General Fund, \$366,447 decrease in the Recycling Fund, and \$4.6 million increase in the Refuse Disposal Fund. Funding will be used to support vehicles, heavy equipment, and the addition of 12.25 FTE positions.

Table 8 – Senate Bill 1383 by Fund displays the Fiscal Year 2024 Adopted Budget for SB 1383 by fund.

Table 8 - Senate Bill 1383 by Fund

| General Fund | FY 2024 Adopted Budget ¹ |
|-----------------------------------|-------------------------------------|
| Environmental Services | |
| Personnel Expenditures | \$ 12,239,602 |
| Non-Personnel Expenditures | \$ 5,204,308 |
| General Fund Total | \$ 17,443,910 |
| Recycling Fund | |
| Environmental Services | |
| Personnel Expenditures | \$ 451,738 |
| Non-Personnel Expenditures | \$ 557,722 |
| Recycling Fund Total | \$ 1,009,460 |
| Refuse Disposal Fund | |
| Environmental Services | |
| Personnel Expenditures | \$ 1,988,763 |
| Non-Personnel Expenditures | \$ 3,547,400 |
| Refuse Disposal Fund Total | \$ 5,536,163 |
| Total Fiscal Year 2024 | \$ 23,989,533 |

¹The table includes the anticipated budgeted personnel expenditure savings associated with the positions.

Accessible Pedestrian Connections Plan

The Fiscal Year 2024 Adopted Budget includes \$262,000 to update the Americans with Disability Act (ADA) Public Right-of-Way Evaluation and Transition Plan for disadvantaged communities in conjunction with

Citywide Budget Overview

recently awarded Active Transportation Program grant funding of approximately \$1.2 million. The Right-of-Way Evaluation and Transition Plan will support compliance with federal mandates and include an updated inventory of right-of-way features such as curb ramps, audible pedestrian signals, and roadway crossings. This evaluation of the southern area of the City and development of an updated comprehensive plan is expected to be conducted over a two-year period and will ensure that the right-of-way is accessible for people of all ages and abilities. Utilization of geospatial analysis and integration of multiple existing and new data sets will modernize the City's accessibility planning and prioritize ADA improvements to be considered for future funding and implementation.

Vision Zero

The City remains committed to Vision Zero efforts to eliminate all traffic fatalities and severe injuries in San Diego.

In the Fiscal Year 2024 Adopted Budget, \$51.8 million is being allocated to implement the City's Vision Zero goals, including \$16.4 million for bicycle facilities, \$300,000 for guard rails, \$9.6 million for sidewalks, \$555,000 for street lights, \$486,000 for traffic calming measures, \$5.8 million for traffic signals, \$500,000 for median installation, \$15.0 million for bridges, and \$3.2 million for street and road modifications. **Table 9 - Vision Zero Projects** displays the allocation of funds to applicable Vision Zero projects.

Table 9 - Vision Zero Projects

| Vision Zero Project Type/Grouping | Project ID | FY 2024 Adopted Budget |
|---|-----------------|------------------------|
| Bicycle Facilities | | |
| Bike Racks Citywide | O&M | \$ 50,000 |
| Bike Striping Citywide | O&M | 400,000 |
| Safe & Sustainable Transportation All Ages & Abilities Team (STAAT) | O&M | 1,100,000 |
| Bicycle Facilities | AIA00001 | 692,000 |
| Hillcrest Improv 4 (BL) | New | 642,000 |
| Valencia Park Improv 2 (BL) | New | 50,000 |
| Coastal Rail Trail | S00951 | 9,700,000 |
| Normal Street Promenade | S22012 | 2,455,000 |
| West Valley River Crossing | S24004 | 2,000,000 |
| Bicycle Facilities Total | | \$ 16,397,000 |
| Guard Rails | | |
| Guard Rails | AIE00002 | \$ 300,000 |
| Torrey Pines Rd, Prospect-Coast Walk GR | B19056 | 200,000 |
| Crown Point Guardrail | B18225 | 50,000 |
| Regional Arterial Guardrail Group 1 | B17154 | 50,000 |
| Guard Rails Total | | \$ 300,000 |
| Sidewalks | | |
| New Walkways | AIK00001 | \$ 2,083,000 |
| Genesee Ave-Chateau to Sauk Sidewalk | B15168 | 583,000 |
| Saturn Boulevard Sidewalk Installation | New | 1,500,000 |
| Sidewalk Repair and Reconstruction | AIK00003 | \$ 2,000,000 |
| Sidewalk Replacement Group 1902-CM | B19013 | 1,000,000 |
| Sidewalk Replacement Group 1903-SE & CH | B19014 | 1,000,000 |

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| Vision Zero Project Type/Grouping | Project ID | FY 2024 Adopted Budget |
|--|-----------------|------------------------|
| City Heights Sidewalks and Streetlights | S19005 | 2,500,000 |
| Cypress Dr Cultural Corridor | S23011 | 2,000,000 |
| Federal Blvd Sidewalk Improv & SW Upgrade | RD24000 | 1,000,000 |
| Sidewalks Total | | \$ 9,583,000 |
| Street Lights | | |
| Street Light Circuit Upgrades | AIH00002 | \$ 555,000 |
| Pacific Beach 1 SL Series Circuit Conversion | B16119 | 555,000 |
| Street Lights Total | | \$ 555,000 |
| Signals - Calming/Speed Abatement | | |
| Traffic Calming | AIL00001 | \$ 486,000 |
| Kettner Boulevard & Palm Street Hybrid Beacon | B18046 | 216,000 |
| RRFB 2401 (SG) | New | 70,000 |
| Flashing Beacons Citywide (NSG) | New | 200,000 |
| Signals - Calming/Speed Abatement Total | | \$ 486,000 |
| Traffic Signals | | |
| Traffic Signal Modification | O&M | 300,000 |
| Install Traffic Signal Interconnect System | AIL00002 | \$ 846,000 |
| Pacific Beach TS Interconnect Upgrades | B15065 | 346,000 |
| Traffic Management Center | New | 500,000 |
| Traffic Signals -- Citywide | AIL00004 | \$ 3,526,400 |
| 47th Street and Solola Avenue Traffic Signal | B20141 | 30,000 |
| Division Street & Osborn Street Traffic Signal | B15047 | 707,400 |
| El Cajon Blvd HAWKS | B22000 | 735,000 |
| Mercado Dr @ Del Mar Heights Rd Traffic Signal | B22046 | 121,000 |
| Mississippi Street and El Cajon Boulevard Traffic Signal | B20140 | 97,000 |
| Torrey Pines Road Pedestrian Hybrid Beacon | B20146 | 1,236,000 |
| Fix the City's most dangerous intersections | New | 600,000 |
| Traffic Signals Modification | AIL00005 | \$ 1,137,374 |
| Signal Mods in Barrio Logan | B131010 | 487,374 |
| Mid-City & Eastern Area Signal Mods | B17128 | 250,000 |
| Fix the City's most dangerous intersections | New | 400,000 |
| Traffic Signals Total | | \$ 5,809,774 |
| Medians | | |
| Median Installation | AIG00001 | \$ 500,000 |
| Fix the City's most dangerous intersections | New | 500,000 |
| Medians Total | | \$ 500,000 |
| Bridges | | |
| El Camino Real to Via De LaValle (1/2 mile) | S00856 | 14,997,804 |
| Bridges Total | | \$ 14,997,804 |
| Street and Road Modifications | | |

Citywide Budget Overview

| Vision Zero Project Type/Grouping | Project ID | FY 2024 Adopted Budget |
|--|------------|------------------------|
| Market Street-47 th to Euclid-Complete Street | S16061 | 300,000 |
| Streamview Drive Improvements Phase 2 | S18000 | 2,000,000 |
| University Ave Mobility | S00915 | 910,091 |
| Street Road Modifications Total | | \$ 3,210,091 |
| Total Vision Zero Project Type/Grouping | | \$ 51,838,669 |

Opioid Settlement

Nationwide settlements between states and municipalities against pharmaceutical distributors have been reached to resolve opioid litigations. The pharmaceutical distributors are anticipated to pay up to \$21 billion over 18 years. The City Attorney's Office currently estimates that the City of San Diego will receive approximately \$40.0 million over 18 years. In Fiscal Year 2023, the City received \$4.4 million, and projections indicate that \$3.7 million will be received in Fiscal Year 2024. The City Attorney estimates that an average of \$2.5 million will be received annually thereafter. In addition to the settlement funding, an additional \$135,000 (one-time) will be transferred from the General Fund to the Opioid Settlement Fund. Of the \$4.4 million received to-date, and \$3.8 million anticipated in Fiscal Year 2024 between the Opioid Settlement Fund and General Fund, \$5.8 million is proposed to be spent in Fiscal Year 2024 as follows:

- \$2.7 million for the Homelessness Strategies and Solutions Department to support the Harm Reduction Shelter and Safe Haven. The Fiscal Year 2024 Adopted Budget includes revenue to support these programs as a transfer from the Opioid Settlement Fund.
- \$1.4 million to support an opioid and fentanyl prevention program and education campaign. This will be budgeted in the Opioid Settlement Fund.
- \$775,771 for the Fire-Rescue Department to purchase vehicles associated to RAP/PA. This will be budgeted in the Opioid Settlement Fund.
- \$761,875 for the Police Department to support the Prosecution and Law Enforcement Assisted Diversion Services (PLEADS) Program. This will be budgeted in the Opioid Settlement Fund.
- \$208,444 for the Police Department for Fentanyl Detectors, Spectrometer, and Training for Police Officers on Drug Control Best practices. This will be budgeted in the Opioid Settlement Fund.

The remaining \$2.5 million will be available for allocation during Fiscal Year 2024 or as part of the Fiscal Year 2025 budget process.

Mitigation Actions

City staff completed a comprehensive review to develop mitigation actions to address the baseline revenue shortfall and fund the critical expenditures mentioned above. The Fiscal Year 2024 Adopted Budget includes the use of American Rescue Plan Act (ARPA) funds, use of fund balance in excess of General Fund reserves (excess equity), and fund balances from special revenue and internal service funds.

One-Time Resources

Below are additional details regarding one-time resources used as mitigation actions to address the baseline revenue shortfall and fund critical expenditures:

- Use of \$72.2 million in fund balance in excess of reserves, or excess equity.
- Use of \$52.1 million from the American Rescue Plan Act of 2021 (ARPA). This funding will be used as revenue replacement for general governmental services, which will provide the necessary

Citywide Budget Overview

resources to add and maintain funding for critical expenditures.

- Use of \$9.0 million from the Monsanto Class Action Settlement that is projected to be available in Fiscal Year 2024. This settlement is based on the Roundup litigation that was anticipated but not received in Fiscal Year 2023.
- Use of \$5.8 million from the sale of the Tailgate Park, which was approved on April 19, 2022, by the City Council authorizing the sale for development expansion. Pursuant to a compensation agreement with the affected taxing entities, including the City, the City is anticipated to receive an estimated share of \$5.8 million from the sale, which was anticipated to close in Fiscal Year 2023. However, due to unresolved litigation and challenges, the sale of the Tailgate Park is now anticipated to close in Fiscal Year 2024.
- \$3.4 million in use of TOT fund balance to support General Fund reimbursements.
- Use of \$1.1 million in grant revenue and Opioid Settlement funds.
- Use of \$1.0 million transfer from the Emergency Medical Services Transportation Fund.
- Use of \$851,366 in fund balances from various funds including: Energy Conservation Program Fund, GIS Fund, SAP Support Fund, Central Stores Fund, and Risk Management Administration Fund.

The American Rescue Plan Act of 2021 (ARPA)

On March 11, 2021, the federal government passed the American Rescue Plan Act of 2021 (ARPA) to provide additional relief and address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. The bill expands on the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) that was enacted on December 27, 2020, and provides economic state and local aid. The ARPA included a \$299.7 million allocation of Coronavirus State and Local Fiscal Recovery Funds for the City. The funds were provided to the City in two tranches and the ARPA funds provided by this legislation must be used by December 31, 2024.

In accordance with ARPA guidelines, funds may be used to:

- Provide government services to the extent of a reduction in revenue due to COVID-19, relative to revenues collected in the most recent full fiscal year prior to the emergency
- Respond to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality
- Provide premium pay up to \$13 an hour to eligible municipal or county workers performing essential services to respond to COVID-19. This provision is capped at a maximum benefit of \$25,000 per eligible worker
- Make necessary investments in water, sewer, or broadband infrastructure

Consistent with these guidelines, \$100.0 million in Coronavirus State and Local Fiscal Recovery Funds was used in Fiscal Year 2022 to supplement revenue lost due to the COVID-19 pandemic. As reported in the Third Quarter Report, \$147.6 million was projected to be used in Fiscal Year 2023. The remaining \$52.1 million is included in the Fiscal Year 2024 Adopted Budget and will be used as revenue replacement for general governmental services, which will provide the necessary resources to maintain funding for the provision of governmental services. Spreading out the use of this one-time funding has allowed the City to minimize budget reductions in the near term, while the City's major revenues recovered from the pandemic.

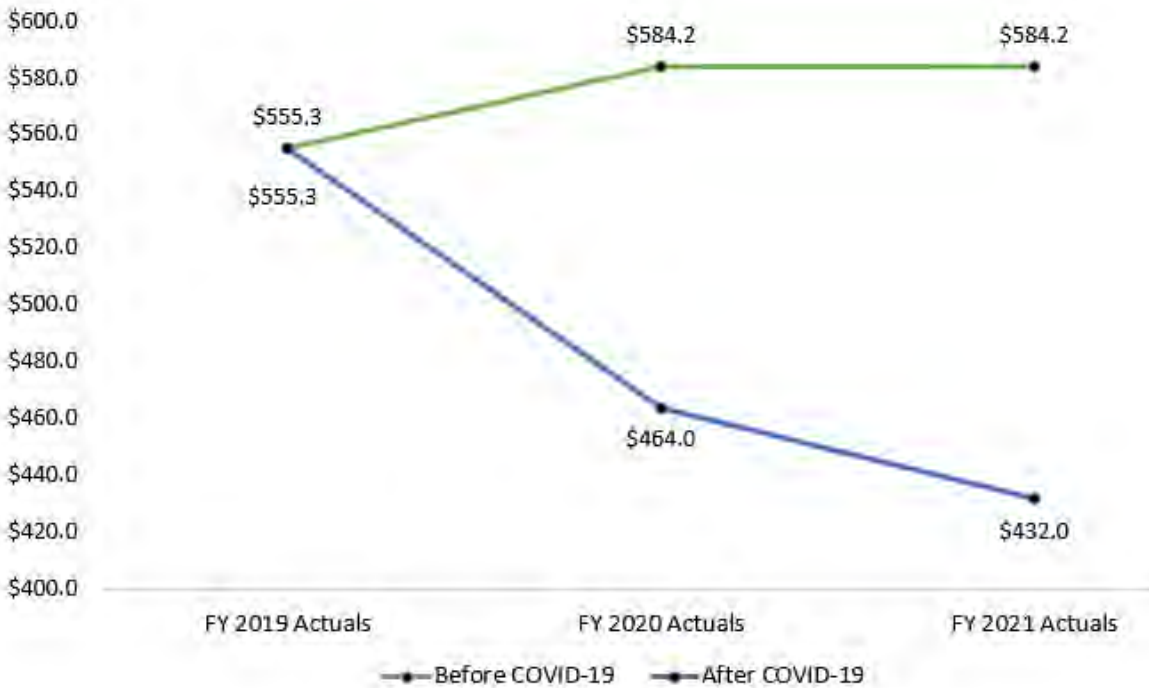
To substantiate the use of these funds for revenue replacement, it is important to demonstrate the extent of revenue reduction when compared to the most recent full fiscal year prior to the COVID-19 emergency. ARPA guidelines allowed for a growth adjustment of 5.2 percent from the baseline year revenue (Fiscal Year

Citywide Budget Overview

2019) or the City's average annual revenue growth rate in the three fiscal years prior to the pandemic¹. In accordance with the terms of the ARPA, the revenue loss from the COVID-19 pandemic has resulted in a projected revenue loss of \$416.7 million in general revenues from Fiscal Year 2020 through Fiscal Year 2021, as compared to Fiscal Year 2019 levels. The guidelines allow for the extent of reduction in revenue to be calculated from the total of four calendar years from 2020 to 2023. The funds cannot be used for offsetting tax cuts or for pension liabilities; therefore, the City will continue to ensure that the funds allocated adhere to federal guidelines. As demonstrated by the \$416.7 million citywide revenue loss estimate based on only two of the four eligible fiscal years, this substantiates that the total amount of revenue loss to the City is greater than the City's total allocation of ARPA funds of \$299.7 million.

As reflected in **Figure 5 - Fiscal Year 2019 - 2021 Sales Tax and Transient Occupancy Tax Forecast Comparison**, Sales Tax and Transient Occupancy Tax were the City's two major revenues most impacted by the COVID-19 pandemic and reflect a loss of \$272.4 million. This is but a sample size of the total revenue loss for the City. There were additional revenue losses under other revenue sources that sum up to exceed the \$299.7 million. Under the methodology prescribed under the ARPA guidelines for calculating revenue losses, the total City revenue losses were \$416.7 million from Calendar Year 2020 through Calendar Year 2021 when compared to the Fiscal Year 2019 levels.

Figure 5 - Fiscal Year 2019-2021 Sales Tax and Transient Occupancy Tax Forecast Comparison



¹ On January 6, 2022, the U.S. Department of Treasury (DoT) issued their "Final Rule" which took effect on April 1, 2022. This changed the growth adjustment rate from 4.1% to 5.2% and allowed the Department of Finance to calculate the revenue loss with either at the end of each calendar year or the end of each fiscal year.

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Citywide Personnel Expenditures

The Fiscal Year 2024 Adopted Budget includes a total of \$1.24 billion in budgeted salaries and wages, and \$779.9 million for fringe benefit expenditures, resulting in a total citywide personnel budget of \$2.02 billion.

Table 10 - Fiscal Year 2024 Personnel Expenditures Budget illustrates the budgeted FTE positions, salaries and wages, fringe benefits, and total personnel expenditures by fund type.

Table 10 - Fiscal Year 2024 Personnel Expenditures Budget

| Fund Type | Budgeted FTE Positions | Budgeted Salaries and Wages | Budgeted Fringe Benefits | Budgeted Personnel Expenses |
|--------------------------|------------------------|-----------------------------|--------------------------|-----------------------------|
| General Fund | 8,512.99 | \$ 850,146,861 | \$ 551,224,487 | \$ 1,401,371,348 |
| Special Revenue Funds | 1,078.51 | 113,779,221 | 63,831,410 | 177,610,631 |
| Enterprise Funds | 3,005.21 | 240,209,030 | 142,551,361 | 382,760,391 |
| Internal Service Funds | 379.46 | 29,704,581 | 18,399,463 | 48,104,044 |
| Other Funds ¹ | 54.00 | 6,708,223 | 3,860,644 | 10,568,867 |
| Total | 13,030.17 | \$ 1,240,547,916 | \$ 779,867,365 | \$ 2,020,415,281 |

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Table 11 - Total City FTE Position Changes Fiscal Year 2023 - 2024 presents the change in positions from Fiscal Year 2023 to Fiscal Year 2024.

Table 11 - Total City FTE Position Changes Fiscal Year 2023 - 2024

| Fund Type | FY 2023 Adopted Budget | Additions | Reductions | Reorganizations | FY 2024 Adopted Budget | FY 2023 - FY 2024 Change | Percent Change |
|------------------------------------|------------------------|---------------|-----------------|-----------------|------------------------|--------------------------|----------------|
| General Fund | 8,336.39 | 266.14 | (128.34) | 38.80 | 8,512.99 | 176.60 | 2.1 % |
| Special Revenue Funds ¹ | 1,074.01 | 14.35 | (9.60) | (0.25) | 1,078.51 | 4.50 | 0.4 % |
| Enterprise Funds | 2,947.02 | 114.39 | (17.65) | (38.55) | 3,005.21 | 58.19 | 2.0 % |
| Internal Service Funds | 368.73 | 10.96 | (0.23) | - | 379.46 | 10.73 | 2.9 % |
| Other Funds ² | 51.00 | 3.00 | - | - | 54.00 | 3.00 | 5.9 % |
| Total | 12,777.15 | 408.84 | (155.81) | - | 13,030.17 | 253.03 | 2.0 % |

¹ Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

² Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE positions.

For details on all position changes, refer to **Attachment A - Fiscal Year 2024 Changes in Full-time Equivalent (FTE) Positions** in the Appendix.

Salaries and Wages

The Fiscal Year 2024 Adopted Budget includes \$1.24 billion in budgeted salaries and wages, with \$850.1 million, or 68.5 percent, budgeted in the General Fund. **Table 12 - Fiscal Year 2024 FTE Positions by Labor Group** presents the budgeted positions by labor group and fund type.

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Table 12 - Fiscal Year 2024 FTE Positions by Labor Group

| Labor Group | General Fund | Special Revenue Funds | Enterprise Funds | Internal Service Funds | Other Funds ¹ | Labor Group Total |
|------------------------------|-----------------|-----------------------|------------------|------------------------|--------------------------|-------------------|
| MEA | 3,028.08 | 864.76 | 1,857.28 | 144.00 | 32.00 | 5,926.12 |
| AFSCME LOCAL 127 | 1,230.00 | 39.00 | 938.50 | 171.25 | - | 2,378.75 |
| POA | 2,032.23 | - | - | - | - | 2,032.23 |
| IAFF LOCAL 145 | 1,056.00 | 12.00 | - | - | - | 1,068.00 |
| Unclassified / Unrepresented | 634.58 | 116.75 | 123.07 | 37.71 | 18.00 | 930.11 |
| Classified / Unrepresented | 170.99 | 46.00 | 86.36 | 26.50 | 4.00 | 333.85 |
| Teamsters Local 911 | 175.88 | - | - | - | - | 175.88 |
| DCAA | 174.23 | - | - | - | - | 174.23 |
| Elected Officials | 11.00 | - | - | - | - | 11.00 |
| Fund Total | 8,512.99 | 1,078.51 | 3,005.21 | 379.46 | 54.00 | 13,030.17 |

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Table 13 - Fiscal Year 2024 Budgeted Salaries and Wages displays the Fiscal Year 2024 Adopted Budget breakdown for salaries and wages by fund type.

Table 13 - Fiscal Year 2024 Budgeted Salaries and Wages

| Salary and Wage Type | General Fund | Special Revenue Funds | Enterprise Funds | Internal Service Funds | Other Funds ¹ | Budgeted Salaries and Wages |
|--|-----------------------|-----------------------|-----------------------|------------------------|--------------------------|-----------------------------|
| Salaries/Add-on-Pays | \$ 800,391,825 | \$ 120,713,513 | \$ 255,687,623 | \$ 31,292,728 | \$ 6,702,997 | \$ 1,214,788,686 |
| Budgeted Personnel Expenditure Savings | (75,090,078) | (11,298,247) | (29,674,433) | (2,728,719) | - | (118,791,477) |
| Salary Savings | (2,215,633) | (321,379) | (717,170) | (37,977) | (13,113) | (3,305,272) |
| Vacation Pay In Lieu | 7,705,657 | 1,725,392 | 1,957,186 | 268,904 | - | 11,657,139 |
| Termination Pay/Annual Leave | 4,090,070 | 390,663 | 1,076,488 | 10,903 | 15,961 | 5,584,085 |
| Hourly Wages | 12,668,546 | 440,371 | 626,327 | 136,126 | 2,378 | 13,873,748 |
| Overtime | 102,596,474 | 2,128,908 | 11,253,009 | 762,616 | - | 116,741,007 |
| Total | \$ 850,146,861 | \$ 113,779,221 | \$ 240,209,030 | \$ 29,704,581 | \$ 6,708,223 | \$ 1,240,547,916 |

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

The Fiscal Year 2024 Adopted Budget includes general wage increases and special salary adjustments approved in the International Association of Firefighters (Local 145); Police Officers Association (POA); Teamsters (Local 911); Municipal Employees Association (MEA); American Federation of State, County, and Municipal Employees (AFSCME Local 127); and Deputy City Attorneys Association (DCAA) MOUs. It also includes general salary increases for unrepresented and unclassified employees.

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Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings are used as a budgeting tool to allocate resources that are projected to remain unspent to other priority needs. As part of the development of the Fiscal Year 2024 Adopted Budget, the City estimates an amount of personnel savings by department that is attributed to the following: vacancies, normal attrition, leaves of absence, under-filled positions, delays in the creation/filling of positions, time-dependent add-ons, unplanned termination pay and overtime, and variances in all personnel salary groups due to unforeseen circumstances. These estimates will require that departments monitor Fiscal Year 2024 personnel expenditures against available allocated appropriations; however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2024 Adopted Budget for Budgeted Personnel Expenditure Savings is \$118.8 million, representing an increase of \$25.5 million, or 27.3 percent, from the Fiscal Year 2023 Adopted Budget. This fiscal year, Budgeted Personnel Expenditure Savings was increased in the public safety departments to align with over budget overtime expenditures and minimize the variances between these two salaries and wages categories. Budgeted Personnel Expenditure Savings is included in **Table 13 - Fiscal Year 2024 Budgeted Salaries and Wages**. **Table 14 - Budgeted Personnel Expenditure Savings Fiscal Year 2022 - 2024** displays the budgeted personnel expenditure savings by Department and Fund from Fiscal Year 2022 through Fiscal Year 2024.

**Table 14 - Budgeted Personnel Expenditure Savings
Fiscal Year 2022 – 2024**

| Departments/Funds | FY 2022 Adopted Budget | FY 2023 Adopted Budget | FY 2024 Adopted Budget |
|---------------------------------------|------------------------------|------------------------------|------------------------------|
| City Attorney | \$ 1,407,245 | \$ 2,099,306 | \$ 1,518,940 |
| City Auditor | 94,986 | - | 359,273 |
| City Clerk | 101,995 | 158,678 | 231,502 |
| City Council | 67,395 | - | - |
| City Planning | 411,440 | 608,995 | 646,955 |
| City Treasurer | 432,063 | 522,825 | 654,091 |
| Commission on Police Practices | 24,696 | - | 298,093 |
| Communications | 120,144 | 123,833 | 137,527 |
| Compliance | 65,869 | 93,750 | 101,101 |
| Debt Management | 60,007 | 122,153 | - |
| Department of Finance | 70,542 | 74,069 | 79,717 |
| Development Services | 383,269 | 746,190 | 945,808 |
| Economic Development | 265,101 | 255,912 | 325,213 |
| Environmental Services | 490,983 | 1,407,963 | 1,366,525 |
| Fire-Rescue | 6,656,512 | 6,579,965 | 17,251,312 |
| General Services | 546,780 | 659,925 | 2,082,957 |
| Homelessness Strategies & Solutions | 89,286 | - | 74,763 |
| Human Resources | 89,286 | 81,732 | 401,164 |
| Library | 918,572 | 1,082,950 | 1,630,066 |
| Office of Emergency Services | 74,090 | 93,750 | 116,027 |
| Office of the Chief Operating Officer | - | 314,000 | 82,066 |
| Parks & Recreation | 1,758,247 | 3,354,138 | 4,913,364 |
| Performance & Analytics | 121,918 | - | 274,464 |
| Personnel | 39,998 | 509,740 | 57,624 |
| Police | 17,790,832 | 21,372,414 | 32,194,363 |

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| Departments/Funds | FY 2022 Adopted Budget | FY 2023 Adopted Budget | FY 2024 Adopted Budget |
|--|------------------------------|------------------------------|------------------------------|
| Purchasing & Contracting | 945,929 | 963,159 | 1,154,240 |
| Race & Equity | - | 227,316 | - |
| Real Estate & Airport Management | - | - | 522,696 |
| Stormwater | 832,408 | 2,695,867 | 3,005,521 |
| Sustainability & Mobility | 211,410 | 471,417 | 568,480 |
| Transportation | 1,793,346 | 2,374,432 | 4,096,226 |
| Total General Fund | \$ 35,864,349 | \$ 46,994,479 | \$ 75,090,078 |
| Airports Fund | \$ 79,498 | \$ 144,142 | \$ 232,182 |
| Central Stores Fund | 76,945 | 234,324 | 277,042 |
| Development Services Fund | 3,892,147 | 9,610,179 | 7,404,446 |
| Energy Conservation Program Fund | - | 230,000 | 82,066 |
| Engineering & Capital Projects Fund | 8,006,052 | 11,483,057 | 9,853,148 |
| Facilities Financing Fund | 138,617 | 76,386 | - |
| Fire/Emergency Medical Services Transport Program Fund | 47,986 | 535,390 | - |
| Fleet Operations Operating Fund | 1,078,726 | 1,999,665 | 1,953,734 |
| GIS Fund | 89,286 | 278,329 | - |
| Golf Course Fund | 200,832 | 470,326 | 530,535 |
| Information Technology Fund | 211,204 | 365,303 | 475,311 |
| Metropolitan Sewer Utility Fund | 4,068,373 | 5,079,864 | 6,012,133 |
| Municipal Sewer Revenue Fund | 3,539,558 | 3,858,731 | 4,601,650 |
| OneSD Support Fund | 211,204 | 428,729 | 348,081 |
| Publishing Services Fund | - | 43,960 | - |
| Recycling Fund | 440,359 | 535,234 | 651,808 |
| Refuse Disposal Fund | 528,652 | 1,401,273 | 1,290,167 |
| Risk Management Administration Fund | 148,309 | 387,274 | 415,877 |
| Underground Surcharge Fund | 67,437 | 67,291 | 166,409 |
| Water Utility Operating Fund | 7,598,768 | 8,637,004 | 8,951,512 |
| Wireless Communications Technology Fund | 74,003 | 475,345 | 455,298 |
| Total Non-General Fund | \$ 30,497,956 | \$ 46,341,806 | \$ 43,701,399 |
| Grand Total | \$ 66,362,305 | \$ 93,336,285 | \$ 118,791,477 |

Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with recognized employee organizations, City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$578.5 million, or 74.2 percent, of budgeted fringe allocations in Fiscal Year 2024. The remaining budgeted fringe allocations are variable fringe costs that are dependent on payroll activity, such as reductions or

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additions in staff, and salary increases or decreases. **Table 15 – Fiscal Year 2024 Annual Budgeted Fringe by Fund Type** displays the citywide fringe allocation which totals \$779.9 million for Fiscal Year 2024, of which \$551.2 million, or 70.7 percent, is budgeted in the General Fund.

Table 15 - Fiscal Year 2024 Annual Budgeted Fringe by Fund Type

| Fringe Type | General Fund | Special Revenue Funds | Enterprise Funds | Internal Service Funds | Other Funds ¹ | Fringe Totals |
|---|-----------------------|-----------------------|-----------------------|------------------------|--------------------------|-----------------------|
| Retirement ADC | \$ 324,944,641 | \$ 37,268,568 | \$ 74,580,499 | \$ 8,976,787 | \$ 2,349,846 | \$ 448,120,341 |
| Flexible Benefits | 99,347,280 | 12,673,291 | 31,763,803 | 4,440,610 | 702,617 | 148,927,601 |
| Retiree Health/Other Post-Employment Benefits | 43,200,117 | 5,349,074 | 14,624,567 | 1,893,014 | 307,206 | 65,373,978 |
| Supplemental Pension Savings Plan | 10,778,246 | 3,000,421 | 5,654,203 | 738,612 | 143,194 | 20,314,676 |
| Workers' Compensation | 37,945,702 | 839,071 | 5,472,301 | 998,744 | 41,075 | 45,296,893 |
| Risk Management Administration | 9,775,087 | 1,210,105 | 3,310,074 | 428,250 | 69,498 | 14,793,014 |
| Medicare | 10,867,089 | 1,585,642 | 3,266,512 | 414,551 | 95,493 | 16,229,287 |
| Employee Offset Savings | 5,610,725 | 446,515 | 633,896 | 93,404 | 55,708 | 6,840,248 |
| Retirement DROP | 1,896,915 | 193,287 | 517,781 | 74,176 | 12,010 | 2,694,169 |
| Unemployment Insurance | 788,216 | 116,072 | 251,475 | 31,784 | 7,624 | 1,195,171 |
| Retiree Medical Trust | 1,269,660 | 178,087 | 358,451 | 45,496 | 10,553 | 1,862,247 |
| Retirement 401 Plan | 2,359,100 | 613,753 | 1,341,199 | 165,217 | 42,220 | 4,521,489 |
| Long-Term Disability | 2,441,709 | 357,524 | 776,600 | 98,818 | 23,600 | 3,698,251 |
| Fund Type Totals | \$ 551,224,487 | \$ 63,831,410 | \$ 142,551,361 | \$ 18,399,463 | \$ 3,860,644 | \$ 779,867,365 |

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

City Retirement Contributions

The City's payment for retirement benefits in the Fiscal Year 2024 Adopted Budget is \$451.7 million, and its components are described in further detail below:

- In January 2023, the San Diego City Employees' Retirement System (SDCERS) Board adopted methods to fund the Plan for missed normal cost payments and expected shortfall due to the unwinding of Proposition B. Based on the funding methods adopted by the Board, the City's pension payment for Fiscal Year 2024 is \$448.1 million, an increase of \$63.8 million from the Fiscal Year 2023 Adopted Budget; approximately \$324.9 million, or 72.5 percent, of the ADC is budgeted in the General Fund. A significant change which led to the increase in the pension payment was the amortization of the unfunded pension liability for Proposition B-impacted employees over a 20-year period, which resulted in an increase to the ADC of approximately \$10.8 million per fiscal year. Additionally, the Fiscal Year 2024 normal costs for Proposition B-impacted employees, estimated

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to be \$36.8 million, will be included with the ADC payable July 1, 2023. The remaining \$16.2 million increase is primarily due to partial recognition of the market value asset loss for the year ending June 30, 2022, and liability experience loss due to salary increases that were greater than expected.

- \$1.5 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits. Note this figure is not reflected in **Table 15 – Fiscal Year 2024 Annual Budgeted Fringe by Fund Type**.
- \$2.1 million has been budgeted to fund the pay-go costs for the supplemental cost of living adjustment (COLA) benefit, of which \$1.5 million is included the General Fund in the Citywide Program Expenditures Department. The supplement COLA benefit was established by San Diego Ordinance O-18608 on January 11, 1999, to increase the monthly retirement allotment for retirees who retired before July 1, 1982 with at least ten years of service credit and whose benefits had fallen below 75.0 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from previous fiscal years to fund this benefit; however, this reserve was depleted in Fiscal Year 2015. As a result, Ordinance O-20282 was adopted on July 23, 2013 and the City funds the supplemental COLA benefit annually. Note this figure is not reflected in **Table 15 – Fiscal Year 2024 Annual Budgeted Fringe by Fund Type**.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2024 Adopted Budget for Flexible Benefits is \$148.9 million, which represents an increase of \$2.0 million from the Fiscal Year 2023 Adopted Budget due to position additions/reductions and changes in coverage selections of employees.

Through the Flexible Benefits Plan, the City currently offers healthcare coverage to all of its full-time, three-quarter time, half-time employees, and non-standard hour employees working an average of at least 30 hours per week or 130 hours per month, per the Affordable Care Act (ACA), through the Flexible Benefits Plan. The majority of City employees qualify for the Flexible Benefits Plan, thus complying with a key component of the ACA. The City continues to monitor ACA mandates and clarifications to assess the impacts on City benefit plans.

Retiree Healthcare/Other Post-Employment Benefits (OPEB)

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its recognized employee organizations and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements discuss the City's annual OPEB budget, and the Fiscal Year 2024 Adopted Budget is \$65.4 million for retiree health care benefits. If the retiree health defined contribution and pay-as-you-go actuals exceed \$65.4 million, then the shortfall is funded by withdrawing funds from the City's CalPERS Employer Retiree Benefit Trust (CERBT) account.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In 1982, the City opted out of Social Security and established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must contribute a mandatory 3 percent. Employees hired on or before July 1, 1986 can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2024 Adopted Budget for SPSP is \$15.4 million.

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As a result of the unwinding of Proposition B, most general members hired on or after July 1, 2009 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2024 Adopted Budget for the City's contribution match is \$4.5 million based on 5,332.46 FTE general members. Some eligible general members elected to stay in the SPSP-H Plan in lieu of joining SDCERS. These employees are required to contribute a percentage of compensation based on SDCERS member contribution rates to the plan, which is matched by a 9.2 percent employer contribution. The Fiscal Year 2024 Adopted Budget includes the City's contribution match of \$4.2 million for those employees that elected to remain in the SPSP-H Plan, which represents a decrease of \$25.2 million from the Fiscal Year 2023 Adopted Budget.

Additionally, the Fiscal Year 2024 Adopted Budget includes \$735,000 in the SPSP-H account for hourly employees. **Table 15 – Fiscal Year 2024 Annual Budgeted Fringe by Fund Type** reflects a total budgeted amount of \$20.3 million which includes SPSP, SPSP-H and hourly SPSP-H contributions. Lastly, City employees hired after July 10, 2021, with no prior City service, are now being placed in SDCERS.

Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related injuries or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City. The workers' compensation contribution in the Fiscal Year 2024 Adopted Budget is \$45.3 million.

Risk Management Administration

The Risk Management Administration (RMA) rate was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2024 Adopted Budget for Risk Management Administration is \$14.8 million.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime or other employee special pays. The Fiscal Year 2024 Adopted Budget for Medicare is \$16.2 million.

Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution; in exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension UAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS Fund. The Fiscal Year 2024 Adopted Budget includes Employee Offset Savings of \$6.8 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$6.8 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2024 Adopted Budget for Retirement DROP contributions are \$2.7 million, or 3.05 percent of the current DROP participants' salary of \$88.3 million.

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Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2024 Adopted Budget for Unemployment Insurance is \$1.2 million.

Retiree Medical Trust (RMT)

The Fiscal Year 2024 Adopted Budget for retiree health trust contributions is \$1.9 million. General members hired on or after July 1, 2009 must contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2024 Adopted Budget for the City's contribution match to general members is \$1.2 million. In addition, \$636,000 is included in the Fiscal Year 2024 Adopted Budget for contributions to the Southern California Firefighters Benefit Trust for each active International Association of Firefighters (IAFF) Local 145 member.

Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2024 Adopted Budget is \$3.7 million. This contribution funds the pay-go requirements for the LTD Fund.

Proposition B Status

Proposition B Litigation. On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the City Charter. While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the Pension Plan. Instead, those employees were only eligible to participate in a defined contribution plan, Supplemental Pension Savings Plan-H ("SPSP-H Plan"). In early 2021, the California Superior Court invalidated Proposition B. Since then, the City has struck the Proposition B provisions from the Charter and has conformed the Municipal Code and any related enactments accordingly. The City also complied with the court ruling requiring that the City meet and confer with the REOs over the effects of Proposition B and its invalidation, and that the City pay the impacted current and former employees represented by the REOs the difference, plus 7% annual interest (the "Interest Penalty"), between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the "Make-Whole Provision"). Most Interest Penalty payments to active employees were made in Fiscal Year 2023 and most Interest Penalty payments to separated employees are expected to be made in Fiscal Year 2024.



Since then, the City has struck the Proposition B provisions from the Charter and has conformed the Municipal Code and any related enactments accordingly. The City also complied with the court ruling requiring that the City meet and confer with the REOs over the effects of Proposition B and its invalidation, and that the City pay the impacted current and former employees represented by the REOs the difference, plus 7% annual interest (the "Interest Penalty"), between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the "Make-Whole Provision"). Most Interest Penalty payments to active employees were made in Fiscal Year 2023 and most Interest Penalty payments to separated employees are expected to be made in Fiscal Year 2024.

Unwinding of Proposition B. On June 22, 2021, the City Council approved amendments to both the Municipal Code and the SPSP-H Plan so that most employees hired on or after July 9, 2021 now enter SDCERS. Subsequently, the City entered into labor agreements with all REOs except for the POA.

The agreements provided MEA and Local 127-represented employees with a one-time, irrevocable option for participants to remain in an amended SPSP-H Plan in lieu of participating in SDCERS, prospectively. Those employees who elected to participate in SDCERS were required to purchase all missed years of

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service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases of service credit were accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding if the SPSP-H account balances were insufficient to fully purchase the service credit. The Interest Penalty was calculated on an individual basis, then combined as an aggregate amount by REO following inclusion of adjustments to the Make-Whole Provision amounts and was reallocated to all impacted employees based on years of service. The City Council extended the terms of the joint MEA and Local 127 agreement to unclassified, unrepresented employees, with the exception of the Interest Penalty.

Employees represented by DCAA, Local 911, and Local 145 must participate in SDCERS, prospectively. The agreements do not provide these employees with an option to remain participants in the modified SPSP-H Plan. DCAA, Local 911, and Local 145-represented employees, like MEA and Local 127-represented employees, must also purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases were accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding. The Interest Penalty for these employees was calculated and paid on an individual employee basis.

Costs to Unwind Proposition B. The estimated one-time cost for unwinding Proposition B for affected, current employees is \$142.0 million City-wide (\$80.1 million allocable to the General Fund), which comprises the unfunded liability costs related to Proposition B-affected employees owed to SDCERS (approximately \$119.0 million), and the costs to comply with the court-ordered Interest Penalty and the Make-Whole Provision (approximately \$22.8 million). While these costs represent the most significant portion of the costs associated with unwinding Proposition B, the final actual costs will vary based on negotiations with the REOs regarding employees who are also eligible to receive benefits under the Make-Whole Provision but have left the City (1,908 individuals).

In January 2023, the SDCERS Board approved the amortization of the \$119.0 million unfunded pension liability for Proposition B-affected employees over a 20-year period, commencing with the ADC payment due on July 1, 2023. The estimated increase to the ADC resulting from the amortization is approximately \$10.8 million per Fiscal Year (\$6.6 million allocable to the General Fund). In addition, Fiscal Year 2024 normal costs for Proposition B-impacted employees is estimated to be \$36.8 million. In the aggregate, the actions approved by the SDCERS Board as well as the Fiscal Year 2024 normal costs for Proposition B-impacted employees increased the Fiscal Year 2024 ADC to \$448.1 million, which was established upon the final approval of the 2022 Actuarial Valuation by the SDCERS Board on March 10, 2023.

In Fiscal Year 2023, the City paid, in full, \$22.8 million in one-time costs related to the Interest Penalty payments mandated by the court, of which \$14.0 million is allocable to the General Fund, as well as \$37.5 million in unpaid normal costs associated with Fiscal Year 2022 and Fiscal Year 2023, of which \$23.1 million is allocable to the General Fund. Costs associated with Proposition B employees who have separated from the City cannot be reasonably estimated at this time.



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