



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 4, 2024

IBA Report Number: 24-14

Budget Review Committee Date: June 7, 2024

Item Number: 1

Recommended City Council Modifications to the Mayor's Proposed FY 2025 Budget and Review of the May Revision

This report presents the IBA's final FY 2025 budget review and recommendations for Council budget modifications. Recommendations primarily reflect our review of Councilmember budget modification memoranda that were submitted to our Office on May 22, 2024 and released separately as [IBA Report 24-15](#), as well as consideration of feedback from the public, City staff, and City Councilmembers received during the Budget Review Committee hearings. Recommendations are also based on the following: our analysis of the May Revision to the FY 2025 Proposed Budget ([May Revision](#)), the FY 2024 Third Quarter Budget Monitoring Report ([Third Quarter Report](#)), and the [FY 2025 Proposed Budget](#).

This report is released at the end of a budget development process that has included extensive review of the Mayor's FY 2025 Proposed Budget by the City Council and the IBA, including:

- The IBA's review of the Mayor's FY 2025 Proposed Budget issued on April 26, 2024 as [IBA Report 24-09](#)
- Departmental and agency budget hearings with the Budget Review Committee that took place on May 1-7, 2024
- An evening Budget Review Committee meeting held on May 1, 2024 and an evening City Council meeting held on May 8, 2024 to solicit input from the community on the Mayor's budget proposals and City Council's budget priorities for FY 2025
- Department of Finance responses to Budget Review Committee requests for additional information released following Budget Review Committee hearings

- The discussion of the FY 2024 Year-End Capital Improvement Program (CIP) Budget Monitoring Report at the Active Transportation and Infrastructure Committee on May 22, 2024
- The discussion of the May Revision and Third Quarter Report (both of which were released on May 14, 2024) at the Budget Review Committee meeting on May 16, 2024 (Our review of the Third Quarter Report is presented in [IBA Report 24-16.](#))

On June 7, 2024, the City Council will convene as the Budget Review Committee to review and discuss this report as an informational item. Then, on June 11, 2024, the Council will review the recommendations in this report, consider any additional modifications to the Mayor's FY 2025 Proposed Budget, and vote to adopt a final Budget.¹

In this report we present our Office's recommended budget modifications, as well as other budget modifications that were included in a majority (five or more) of Councilmembers' budget modification memoranda. The total cost of all majority-supported modifications exceeds available resources.² Because resources are limited, we begin the discussion with a review of IBA-identified resources that do not require corresponding programmatic reductions. This resources section is followed by a description of IBA-recommended expenditure modifications, which are based on items in a majority of Councilmembers' budget modification memoranda that were not conditioned on identification of untapped resources, or for which we have identified funds that would otherwise be restricted.

After the recommended expenditures section, we address the remaining majority-supported modifications. Funding for these is constrained by available resources; while our Office identified additional resources that could support a portion of these modifications without corresponding cuts elsewhere, fully funding *all* these modifications *would* require other programmatic reductions. Therefore, we also include additional resource options for Council consideration that would carry programmatic tradeoffs. Finally, we provide an outline of final budget actions for Council.

Our review of the May Revision to the FY 2025 Proposed Budget is included as Attachment 1 to this report. We note that the May Revision includes \$13.5 million in additional resources and expenditures. Resources are largely one-time, at \$9.6 million and are largely offset by \$8.1 million in one-time expenditures. However, the remaining \$1.5 million in excess one-time revenues only adds to the \$197.8 million structural budget deficit in the Proposed Budget. The addition of ongoing expenditures without ongoing revenues *must be constrained to avoid further exacerbating the City's structural budget deficit.*

¹ This is the first time that there will be Budget Review Committee discussion on the Proposed Budget prior to Council approval. This new process was informed by our Office's comparative analysis of budget processes in other California cities ([IBA Report 23-35](#)), which was prepared in response to a request from Councilmember LaCava and was reflected in Council's motion to approve its FY 2025 Updated Budget Priorities Resolution in February 2024.

² As will be discussed, most majority-supported modifications have support that is *contingent on the identification of new or untapped resources*; support for additional expenditures that is not contingent on the identification of new resources is limited.

IBA RECOMMENDED RESOURCES

Table 1 below lists the IBA-recommended resources available for budget modifications, which total \$12.9 million (approximately \$11.9 million one-time and \$1.0 million ongoing). Included are \$5.1 million in General Fund resources and \$7.8 million in non-General Fund resources. Notably, use of these resources will not require programmatic reductions to expenditures in the Proposed Budget or the May Revision; resources that *would* have programmatic impacts are presented later in this report for Council consideration.

This table also deducts from available resources the IBA's recommended expenditure modifications, including \$2.0 million for the General Fund and \$7.8 million for non-general funds. Each resource is discussed following the table. Additionally, individual components and discussion of the IBA's recommended expenditure modifications are included in the next section – *IBA Recommended Budget Modifications*.

Table 1: Recommended Resources for Modifications	
General Fund (GF) Resources	Amount
<i>One-Time Resources</i>	
New Park & Recreation Positions Fleet Savings	\$ 1,498,000
Park & Recreation Water Adjustment	724,000
Residual RPTTF	592,000
Additional Transfer from TransNet Maintenance Fund Balance	367,000
Excess Equity	332,000
Offset HSSD GF Budget with HOME-ARP Remaining Fund Balance	240,000
Additional General Fund Interest Earnings	200,000
Additional Transfer from Civil Penalty Fund Balance	124,000
Elections Refund	TBD
<i>Subtotal One-Time Resources</i>	<i>4,077,000</i>
<i>Ongoing Residual RPTTF</i>	<i>1,004,000</i>
Total Identified General Fund Resources	\$ 5,081,000
IBA Recommended Use of General Fund Resources	(1,961,000)
Total General Fund Resources Remaining	\$ 3,120,000
Non General Fund Resources	Amount
<i>One-Time Resources</i>	
Debt Financing for Capital Projects	\$ 5,917,000
Infrastructure Fund (after swap with RMRA Fund Balance)	785,000
Infrastructure Fund (after swap with Citywide Park DIF)	500,000
TOT Fund Balance for Arts, Culture, and Community Festivals (ACCF)	450,000
Citywide Fire DIF for Fire-Rescue Deficient Communities	120,000
Total Identified Non-General Fund Resources	\$ 7,772,000
IBA Recommended Use of Non-General Fund Resources	(7,772,000)
Total Non-General Fund Resources Remaining	\$ -
Total Identified Resources	\$ 12,853,000

Remaining resources after IBA-recommended expenditure modifications total \$3.1 million for the General Fund. These remaining resources can be used for any other Council priorities, though given the Budget's structural imbalance we again stress the importance of constraining the addition of any new ongoing expenditures.

General Fund Resources

Redevelopment Property Tax Trust Fund – \$1,596,000 (\$1,004,000 ongoing, \$592,000 one-time)

As detailed in our review of the Third Quarter Report, actuals for distributions from the Redevelopment Property Tax Trust Fund (RPTTF) were released in the first week of June. Based on those actuals, there is an additional \$592,000 in one-time funding that will accrue to excess equity from RPTTF payments in FY 2024. Additionally, after updating projections for RPTTF in FY 2025 based on the latest distributions, there is an additional \$1.0 million available as an ongoing resource.

Purchasing All New Vehicle Needs with Debt Financing – \$1,498,000 (one-time)

Vehicle *replacements* for General Fund departments (except Police) are purchased using short-term debt under the City's Equipment and Vehicle Financing Program (EVFP); when the City is adding new positions that require vehicles within the General Fund, these *initial* vehicles are typically purchased with cash. However, given the City's FY 2025 budget constraints and the actual availability of vehicles that can be purchased, the Proposed Budget assumes that new vehicles and equipment for proposed Transportation and Environmental Services positions will be financed with EVFP debt. Vehicles for proposed new Parks and Recreation and Fire-Rescue department positions, however, are assumed to be purchased directly with \$1.5 million in cash. Our Office recommends that *all* new vehicles, including the new Parks and Recreation Department and Fire-Rescue Department vehicles, be financed with EVFP debt in FY 2025; this would provide \$1.5 million in one-time General Fund resources in FY 2025.

Parks and Recreation Water Adjustment - \$724,000 (one-time)

As noted in our review of Proposed Budget, the Parks and Recreation Department's actual water expenditures have come in under budget over the last several years (\$2.7 million under budget in FY 2023, and a projection of \$3.1 million under budget in FY 2024). While much of this is primarily due to increased rainfall leading to less irrigation needs, in previous drier years actual Parks and Recreation water expenditures have also come in under budget. While future rainfall is difficult to predict, we believe a one-time \$724,000 reduction (5.3% of the Department's proposed water purchase budget), is reasonable given trends since FY 2021. If drought conditions occur in FY 2025 requiring above average irrigation, a mid-year budget adjustment may be necessary to ensure appropriate turf maintenance.

TransNet Maintenance Fund Balance – \$367,000 (one-time)

The TransNet Maintenance Fund is currently projected to have a year-end fund balance of \$367,000.³ This funding is typically transferred to the General Fund to pay for Transportation Department expenses. Our Office recommends that this amount be transferred to the General Fund to support eligible Transportation Department expenses, thereby freeing up other General Fund revenues to be used elsewhere.

Excess Equity – \$332,000 (one-time)

The FY 2024 Third Quarter Report projects Excess Equity⁴ to be \$82.5 million at year-end, of which \$82.1 million is proposed to be used to balance the FY 2025 Proposed Budget (as of the May Revision). The remaining available balance is estimated to be about \$332,000, and is available for use.

HOME-ARP Remaining Fund Balance – \$240,000 (one-time)

The American Rescue Plan Act (ARP) awarded the City \$21.0 million in HOME Investment Partnerships Program (HOME-ARP) funds. Allowable uses for HOME-ARP funds include the development of affordable housing and non-congregate shelters, tenant-based rental assistance, and supportive services such as legal or outreach services, for individuals experiencing or at-risk of homelessness or fleeing domestic violence. To date, the City has used HOME-ARP to fund the local match required for three recently approved Homekey 3.0 projects. The remaining balance of \$240,000 is available to offset General Fund dollars proposed for HSSD homelessness outreach and other eligible homelessness expenditures – thereby freeing up General Fund to support Council budget priorities. We note, the City would need to submit an amendment to the HOME-ARP Allocation Plan to HUD to approve the use of funds for this purpose.

Interest Earnings - \$200,000 (one-time)

Based on average General Fund interest earnings received to date, it is reasonable to project an additional \$200,000 will be received in the remaining two months of the fiscal year above what was assumed in the Third Quarter Report. This amount is available for use.

Additional Transfer from Civil Penalty Fund Balance – \$124,000 (one-time)

As discussed in our review of the Proposed Budget, the Civil Penalty Fund had a fund balance of \$5.7 million as of April 2024, with \$4.5 million of amount proposed to be transferred to the General Fund. The May Revision includes an additional transfer of \$1.2 million from this fund balance to the General Fund for a total transfer of \$5.7 million. As of May 2024, the Fund Balance increased to \$5.8 million. This leaves \$124,000 available in the fund. This amount can be used to support code enforcement activities and thereby free up General Fund resources to support other critical expenditures.

³ The Year-End CIP Budget Monitoring Report projected a year-end fund balance of \$667,000, but updated projections have reduced this amount by \$300,000.

⁴ Excess Equity, is described in the [City's Reserve Policy](#) as "Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation." Excess Equity generally results from increases to General Fund revenues and/or General Fund expenditures that come in under-budget during any given fiscal year.

Elections Refund – TBD (one-time)

According to the City Clerk, the potential for a refund of City expenditures towards the March 2024 election exists, and the County Registrar of Voters may have an estimated refund amount by the end of the week (June 7). If the refund is processed before the end of the fiscal year, this would create additional excess equity that could be used in FY 2025. Our Office will continue to monitor the status of this potential budget resource and notify Council if an update is available prior to final budget adoption.

Non-General Funds: Resources

Debt Financing: Additional Debt Capacity – \$5,917,000 (one-time)

Our Office identified additional debt capacity which can support additional appropriations for capital projects. The total identified debt capacity is \$13.4 million, but we only recommend using \$5.9 million. If the Council chooses to utilize the remaining \$7.5 million, our Office recommends doing so only for existing critical projects that require funding appropriations to advance. The Council should also consider reserving some or all of this remaining balance for future or emergency needs. Additional details on the additional debt capacity can be found later, in the *Additional Resource Options for Council Consideration* section.

Infrastructure Fund – Swap with Road Maintenance and Rehabilitation Account (RMRA) Fund Balance – \$785,000 (one-time)

In the [FY 2024 Year-End CIP Budget Monitoring Report](#), the year-end fund balance for RMRA is projected be \$785,000.⁵ The City generally uses RMRA funds for slurry seal projects, however other eligible uses include road maintenance and rehabilitation, safety, and Complete Street projects. The Infrastructure Fund, a more flexible funding source with fewer requirements than RMRA, includes \$785,000 for Slurry Seal Group 2521 in the Proposed Budget. Therefore, our Office recommends the following swap of funds:

- \$785,000 in RMRA should be appropriated to Slurry Seal Group 2521 (which is funded in the Proposed Budget with the Infrastructure Fund), and
- Infrastructure Funds in the amount of \$785,000 should be transferred from Slurry Seal Group 2521 and appropriated to eligible existing Vision Zero - Fixing the Most Dangerous Intersection capital projects, discussed later in this report.

Infrastructure Fund – Swap with Citywide Park Development Impact Fees (DIF) – \$500,000 (one-time)

Citywide Park DIF funds include \$500,000 in projected FY 2025 revenues that are specifically for use in park deficient communities of concern. While the recommended budget modification to add \$500,000 to create a new Southcrest Recreation Center and Park Drainage Improvements project (see following section) is *not* eligible for this DIF, the *existing* Chollas Triangle Park project

⁵ Based on recently updated RMRA projections, \$1.1 million is anticipated to be available at year end, although this revenue will vary from month to month.

(P20005) is eligible for this Citywide Park DIF and was previously allocated \$500,000 in Infrastructure Fund dollars. Our Office therefore recommends the following swap of funds:

- \$500,000 in Citywide Park DIF for use in park deficient communities of concern should be appropriated to the Chollas Triangle Park project, and
- Infrastructure Funds in the amount of \$500,000 should be transferred from the Chollas Triangle Park Project to initiate the new Southcrest Recreation Center and Park Drainage Improvements project.

Transient Occupancy Tax Fund: Remaining Fund Balance – \$450,000 (one-time)

Based on the May Revision, the Transient Occupancy Tax Fund (TOT Fund) is projected to end FY 2025 with an ending fund balance of approximately \$529,000. Our Office supports the use of \$450,000 from the remaining TOT Fund balance to fund the Council's Arts, Culture and Community Festivals (ACCF) allocation. If TOT revenues fall below projections in FY 2025, expenditures funded with the TOT Fund balance and TOT Fund revenues generally would need to be revisited during the fiscal year.

Citywide Fire-Rescue Development Impact Fees (DIF) – \$120,000 (one-time)

The Citywide Fire-Rescue DIF that is specifically for use in fire-rescue deficient areas of the city has a fund balance of \$400,000. The North Pacific Beach (PB) Lifeguard Station is within the fire-rescue deficient areas of the City and therefore eligible for this DIF. Our Office recommends \$120,000 be appropriated to the North PB Lifeguard Station project (S10119).

IBA RECOMMENDED BUDGET MODIFICATIONS

Following the release of the May Revision and Council’s subsequent review at the Budget Review Committee on May 16, 2024, Councilmembers submitted budget modification memoranda to our Office on May 22, 2024. Our Office reviewed all budget priorities mentioned in Councilmembers’ memos and determined those that had majority support (five or more Councilmembers). The modification memos identified up to \$24.6 million in majority-supported expenditure additions that were not included in the FY 2025 Proposed Budget or May Revision. However, sufficient resources do not exist to fund *all* majority-supported modifications in FY 2025.

In this section we discuss our Office’s recommended expenditure modifications. Each recommended expenditure modification was supported in a majority of Councilmember budget modification memos. Our Office recommends expenditure modifications totaling \$9.7 million, \$2.0 million in the General Fund and \$7.8 million in non-general funds, as summarized in Table 2 below. Descriptions of recommended expenditure modifications are presented following Table 2. We have consulted with various impacted departments regarding appropriate funding levels for the programs supported.

Table 2: IBA Recommended Expenditure Modifications (<i>see Final Budget Actions, #2</i>)			
General Fund Expenditures	# CMs in Support	FTEs	Amount
<i>Operating Budget Items (one-time)</i>			
Small Business Enhancement Program	5	-	\$ 1,061,000
City Council: Community Projects, Programs, and Services (CPPS)	8	-	900,000
Total General Fund Expenditure Modifications		0.00	\$ 1,961,000
Non-General Fund Expenditures			
		FTE	Amount
<i>Operating Budget Item (one-time)</i>			
City Council: Arts, Culture, and Community Festivals (ACCF)	8	-	\$ 450,000
<i>Subtotal One-Time Operating Budget Items</i>		<i>0.00</i>	<i>\$ 450,000</i>
<i>Capital Projects (one-time)</i>			
Climate Equity Fund Eligible Projects	5	-	\$ 5,917,000
Fix Most Dangerous Intersections	7	-	785,000
Southcrest Recreation Center	5	-	500,000
North Pacific Beach Lifeguard Station	6	-	120,000
<i>Subtotal One-Time Capital Improvement Projects</i>		<i>0.00</i>	<i>\$ 7,322,000</i>
Total Non-General Fund Expenditure Modifications		0.00	\$ 7,772,000
Total Recommended Expenditure Modifications: All Funds		0.00	\$ 9,733,000

Importantly, while a majority of Councilmembers’ budget modification memoranda supported \$24.6 million in additional expenditures, several memos’ support for new expenditures was

*conditioned on the identification of new or untapped revenues or resources.*⁶ As discussed in the *Recommended Modifications* sections below, for the operating items our Office recommends including the three majority-supported expenditure additions that were *not* conditioned on identifying new or untapped resources; these are shown in the table and total \$2.4 million.

While our Office identified \$5.1 million in unrestricted General Fund resources, which exceeds the \$2.0 million in recommended General Fund expenditure modifications, we did not identify sufficient resources to fund all of the items that received *conditional* support. Our Office therefore does not propose recommendations regarding which of those conditional modifications should be funded, though we provide further information on the conditionally supported expenditure modifications in the *Remaining Council Priorities* section.

Our Office *does* recommend \$7.3 million in funding for four majority-supported capital items for which we have identified resources that would otherwise be restricted and that could not be used for other supported items. These modifications are also shown in the table below and are discussed under the *Recommended Non-General Fund Modifications* sections.

Recommended General Fund Modifications

There are three majority-supported expenditure additions which were *not* conditioned on the identification of additional resources; they include the Small Business Enhancement Program and restoration of the CPPS and ACCF allocations. Our Office recommends these operating budget items be approved as one-time General Fund expenditures in the Council's final budget actions.

Small Business Enhancement Program (SBEP) – \$1,061,000 (one-time) – 5 Supporting

Five Councilmembers support additional funding for the SBEP to provide continuing support to small businesses. SBEP provides various types of programs such as the Capacity Building Grant Program to support nonprofits serving underserved business communities, the Storefront Improvement Program to improve the curb appeal of small business storefronts, and Business Improvement District (BID) management support.

Council Policy 900-15 sets the appropriation amount for the SBEP based on \$20 per small business registered with the City, which is equivalent to \$1.8 million based on the number of small businesses as of March 2024. Funding of \$765,000 is already included in the Economic Development Department's base budget for the SBEP, which means an additional \$1.1 million is needed to achieve the Council Policy funding goal.

Community Projects, Programs and Services (CPPS) – \$900,000 (one-time) – 8 Supporting

Eight Councilmembers supported the restoration of Community Projects, Programs and Services (CPPS) funding (the support of three Councilmembers was contingent on the identification of new

⁶ One memorandum specified support for various modifications only if there was a consensus on cuts needed to generate required funding; for the purposes of this report this was considered as conditional support for various expenditures. Options for cuts or reallocations from proposed expenditures are addressed later in this report; those options can be considered by Council during final consideration of the Budget.

or alternative resources). Of the eight, the most frequently cited level of funding was \$900,000 which equates to an allocation of \$100,000 per Council Office.

Recommended Non-General Fund Modification – Operating Budget

Arts, Culture, and Community Festivals (ACCF) – \$450,000 (one-time) – 8 Supporting

Eight Councilmembers requested funding to restore Council’s ACCF funding (the support of three Councilmembers was contingent on the identification of new or alternative resources). Council ACCF funding is awarded at the discretion of each Council Office to local non-profit organizations and public agencies to promote local arts and culture. Of the eight, the most frequently cited level of funding was \$450,000, which equates to an allocation of \$50,000 per Council Office. As ACCF is typically funded through the TOT Fund, we recommend using the remaining TOT fund balance to cover the restoration of Council’s ACCF.

Recommended Non-General Fund Modifications – Capital Improvement Projects

As mentioned, for Non-General Fund expenditures our Office recommends four majority-supported capital expenditure additions for inclusion in Council’s final budget actions. These one-time additions include Climate Equity Fund projects; projects related to the City’s most dangerous intersections; and the Southcrest Recreation Center and North Pacific Beach Lifeguard Station. Notably the resources our Office identified for these projects carry various restrictions, and these projects meet those resources’ eligibility requirements.

Climate Equity Fund – Recommended Projects – \$5,917,000 (one-time) – 5 Supporting

Five Councilmembers supported the restoration of funding for the Climate Equity Fund (CEF). For FY 2025, full funding of the CEF would have required an \$8.5 million allocation from the General Fund, which is equal to 10% of base franchise fee revenue from SDG&E. Based on our review of Councilmember memos, and funding included for CEF in the May Revision, the majority recommendation was to provide \$7.5 million for CEF projects.

While we have not been able to identify \$7.5 million in unrestricted and unallocated General Fund dollars, we did review the CEF priority memos Councilmembers sent to the Mayor to identify CEF projects. The table on the next page contains a total of \$7.5 million in funding amounts for eligible CEF projects based on our Office’s review of Councilmember CEF memos. Our Office then identified any funding provided to these projects in the Proposed Budget or May Revision and subtracted that amount from the \$7.5 million. The final column shows a total of \$5.9 million in allocation needs to those projects for funding in FY 2026 and beyond. To ensure CEF priorities receive at least partial funding in the FY 2025 Budget, we recommend providing these projects with debt financing as a resource (see more on available debt below).

Additionally, if any of these projects need additional funding in FY 2025, we recommend that E&CP and the Department of Finance be authorized to reallocate funding from the additional recommended allocation to S22002 – Grove Neighborhood Park, since that project may not need that funding in FY 2025, and since this funding allocation only partially covers the project’s total need of \$25.0 million.

Climate Equity Fund (CEF) Proposed Allocations				
CIP Number	Project Name	CEF Recommended Funding Amounts	Funding in Proposed Budget or May Revise	Additional Proposed CEF Allocations
S22002	Grove Neighborhood Park	\$ 4,505,720	\$ 649,683	\$ 3,856,037
B22045	Parks Hardcourt Improvements (Emerald Hills and Encanto)	800,000	-	800,000
B22149	Installation of City Owned SL 2201 (NSG)	672,000	401,800	270,200
B23127	Streetlight Installations in CD4	360,500	-	360,500
B23011	Willie Henderson Lighting	350,000	350,000	-
B23129	Streetlight Installations in CD8	349,800	-	349,800
S00752	Beyer Park Phase 1	216,680	108,340	108,340
B23128	Streetlight Installations in CD7	172,300	-	172,300
B20060	Chicano Park Improvements Phase III	48,000	48,000	-
B19080	Castle Neighborhood New Street Lights	25,000	25,000	-
	Total	\$ 7,500,000	\$ 1,582,823	\$ 5,917,177

Vision Zero – Fixing the Most Dangerous Intersections – \$785,000 (one-time) – 7 Supporting

Seven Councilmembers supported additional funding for Vision Zero infrastructure safety upgrades to the City’s most dangerous intersections, including intersections [from the Fatal-15 list](#) that have not yet been addressed. A proposed funding amount of \$700,000 was raised by three Councilmembers, and \$1.5 million by one Councilmember. The Proposed Budget includes \$38.4 million for Vision Zero projects, including bicycle lanes, walkways, median and guardrails, and traffic signals. Transportation Department staff provided an update that nine of the Fatal-15 intersections have been or are being upgraded, and the remaining six will be assessed for potential upgrades in FY 2025. An effective way to allocate additional funds for Vision Zero would be to provide funds to existing projects that need funding.

We note there are unfunded needs of \$4.0 million for Vision Zero projects that received funding via Council budget modifications in FY 2024 (see the table on the following page). Our Office recommends Council allocate \$785,000 to one or more of these projects, and request E&CP and the Transportation Department prioritize among these projects for funding. As discussed in our *IBA Recommended Resources* section, we recommend the following swap of funds that would allow Vision Zero projects to receive additional funding:

- \$785,000 in RMRA should be appropriated to Slurry Seal Group 2521 (which is funded in the Proposed Budget with the Infrastructure Fund), and
- Infrastructure Funds in the amount of \$785,000 should be transferred from Slurry Seal Group 2521 to be appropriated to eligible existing Vision Zero - Fixing the Most Dangerous Intersection capital projects based on E&CP staff prioritization.

Project	FY 2025 and Prior Year Funding	Needed Funding	Total Project Cost
Traffic Signals Modification (A-IL-00005)			
B24119 – TS Mod at First Avenue & Market Street	\$ 100,000	\$ 550,000	\$ 650,000
B20075 – TD Mods Group 20-01	\$ 1,175,000	\$ 310,000	\$ 1,490,000
Traffic Signals (A-IL-00004)			
B24117 – Adams Ave & 34th Street HAWK	\$ 200,000	\$ 650,000	\$ 850,000
B24118 – Washington Street & Albatross Street Hawk	\$ 200,000	\$ 500,000	\$ 700,000
B24108 – Mission Boulevard & Thomas Street Hawk	\$ 300,000	\$ 2,000,000	\$ 2,300,000
Total Funding Needed	\$ 1,975,000	\$ 4,010,000	\$ 5,990,000

Southcrest Recreation Center and Park Drainage Improvements – \$500,000 (one-time) – 5 Supporting

Five Councilmembers supported the addition of \$500,000 in one-time funding to expand the Southcrest Community Park Lighting Improvements (B24101) project to address drainage issues at the recreation center, Southcrest Trails Park, and Beta Street. This would be more appropriate as a separate project, therefore we revised this proposed modification to provide \$500,000 to create a preliminary (P) project.⁷ This would include a feasibility study to assess drainage and other needs and determine whether the park could serve as a stormwater retention area during storm events. Note that P projects are generally not eligible for debt financing as they assess whether a project is feasible. When the feasibility study and project scope, cost estimate, and funding plan are developed, Parks & Recreation would work with E&CP to convert the P project to a standalone or sublet project for design and construction.⁸ As noted earlier in this report, our Office recommends the following swap of funds that would allow this project to be established:

- Citywide Park DIF for use in park deficient communities of concern in the amount of \$500,000 should be appropriated to the Chollas Triangle Park project (P20005), and
- Infrastructure Funds in the amount of \$500,000 should be transferred from the Chollas Triangle Park Project to initiate the new Southcrest Recreation Center and Park Drainage Improvements project.

North Pacific Beach (PB) Lifeguard Station – \$120,000 (one-time) – 6 Supporting

Six Councilmembers supported the addition of \$120,000 in one-time funding for the existing North PB Lifeguard Station project (S10119). The high priority project for a permanent lifeguard station was initiated in FY 2014, and the project has been on hold since FY 2018 due to a lack of funding. Lifeguard personnel currently use a shipping container as a temporary work site which lacks access to hot or running water for first aid calls, restrooms or showers, and has little space for equipment

⁷ The Southcrest Community Park Lighting Improvements (B24101) project scope is to upgrade and enhance security lighting to Parks and Recreation standards for all parking lot areas and walkways. E&CP staff recommend starting a new P project rather than adding scope which is not yet fully defined to an already active project.

⁸The existing Beta Street Channel and Storm Drain Improvement project (S24011) covers a portion of the adjacent area (from Beta Street east of I-5 and extending to the north of Alpha Street).

or vehicle storage. A permanent tower would provide facilities critical to lifeguard safety operations and better visibility. For FY 2025, \$120,000 is needed to move the project forward.⁹ As noted earlier in this report, this project is eligible for Citywide Fire-Rescue DIF (for specific use in fire-rescue deficient communities) and \$120,000 is available for use in FY 2025.

REMAINING COUNCIL PRIORITIES

Majority-Supported Modifications Conditioned on Identified Resources

As mentioned, the *conditionally* supported programmatic expenditure modifications, which total \$14.9 million, can only be partially funded without making reductions to other expenditures in the Proposed Budget and May Revision. Our Office makes no recommendation regarding which of these potential modifications might be funded; however, any additions would be constrained by available IBA-identified resources (\$3.1 million remaining after recommended expenditure modifications), or other identified resources. Conditionally supported expenditure modifications are listed below in Table 3, followed by details regarding each item.

Table 3: Majority-Supported Modifications Conditioned on Identified Resources			
Operating Budget Items	# CMs in Support	FTEs	Amount
Restore/Backfill SDHC Funding	5	-	8,000,000
Community Equity Fund (Flood Victim Recovery Program)	6	-	3,085,000
Housing Instability Prevention Program ^a	5	-	2,584,000
Youth Care and Development Program	7	-	1,000,000
Cannabis Social Equity and Economic Development Program	5	3.00	209,000
Total Conditionally Supported Expenditure Modifications		3.00	\$ 14,878,000

^a Given limited available resources, we also discuss an alternative allocation that would instead provide \$1.2 million for this program.

Restore/Backfill SDHC Funding - \$8,000,000 (one-time) – 5 Supporting

Five Councilmembers supported restoring or backfilling the proposed reduction to the San Diego Housing Commission (SDHC) funding allocation to administer City-funded homelessness programs, though one Councilmember's support was contingent on identification of new/untapped resources. While the Proposed Budget assumed a \$15.0 million reduction in SDHC funding, the May Revision restored \$7.0 million to the SDHC allocation leaving the net reduction at \$8.0 million. Although not recommended by the agency, SDHC anticipates using \$8.0 million available from its Affordable Housing Fund (AHF) to offset the proposed budget reduction. AHF funds would be diverted from an upcoming affordable housing Notice of Funding Availability (NOFA) (\$6.0 million), new accessory dwelling unit loans (\$1.5 million), and the First-Time Homebuyer Program (\$500,000).

⁹ An estimated \$25.0 million, which has not yet been identified, will be needed to complete the project, including \$3.0 million in FY 2026 to start the design process.

Of those in support of restoring additional funding to the SDHC, three Councilmembers supported the full restoration of \$8.0 million to the SDHC allocation. Two Councilmembers prioritized maintaining or backfilling \$6.0 million for the affordable housing NOFA.

We note that \$9.9 million in Community Development Block Grant (CDBG) funds have been identified to cover one-time tenant improvements (TIs) at the proposed Kettner and Vine shelter (see Attachment 3 for additional details). We further note that a lease agreement for the Kettner and Vine site is currently being negotiated, and if an eventual lease is presented and executed, the potential for it to include an allowance for some portion of TIs exists. Currently, CDBG funds planned for Kettner and Vine TIs are proposed to fall to the City's Bridge to Home NOFA for new affordable housing development if they are not needed for the Kettner and Vine proposal. This contingency language was included in the proposed FY 2025 Annual Action Plan for the U.S. Department of Housing and Urban Development (HUD) heard by the Community and Neighborhood Services Committee on April 11, 2024.

Given the desire to restore SDHC funding, Council could modify this contingency language to instead allocate up to \$8.0 million in CDBG funds to the FY 2025 SDHC affordable housing NOFA, with the remainder going towards the City's Bridge to Home NOFA, in the event that the Kettner and Vine proposal does not proceed or the full amount is not required for TIs; this action could allow the full SDHC budget reduction to be backfilled with CDBG funds and increase funding available for the next SDHC NOFA to a total of \$11.0 million (including \$3.0 million from other fund sources), if the Kettner and Vine proposal were to subsequently not move forward or require CDBG funding for TIs. According to the Economic Development Department, the next Bridge to Home NOFA is likely to offer more than \$15.0 million, not including CDBG funds tied to the Kettner and Vine proposal.

Community Equity Fund (Flood Victim Recovery Program) – \$3,085,000 (one-time) – 6 Supporting

Six Councilmembers included restoring the Community Equity Fund in their budget modification memoranda, though two Councilmembers conditioned this restoration on the availability of new/untapped resources. One Councilmember requested this fund be restored for its original purpose¹⁰ while five Councilmembers requested the fund go to support victims of the January 22nd flood. Of these five, four Councilmembers requested that this funding be transferred to the San Diego Housing Commission to manage.

Housing Commission staff indicates that the \$3.1 million allocation would augment the recent \$4.2 million allocation provided by the County for its Emergency Temporary Lodging Program and would be expended consistent with the current Memorandum of Agreement with the County. Specifically, funds would either allow for additional months of rental assistance from six months to possibly 12, or additional funding for the Landlord Restoration Assistance program. This

¹⁰ Original purpose: to fund community-based organizations to deliver equitable outcomes to structurally excluded communities.

allocation would also count towards the funding match required by the County (note that funding already expended and in-kind services also count towards meeting the match component).

Housing Instability Prevention Program (HIPP) – \$2,584,000 (one-time) – 5 Supporting

Five Councilmembers requested additional funding to provide financial assistance to low-income households through the Housing Instability Prevention Program (HIPP), though one Councilmember’s request was contingent on the identification of new/untapped resources. HIPP provides tiered subsidies between \$250 and \$750 a month for up to two years to households with low income and unstable housing conditions. Payments can be used to assist with rent and other housing-related expenses.

As summarized in the table below, the May Revision includes \$3.0 million for HIPP, which is sufficient to fund the current 260 participating households at the existing subsidy tiers, with no new enrollment to backfill open slots as participants exit the program or potential to extend assistance beyond two years for more vulnerable participants. An additional \$2.6 million (totaling \$5.6 million for FY 2025) would allow the Housing Commission to maintain maximum program capacity at 300 households, allow new enrollment from current levels; increase the subsidy tiers to \$550, \$800, and \$1,050 per month; and provide the option to extend services beyond two years for households in need.

Housing Instability Prevention Program Service Levels	May Revise \$3.0 million	SDHC Recommended \$5.6 million	IBA Alternative \$4.2 million
<i>Additional Funding Needed</i>	\$ -	\$ 2,584,346	\$ 1,200,000
Funded Program Participation	260 households	300 households	300 households
New Enrollment Allowed?	No; slots are not backfilled as current participants exit program	Yes	Yes
Monthly Subsidy Tiers	Keep current tiers: \$250/\$500/\$750	Increase tiers: \$550/\$800/\$1,050	Keep current tiers: \$250/\$500/\$750
Option to Extend Program Benefits?	No	Yes	No

Because any new households first being served in FY 2025 are eligible for up to two years of assistance, funding would be obligated to support these households in their second year in the program (FY 2026). However, due to limited available resources, it may not be prudent to make HIPP benefits more generous at this time. Therefore, if Council elects to provide additional funding for HIPP, our Office recommends it consider providing only \$1.2 million in additional funds, which is \$1.6 million less than the level recommended by SDHC. This reduced amount would prevent the program from sunseting in FY 2025 by allowing new enrollment up to the 300-

household maximum capacity, while maintaining the current subsidy tiers and two-year eligibility for assistance. In the long run, we continue to urge Council to pursue opportunities for regional collaboration regarding HIPP to potentially expand the number of lower-cost housing options available to participants outside of the City boundaries, as currently HIPP is restricted to housing within the City.

Youth Care and Development Pilot Program (Youth Drop-in) – \$1,000,000 (one-time) – 7 Supporting

Seven Councilmembers supported restoring the Youth Care and Development Pilot Program that was eliminated in FY 2024 as a budget mitigation, though three Councilmembers' support was contingent on the identification of new/untapped resources. Through this program, the City, in partnership with community-based organizations, would support adolescents and young adults in Southeast San Diego with education, after-school programs, youth development programs including job skills training, and access to mental health and trauma informed-care.

This program, funded but not actually implemented in FY 2024, was shifted from the Office of Child and Youth Success to the Department of Race and Equity. We note that one Councilmember requested the program be funded through the Council Administration department in FY 2025. At the time the program was identified as a budget mitigation, the Department of Race and Equity indicated that it is was the process of creating a nonprofit agreement to begin the program. The Department anticipates executing a contract by the end of the calendar year if funding is provided in the FY 2025 Budget.

If Council wishes to fund the program, it could either provide funding in the Department of Race and Equity's budget, or alternatively, the Council Administration budget to enhance Council's control over the funding, as mentioned in one Councilmember memo. If funded in the Council Administration's budget, the department would award a non-profit agreement in accordance with Municipal Code sections 22.3208 and 22.3210, consistent with the approach the Department of Race and Equity was pursuing in FY 2024. To ensure Council Administration implements the program consistent with the goals of Council if this option is pursued, we recommend staff work with Council Offices 4 and 9. Regardless of which department administers the program, we recommend Council request staff provide quarterly updates on the execution of the program, expenditure of funds, and program outcomes and lessons learned if this item is funded.

Cannabis Social Equity and Economic Development (SEED) Program – 3.00 FTEs, \$209,000 (ongoing) – 5 Supporting

Five Councilmembers supported restoring the SEED positions that were added by Council in the FY 2024 budget but eliminated in the FY 2025 Proposed Budget, though one Councilmember's support was contingent on the identification of new/untapped resources. Although the annualized cost for these positions was assumed to be \$417,000 in the Proposed Budget, if these positions are restored, we recommend \$209,000 in Budgeted Personnel Expenditure Savings be assumed to account for an anticipated 6-month lag in the filling the positions, which reduces the recommended funding level to \$209,000. According to staff, the Administration would initiate the hiring process

once a policy has been established. Generally, positions would be used to verify social equity applicants and to provide technical assistance. Therefore, a policy needs to be in place to guide the duties of the positions.

Creating the SEED program requires Council approval of municipal code changes that would need to come to the Planning Commission before Council. Because the \$883,000 State grant awarded in FY 2023 expires October 31, 2024, it is unlikely the City could spend this in time without a program already in place and would likely have to return the funds to the State. However, staff could apply for future State grant opportunities once a policy is created. The timeline for when Council would consider municipal code changes to create the SEED program is unknown.

ADDITIONAL RESOURCE OPTIONS FOR COUNCIL CONSIDERATION

As part of our review of the Proposed Budget (*IBA Report 24-09*), our Office identified \$19.4 million in resource options for additional budget modifications. This section of this report updates that options table on the next page by (1) adjusting options that were used in the May Revise, (2) removing options that we have already recommended in the *IBA Recommended Resources* section of this report, (3) removing options that are no longer feasible, and (4) adding several new options. The additional resource options now total \$17.8 million and are shown in the table on the following page, including both General Fund and non-General Fund resources.

Importantly, our Office is not advocating any of these modifications; instead we present them as additional options for Council consideration given the potential desire to fund additional Council priorities and the requirement to maintain a balanced budget. All of these options have operational impacts and drawbacks. Options included in our review of the Proposed Budget were discussed throughout that report in Department Review sections. Newly added options, including options to correct an error related to Youth Service Librarians, reduce Library donation matching funds, and use debt financing for capital projects, are discussed after the table; the CDBG program homelessness set-aside option is also further clarified.

Additionally, the Council could consider reducing certain FY 2025 budget additions. Our Proposed Budget review (page 24) includes a table of major programmatic additions; and Attachment 1 to this report includes a table of May Revise expenditure additions.

FY 2025 Options for Budget Modifications (updated from Report 24-09)				
Department	Description	FTE	Total Expenditures	Total Revenues
General Fund				
Homelessness Strategies and Solutions	New Safe Parking Delay	-	\$ 2,500,000	\$ -
Homelessness Strategies and Solutions	1,000 New Shelter Bed Delay	-	1,915,000	-
Parks and Recreation	Delay additions for New Open Space Areas ^a	9.00	1,851,000	-
Homelessness Strategies and Solutions	Shelter Contract Compensation Increases Delay	-	1,049,000	-
Transportation	Mill and Pave Team Delay	10.00	895,000	-
Parks and Recreation	Delay Addition of San Diego River Park Rangers ^a	3.00	466,000	-
Homelessness Strategies and Solutions	Expanded Family Shelter Delay	-	450,000	-
Development Services	Rent Payments for Proposed New Lease for DSD ^b	-	156,000	-
Economic Development	Contractual Services for Downtown Office Space Analysis ^c	-	150,000	-
Library	Reduce Half-time Youth Service Librarians and correct May Revision error ^d	1.00	138,000	-
Transportation	Air Pollution Control District (APCD) Tree Planting Delay	-	114,000	-
Parks and Recreation	Delay addition of New Programming for Memorial Senior Center	2.50	103,000	-
Library	Reduce Library Donation Matching Funds	-	100,000	-
Compliance	Project Labor Agreement Monitoring Program: Vacancy Savings	-	85,000	-
Sustainability and Mobility	Zero Emission Vehicle Position Expected Savings	-	30,000	-
General Fund Totals		25.50	\$ 10,002,000	\$ -
Non-General Fund				
Debt Financing	Remaining Debt Capacity	-	7,484,000	-
Economic Development	FY 2025 HUD Plan - Restore Full CDBG Homeless Set-Aside ^c	-	-	318,000
Non-General Fund Totals		-	\$ 7,484,000	\$ 318,000

Notes: Table may not total due to rounding.

^a Excludes costs associated with vehicle purchases, which our Office recommends financing through the City's Equipment and Vehicle Financing Program (EVFP).

^b Rent payment for DSD (\$156,000) represents budgeted FY 2025 rent for the proposed new lease for DSD in downtown, which has not yet been heard and approved by the Council.

^c Funding of \$250,000 is available in the FY 2025 budget for contractual services for the downtown office space analysis. At the Budget Review Committee meeting, the Economic Development Department reported that approximately \$150,000 might be available as a budget mitigation measure; the remaining \$100,000 is needed to allow the consultant to proceed with the pilot program and the final report. The Department further noted that the consultant is actively working with the Human Resources Department leadership on Hybrid Work Policy research to help inform a course of action that best suits the City's workforce needs. This work may require additional resources beyond \$100,000.

^d Reduction of three half time Youth Service Librarians consists of 1.50 FTEs and \$189,264; correction of May Revision would add 0.50 FTE and \$51,486.

^e Council Policy 700-02 requires a set-aside from federal Community Development Block Grant (CDBG) funding for the City's homelessness programs of up to \$1.3 million. The HUD Plan presented to the Community & Neighborhood Services Committee on April 11, 2024, included \$1.0 million for the homelessness set-aside, which is \$318,000 less than the maximum set-aside. As far back as FY 2014, the HUD Plan has set aside the maximum amount of \$1.3 million. Council can consider action to restore the homelessness set-aside to the full \$1.3 million in the FY 2025 HUD Plan.

Reduction of Half-time Youth Service Librarians

The May Revision includes the addition of 3.00 *full-time* Youth Service Librarians (YSL) for the Oak Park, Beckwourth, Paradise Hills Branch Libraries, which are intended to replace existing *half-time* positions at these locations. As discussed in Attachment 2 to this report, the adjustment in the May Revision did **not** reduce the three half-time YSLs that are being replaced. While the Department has indicated a desire to retain these half-time positions for other operational needs, Council could choose to reduce these positions (\$189,000 and 1.50 FTE Librarian IIs) in order to support other priorities.

As is also discussed in Attachment 2, \$51,000 and 0.50 FTE Library Assistant III was erroneously reduced in the May Revision. If the Council chooses to reduce the half-time positions, as discussed above, it could consider using the savings to restore this reduction, which would reduce the amount of funding available for other priorities to \$138,000.

Library Donation Matching Funds

The Library Department's donation matching funds were restored in the May Revision back to the FY 2024 funding level of \$1.2 million. The Council could consider reducing this by \$100,000, to \$1.1 million, in order to support other priorities. Funding the matching funds program at this level would be consistent with actual use of the program in FY 2023 (\$1.1 million) and FY 2024 (\$1.1 million projected based on \$918,000 in donations received through the end of April 2024).

Debt Financing – Additional Debt Capacity

As briefly discussed in the *IBA Recommended Resources* section, the City's capacity to issue and expend debt proceeds over the next five years exceeds currently proposed debt allocations by \$13.4 million. After the recommended use of \$5.9 million to support CEF eligible projects in FY 2025, \$7.5 million in capacity remains.

The table on the following page summarizes updated debt appropriations provided by the Department of Finance. Existing Council-approved appropriations total \$753.3 million, which nets to \$457.5 million after accounting for debt that has already been issued. Anticipated appropriations included in the FY 2025 Proposed Budget, May Revision, and FY 2024 CIP Year-End Budget Monitoring Report will bring the total of anticipated appropriations to \$653.7 million. In addition to this, the Department of Finance anticipates seeking future council action to approve additional debt appropriations for remaining Stormwater WIFIA matching funds (estimated at \$88.1 million) and the General Fund's portion of costs related to the modernization of the City's SAP system (estimated at \$62.0 million). Assuming these actions occur, overall debt appropriations will total \$803.7 million; this compares against \$817.2 million debt assumed to be issued over the most

recent Five-Year Outlook Period (FY 2025-2029) which leaves an unappropriated balance of approximately \$13.4 million. Importantly, the overall amount of existing and anticipated appropriations still leaves a significant backlog in projects waiting for financing proceeds.

General Fund Debt Appropriation Summary	
EXISTING APPROPRIATIONS	
Existing Appropriations (August 2021 - April 2024)	\$ 753,266,119
Debt Issued To-Date	(295,748,941)
Appropriations Remaining as of April 2024	\$ 457,517,178
ANTICIPATED APPROPRIATIONS	
FY 2025 Proposed Budget	\$ 169,570,171
FY 2024 CIP Year End Budget Monitoring	25,000,000
FY 2025 May Revision	1,596,869
Anticipated Total Appropriations as of June 2025	\$ 653,684,218
OTHER APPROPRIATIONS PENDING FUTURE COUNCIL ACTION	
Remaining Stormwater WIFIA Match	\$ 88,100,000
SAP Modernization	62,000,000
Total Appropriations including Pending Actions	\$ 803,784,218
Remaining Debt Assumed over Outlook Period (FY 2025-2029)	\$ 817,185,000
Unappropriated Balance	\$ 13,400,782

As noted, our Office identified several projects that are CEF-eligible that we recommend for debt financing. These projects total \$5.9 million, leaving \$7.5 million additional debt capacity.

Council could choose to appropriate the remaining \$7.5 million, but if it does our Office suggests continued caution in allocating additional debt and recommends that only existing critical projects that require funding appropriations to advance be considered. **Council should consider reserving some or all of this remaining balance for future needs, including the potential need for new emergency capital projects made necessary by long-deferred maintenance of existing capital infrastructure.**

Additional Context on Debt Appropriations

The current practice of appropriating future bond financing proceeds to projects in advance of issuing debt began in August 2021. This approach has several benefits: it provides a known funding stream for projects in future years, which enables E&CP to better and more efficiently plan its operations and expenditures, and it also promotes administrative efficiencies within DOF and compliance with IRS requirements regarding timely spend-down of debt proceeds. Our Office generally supports this practice, though we believe that appropriate parameters are necessary to balance operational benefits while preserving Council flexibility and discretion. Our Office will work with Department of Finance to develop and include updated provisions in the next update to the City's Debt Policy, which is anticipated to be brought to Council during the first half of calendar year 2025.

Community Development Block Grant (CDBG) Program Homelessness Set-aside

Pursuant to Council Policy 700-02, up to \$1.3 million of the annual CDBG Program funding is to be set aside for the City's homelessness programs as part of the allocation to the public services budgetary category. Since FY 2014, the City has annually set aside the full \$1.3 million for homelessness programs. However, the FY 2025 CDBG Annual Action Plan proposes to allocate a slightly lower amount of \$1.0 million for homelessness programs, which obligates additional General Fund resources to maintain existing service levels. Council could consider increasing the CDBG set-aside to the full \$1.3 million amount to free up \$318,000 in the General Fund to support other priorities, though this would result in the public services category having less funding for projects to be carried out by community nonprofit organizations through a competitive application process. The estimated budget provided in the Notice of Funding Availability (NOFA) for nonprofit organizations was \$2.58 million. Based on the FY 2025 CDBG entitlement funding, an increase to the FY 2025 homelessness set-aside to the full amount of \$1.3 million can be accommodated while maintaining funding for other public services projects at the original NOFA level. The Economic Development Department is expected to bring forward the funding allocation recommendations for the City's FY 2025 CDBG Program for Council approval in the upcoming weeks.

FINAL BUDGET ACTIONS

In order to approve the FY 2025 budget, the City Council is being asked to approve the following actions:

1. Approve the Mayor's FY 2025 Proposed Budget, as modified by the Mayor's May Revision.
2. Approve the IBA's recommended final budget expenditure modifications included in this report, as summarized in Table 2 (*Recommended Expenditure Modifications; page 8*) as supported by recommended resources identified in Table 1 (*Recommended Resources; page 3*).
3. Allocate the remaining \$3.1 million in identified resources to Council's other selected budget modifications.
4. To effectuate actions 2 and 3 above, we recommend \$367,000 and \$124,000 be transferred from the TransNet Maintenance Fund and Civil Penalty Fund, respectively to support eligible General Fund activities in FY 2025.
5. Additionally, to effectuate action 3, we recommend:
 - a. Infrastructure Fund (100012) \$785,000 revenue supporting Slurry Seal Group 2521 be transferred to Vision Zero projects (annual allocations A-IL-00005 and/or A-IL-00004, and sublet projects as prioritized by City staff) and replaced with \$785,000 revenue from RMRA fund balance (200731), and
 - b. Infrastructure Fund (100012) \$500,000 in revenue supporting Chollas Triangle Park Project (P20005) be transferred to create the Southcrest Recreation Center and

Park Drainage Improvements Preliminary project and replaced with \$500,000 revenue from the Citywide Park DIF (for park deficient communities of concern) (400891).

Additionally, if Council chooses to fund the backfill of SDHC funding, and/or the Youth Care and Development program, we reiterate the following considerations that are discussed earlier in this report:

1. Council may wish to modify contingency plans for CDBG dollars currently planned for Kettner and Vine tenant improvements to allow up to \$8.0 million to fall to the FY 2025 SDHC affordable housing NOFA, with the remainder going towards the Bridge to Home NOFA, should the Kettner and Vine proposal not proceed or require the full amount for TIs.
2. If Council wishes to fund the Youth Care and Development program, it could provide funding in either the Department of Race and Equity's budget, or alternatively the Council Administration budget to enhance Council's control over the funding (to ensure Council Administration implements the program consistent with the goals of Council if this option is pursued, we recommend staff work with Council Offices 4 and 9). Regardless of which department administers the program, if it is funded in the Budget we recommend Council request staff provide quarterly updates on the execution of the program, expenditure of funds, and program outcomes and lessons learned.

CONCLUSION

This report represents our Office's final FY 2025 budget review and recommendations for Council budget modifications. This report identifies \$5.1 million in new General Fund resources that can be used to fund additional programmatic FY 2025 budget expenditures; of this amount we recommend \$2.0 million be allocated to items that were unconditionally supported in a majority Councilmembers' budget modification memos, which leaves \$3.1 million for other expenditure additions. Additionally, we have identified \$7.8 million in non-General Fund resources, including \$450,000 for Arts, Culture, and Community Festivals (ACCF) and \$7.3 million for specified capital projects, including projects that would otherwise have been eligible for Climate Equity Fund dollars.

Notably, support of expenditures additions in several Councilmembers' memoranda *was conditioned on the identification of new or untapped revenues or resources..* Programmatic expenditures supported by a majority of Councilmembers that were contingent on the identification of new resources totaled \$14.9 million; some portion of these expenditures could be supported with the remaining \$3.1 million in resources identified by our Office.

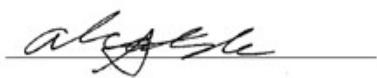
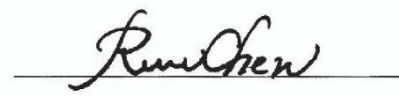

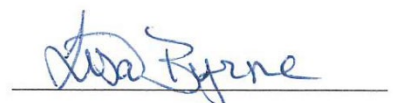
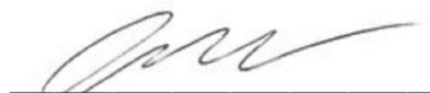
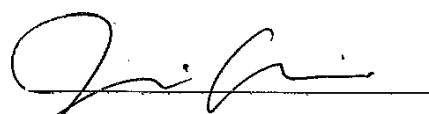
Finally, this report identifies an additional \$17.8 million in potential resources that would require offsetting reductions or that would have other programmatic or operational impacts. While we do

not advocate for these options, and all of those options have various drawbacks, we do present them for Council's consideration.

Additional detail on revenue and expenditure adjustments in the Mayor's May Revision to the Proposed Budget is included as Attachment 1 to this report; we also provide analysis of current FY 2024 year-end financial projections in our review of the FY 2024 Third Quarter Budget Monitoring Report ([IBA Report 24-16](#)).

As we have stated throughout this year's budget process, the impacts of the City's long-standing structural budget deficit are no longer being masked by federal ARPA dollars, which results in a particularly difficult budget year for FY 2025. The City lacks the ongoing resources necessary to support its current operations and to address its growing infrastructure backlog. It is anticipated the City will pursue a general sales tax increase and a stormwater parcel fee on the November 2024 ballot; if successful, these would go a long way towards addressing the City's structural deficit and would allow the City to begin making meaningful progress towards addressing its infrastructure backlog. If neither is successful, that infrastructure backlog will continue to grow and more severe operational cuts and ongoing structural reductions will be needed, as early as the middle of FY 2025, to prepare the City for future budget years.

Our Office would like to thank staff from all City departments and offices who responded to our many questions throughout the budget process, as well as each Council Office for your budget modification memoranda, and your participation in the many budget hearings, town-halls, and Council meetings. Our Office remains available to assist Council as it moves forward with adoption of a final FY 2025 budget.


Sergio Alcalde
Associate Fiscal and Policy Analyst
Ruixin Chen
Fiscal & Policy Analyst
Amy Li
Fiscal and Policy Analyst
Erin Noel
Senior Fiscal and Policy Analyst
Baku Patel
Senior Fiscal and Policy Analyst
Lisa Byrne
Principal Fiscal and Policy Analyst
Jordan More
Principal Fiscal and Policy Analyst
Jillian Andolina
Deputy Director
Charles Modica
Independent Budget Analyst

- Attachment 1: IBA Review of the May Revision to the FY 2025 Proposed Budget
Attachment 2: IBA Responses to City Council Budget Referral Memoranda
Attachment 3: IBA Memorandum: Allowable Uses for Non-General Fund Sources Proposed for
Kettner/Vine Tenant Improvements
Attachment 4: San Diego Housing Commission Reserves Details

IBA Review of the May Revision to the FY 2025 Proposed Budget

MAY REVISION CHANGES: GENERAL FUND RESOURCES

The following table shows May Revision adjustments to General Fund resources, which net to a \$13.5 million increase over the FY 2025 Proposed Budget. Summary information is provided after the table.

General Fund Resources in the May Revision		
Item Description	Department	Amount
<i>One-time Resources</i>		
Increased Use of Excess Equity to Balance the Budget ^a	Citywide	\$ 13,453,500
Transaction Fee: Sale of Hilton Torrey Pines La Jolla	Economic Development	3,300,000
Civil Penalty Fund Transfer to Support Code Enforcement	Development Services	1,200,000
Reimbursement Revenue from the Homeless Housing, Assistance and Prevention (HHAP) State Grant	HSSD	701,409
Employ and Empower Internship Program: Grant Revenue	Multiple Departments	251,811
Reduction of the Energy Independence Fund Transfer	Citywide	250,000
Adjustment to Environmental Growth Fund Transfer	Parks & Recreation	(370)
Removal of the Central Stores Fund Transfer	Citywide	(485,000)
Reduction of the Concourse and Parking Garage Fund Transfer	Economic Development	(620,000)
Wayfinding Kiosk Revenue	Economic Development	(771,109)
Monsanto Class Action Settlement ^a	Citywide	(7,700,000)
<i>Subtotal One-time Resources</i>		9,580,241
<i>Ongoing Resources</i>		
TOT Fund Transfer: Tourism-Related Expenses	HSSD	2,900,000
Sales Tax Revenue	Citywide	768,564
Property Tax Revenue	Citywide	448,757
Development Impact Fee Revenue	City Planning	346,445
Consumer Protection and Penalty Collection	City Attorney	260,042
Ticket Revenue from City Suite at Petco Park	Economic Development	250,000
Grant Funding for Gun Violence Restraining Order Support	City Attorney	217,131
Heritage Preservation Program Fee Revenue	City Planning	176,795
Non-General Fund Support for Information Systems Analyst 4	Economic Development	138,160
Property Transfer Tax Revenue	Citywide	98,714
Pool Fees: Restoration of Aquatics Programs	Parks & Recreation	70,437
Adjustment to Grant Reimbursable Position Costs	Emergency Services	2,206
Department of Finance Revenue Changes	DoF	(185,015)
Removal of HR Positions/Revenue: Employ and Empower	Parks & Recreation	(231,434)
TOT Revenue	Citywide	(1,309,482)
<i>Subtotal Ongoing Resources</i>		3,951,320
Total General Fund Resources		\$ 13,531,561

^a The \$13.5 million increase in use of Excess Equity includes \$7.7 million in FY 2024 revenue from the Monsanto settlement. This revenue was previously expected to be received in the FY 2025 Proposed Budget. Absent this timing difference, the effective increase in use of Excess Equity in the May Revision is \$5.8 million.

One-time Resources

- *\$13,454,000 Increased Use of Excess Equity to Balance the Budget, Citywide:* As of the May Revise, General Fund budgeted expenditures are greater than revenues, with \$82.1 million in Excess Equity being used as a resource to balance the revenue shortfall. The \$13.5 million increase in use of Excess Equity includes \$7.7 million in FY 2024 revenue from the Monsanto settlement (see below). This revenue was previously expected to be received in the FY 2025 Proposed Budget. Absent this timing difference, the effective increase in use of Excess Equity in the May Revise is \$5.8 million.
- *\$3,300,000 Transaction Fee for the Sale of Hilton Torrey Pines La Jolla, Economic Development:* The Hilton La Jolla Torrey Pines Hotel sits on a City-owned land located at 10950 N. Torrey Pines Road. Pursuant to the second amendment to the ground lease agreement executed in 2017, City receives a transaction fee equal to 2% of the gross revenue the lessee receives for the lease assignment. The Hotel is expected to be sold for \$165 million in the upcoming months. Correspondingly, the City will receive \$3.3 million in revenues.
- *\$1,200,000 Civil Penalty Fund Transfer to Support Code Enforcement, Development Services:* The Proposed Budget included a transfer of \$4.5 million from the Civil Penalty Fund to the General Fund to support code enforcement activities in DSD. As part of our office's review of the Proposed Budget, we recommended transferring an additional \$1.2 million from the remaining fund balance to help support code enforcement, thereby freeing up resources for other General Fund critical expenditures. The May Revision reflects this additional transfer.
- *\$701,000 Reimbursement Revenue from the Homeless Housing, Assistance and Prevention (HHAP) State Grant, HSSD:* This increase reflects revised grant funds available to reimburse HSSD's grant administration activities, including from State HHAP and other grant sources.
- *\$252,000 Employ and Empower Internship Program Grant Revenue, multiple departments:* This internship program is grant reimbursable. See more detail later in the *Other Expenditure Adjustments That Include Staffing* section.
- *\$250,000 Reduction of the Energy Independence Fund Transfer, Citywide:* Due to updated projections for spending on the Public Power Feasibility Study, there are more savings that will be generated within the fund that are proposed to be transferred to the General Fund.
- *(\$370) Adjustment to Environmental Growth Fund Transfer, Parks & Recreation:* This adjustment corrects an error in the Proposed Budget.
- *(\$485,000) Removal of the Central Stores Fund Transfer, Citywide:* The May Revision includes a reduction of \$485,000 of a one-time transfer from the Central Stores Fund, which had been included in the Proposed Budget as a budget balancing measure. The removal is due to updated third quarter projections, which indicate the fund cannot support this transfer.

- *(\$620,000) Reduction of the Concourse and Parking Garage Fund Transfer, Economic Development:* As of the FY 2024 Mid-Year Budget Monitoring Report, revenues generated from the Fund are expected to fully offset the projected expenditures. Based on this projection, the Proposed Budget included a transfer of \$2.0 million from the fund balance to the General Fund as a budget mitigation measure. However, the third-quarter projection shows a decrease in revenues and an increase in expenditures, with expenditures exceeding revenues by \$400,000. The updated projection results in a reduction of revenue to be transferred to the General Fund. Additionally, to account for any unanticipated variances in the remainder of the fiscal year, the May Revision further reduced the revenue transfer by \$220,000 for a total reduction of \$620,000.
- *(\$771,000) Wayfinding Kiosk Revenue, Economic Development:* The May Revision decreases the projected \$908,000 in revenues from Wayfinding Kiosks to be installed in Downtown San Diego through the Corporate Partnership Program. As our office noted in our review of the Proposed Budget, the revenue addition reflected in the Proposed Budget is likely overestimated based on the timeline to phase in installations. Subsequently, the Economic Development Department received an updated projection from the vendor, resulting in a decrease in projected revenues. The FY 2025 total revenue from Wayfinding Kiosks is estimated to be \$136,933.
- *(\$7,700,000) Monsanto Class Action Settlement, Citywide:* As part of a class action lawsuit against Monsanto for manufacturing cancer-causing polychlorinated biphenyl that contaminated waterways throughout the country, the City was awarded settlement funds. Funds were anticipated in FY 2025 but received in FY 2024, hence the \$7.7 million revenue reduction in the FY 2025 May Revision and corresponding increase in the FY 2024 Third Quarter Report, which increases Excess Equity available for FY 2025. This is in addition to the \$9 million already received in FY 2024.

Ongoing Resources

- *\$2,900,000 TOT Fund Transfer for Tourism-Related Expenses, HSSD:* The May Revision reflects an increase of \$2.9 million in TOT funds to reimburse eligible City homelessness expenditures, related to safety and maintenance of tourism-related facilities. Of the total, \$2.4 million in TOT funds was assumed but not fully captured in Proposed Budget – the May Revision fully captures this adjustment.
- *\$769,000 Sales Tax Revenue, Citywide:* The May Revision reflects a net increase of \$769,000 in sales tax revenue. Underlying this adjustment are two offsetting factors. First, as reflected in the Third Quarter Report, higher than anticipated actual sales tax receipts compared to projections in the third quarter increased the base for the May Revision. Secondly, the May Revision decreased the projected growth rate from 4.60% in the Proposed Budget to 4.25% to align with the most recent projections from the City's sales tax consultant. The May Revision now projects quarterly growth rates of 2.4%, 8.5%, 3.0%, and 3.1%, for each respective quarter in FY 2025.

- *\$449,000 Property Tax Revenue, Citywide:* The May Revision increase of \$449,000 in property tax revenue is due to updated projections from the FY 2024 Third Quarter Report. The expected growth rate in FY 2025 for property taxes remains the same as the Proposed Budget.
- *\$346,000 Development Impact Fee Revenue, City Planning:* The May Revision includes additional revenues related to the transfer of the Development Impact Fee Program from City Planning's Facilities Financing Fund to the General Fund, which was reflected in the Proposed Budget. At the time of the transfer, budgeted revenues fall short of budgeted expenditures by \$346,000. As noted in our review of the Proposed Budget, this transfer is expected to be cost-neutral to the General Fund. The May Revision adjustment reflects updated revenue projections, with revenues generated from the Program fully offsetting the expenditures.
- *\$260,000 Consumer Protection and Penalty Collection, City Attorney:* This is offsetting revenue for positions being added. See description in the General Fund Expenditure section below.
- *\$250,000 Ticket Revenue from City Suite at Petco Park, Economic Development:* The City receives tickets free of charge for seats inside the City Suite at Petco Park under the Joint Use and Management Agreement with Padres. The May Revision includes a new revenue stream from the monetization of these tickets. Pursuant to Charter section 303 (c), the City is authorized to sell these event seating to the public at fair market value. The estimated revenue amount represents a conservative estimate based on limited financials and projections provided by the Padres.
- *\$217,000 Grant Funding for Gun Violence Restraining Order Support, City Attorney:* This is offsetting revenue for the position being added. See description in the General Fund Expenditure section below.
- *\$177,000 Heritage Preservation Program Fee Revenue, City Planning:* On May 14, 2024, City Council approved City Planning's proposed fee adjustments to the Heritage Preservation Program related fees such as Historic Resource Designation Nomination Fee and Mills Act Monitoring Fee. The updated fee schedule is anticipated to bring in \$177,000 additional revenues in FY 2025.
- *\$138,000 Non-General Fund Support for Informational Systems Analyst 4, Economic Development:* The May Revision includes a revenue addition to offset the expenditures of a new Information Systems Analyst 4 position (1.00 FTE). This position will help fill the critical IT operational needs with the merger of the Economic Development Department (EDD) and Department of Real Estate and Airport Management (DREAM). This position will be 100% cost recoverable through various sources that support the Department's operations, including Airport Fund, Concourse and Parking Garage Fund, Petco Park Fund, Low and Moderate Income Housing Asset Fund, and the Community Development Block Grant, etc. See more detail later in the *Other Expenditure Adjustments That Include Staffing* section.

- *\$99,000 Property Transfer Tax Revenue, Citywide:* Based on updated projections included in the FY 2024 Third Quarter Report.
- *\$70,000 Pool Fees – Restoration of Aquatics Programs, Parks & Recreation:* This adjustment includes revenue associated with the restoration of swim teams and water polo teams in the May Revision.
- *\$2,000 Adjustment to Grant Reimbursable Position Costs, Office of Emergency Services:* This revenue change is to account for personnel expenditure adjustments associated with grant-reimbursable positions.
- *(\$185,000), Department of Finance Revenue Changes:* This adjustment reflects a reduction in revenue to right-size the Department's revenue budget primarily as a result of organizational changes from the departmental merge that occurred over the last few years. Additionally, it should be noted that the Department of Finance is implementing a shift from billing baseline centralized services to non-General Fund departments through the Service Level Agreement process (which is reflected in departmental revenue) to the General Government Services Billing process (which is reflected in Other Major Revenues). The May Revision reflects this shift by transferring \$1.2 million from departmental revenues to Other Major Revenues (a net zero impact to the General Fund). The intent is to increase consistency across departments and reduce staff burden in tracking time. Special services provided to non-General Fund departments would continue to be billed through the Service Level Agreement process.
- *(\$231,000) Removal of HR Support Positions and Revenue for Employ and Empower, Parks & Recreation:* This was determined not to be an allowable use of Employ and Empower Grant revenue.
- *(\$1,309,000) TOT Revenue, Citywide:* The reduction in anticipated TOT revenue largely reflects a decrease in ongoing TOT remittances paid by an online travel agency from \$2.5 million anticipated in Proposed Budget to \$600,000 assumed in May Revision, resulting in an overall \$1.9 million decrease in total TOT revenue. The revenue reduction also impacts anticipated online travel agency remittances in FY 2024, which is partially offset by higher than projected actual TOT receipts in the third quarter of FY 2024, but results in a net decrease in the base for May Revision. The May Revision adjustment reflects the impact to the portions of TOT revenue that go to the General Fund, including the 1% Council discretionary transfer to the General Fund for general government purposes.

MAY REVISION CHANGES: GENERAL FUND EXPENDITURES

The following table shows May Revision adjustments to General Fund expenditures, which net to a \$13.5 million increase over the FY 2025 Proposed Budget. We provide summary information after the table, followed by a review of the funding changes and potential programmatic impacts for homelessness programs, as well as a discussion on overall funding for items that have been adjusted in the May Revision

General Fund Expenditure Adjustments in the May Revision			
Item Description	Department	FTEs	Amount
Mitigating Adjustments			
PC Replacement Reduction (one-time)	DoIT	-	(250,000)
RFID Readers (moved to Solid Waste Management Fund)	Environmental Services	-	(379,389)
Debt Service Reallocated to Infrastructure Fund (one-time)	Citywide	-	(1,318,096)
Equity Restorations			
Eviction Prevention Program (one-time)	Economic Development	-	962,573
SD Access 4 All (one-time)	DoIT	-	784,000
After School and Teen Center Programs	Parks & Recreation	11.53	757,900
No Shots Fired Program	Police	-	250,000
Come Play Outside Program	Parks & Recreation	-	78,125
Other Restorations			
Substation Front Counters	Police	7.00	1,601,467
Juvenile Services Team	Police	8.00	1,583,650
Swim Teams and Water Polo Teams	Parks & Recreation	5.55	421,468
Donation Match (one-time)	Library	-	300,000
Reading and Education Program (one-time)	Library	-	250,000
Restored Budget Reduction Target	Ethics Commission	-	31,921
Other Adjustments That Include Staffing			
San Pasqual Fast Response Squad	Fire-Rescue	6.00	896,869
Youth Services Librarians	Library	3.00	382,890
Consumer Protection and Penalty Collection Program ^a	City Attorney	2.00	260,042
Employ & Empower Internship Program (one-time) ^a	Multiple Departments	7.70	251,811
Legislative Services Deputy Director	City Clerk	1.00	251,754
Gun Violence Restraining Order Programs ^a	City Attorney	1.00	217,988
Information Systems Analyst 4 ^a	Economic Development	1.00	138,160
Payroll Support	Sustainability & Mobility	0.50	45,334
Library Assistant III - Half-time Reduction	Library	(0.50)	(51,486)
Human Resources Support for Employ & Empower ^a	Parks & Recreation	(2.00)	(231,434)
Other Adjustments			
Estimated Compensation Increases: Public Safety Employees	Police and Fire-Rescue	-	4,215,000
Actuarially Determined Contribution (ADC) Adjustments	Multiple Departments	-	2,109,119
Transfer to Infrastructure Fund	Citywide	-	1,318,096
Debris Assistance Program (one-time)	Citywide	-	1,200,000
Transfer to CIP - San Carlos Library (one-time)	Citywide	-	1,200,000
Chollas Operations Yard Parking Expansion (one-time)	Transportation/Stormwater	-	453,506
Property Tax Administration Fees	Citywide	-	198,177
Trench Cut Fee	Transportation	-	60,000
Security Services	City Attorney	-	18,000
Independent Legal Council (one-time)	City Auditor	-	(90,000)
Benefits Consulting Services (moved to Risk Management)	Citywide	-	(267,544)
Homelessness Programs General Fund Support: Net Change	HSSD	-	(467,199)
Non-Discretionary Adjustments	Multiple Departments	-	(903,038)
Helicopter Financing Delay (to delivery date)	Police	-	(970,000)
Other PE Adjustments (largely fixed fringe and special pay)	Multiple Departments	-	(1,778,103)
Total General Fund Expenditure Adjustments		51.78	\$ 13,531,561

^a Positions are fully offset by revenue.

Mitigating Expenditure Adjustments

- *(\$250,000) for PC Replacement Reduction (one-time), DoIT:* The Proposed Budget included \$750,000 for three new leases (at \$250,000 each) for the replacement of personal computers; however, one of these leases is now anticipated to start in FY 2026. Therefore, the May Revision includes a one-time reduction of \$250,000. This adjustment will partially offset the restoration of \$784,000 for the SD Access 4 All program.
- *(\$379,000) for RFID Readers, Environmental Services:* The May Revision is moving this addition, along with a similar addition within the Recycling Fund, into the new Solid Waste Management Fund. This change was discussed in the IBA's Review of the Proposed Budget.
- *(\$1,318,000) for Debt Service Reallocated to Infrastructure Fund (one-time), Citywide:* The May Revision includes the one-time reduction of \$1.3 million in non-personnel expenditures to support the reallocation of non-discretionary debt service from the General Fund to the Infrastructure Fund. This adjustment will offset the \$1.3 million increase in the transfer to the Infrastructure Fund as a result of updated sales tax revenue projections.

Equity Restorations

- *\$963,000 for Eviction Prevention Program (one-time), Economic Development:* The Eviction Prevention Program provides legal assistance to low-income renters who are facing eviction. The Program is operated by Legal Aid Society of San Diego through a contract with the San Diego Housing Commission. In FY 2024, the Program was funded with \$3.0 million from the General Fund. The May Revision proposes to maintain the FY 2024 funding level by including a one-time General Fund addition of \$963,000 and leveraging \$2.0 million from Emergency Rental Assistance 2 Funding to continue the Program's operations in FY 2025.
- *\$784,000 for SD Access 4 All (one-time), DoIT:* The May Revision includes \$784,000 in one-time expenditures to restore all SD Access 4 All programs to current levels. This includes \$57,000 to restore the digital literacy training, \$227,000 to maintain existing inventory for the Public Library Hotspot and Chromebook Lending program; and \$500,000 to continue WiFi services at 59 Parks and Recreation sites. This addition is partially offset by the one-time reduction of \$250,000 for the PC Replacement Program.
- *\$758,000 and 11.53 FTEs for After School and Teen Center Program, Parks & Recreation:* Of the 17 programs that were originally proposed for elimination, all but two have been restored in the May Revision. These include the Golden Hill Teen Center Program and the North Park After School Program; should the Council wish to restore these two remaining programs, \$126,000 would be required.
- *\$250,000 for No Shots Fired Program, Police:* Funding is fully restored for this program.
- *\$78,000 for Come Play Outside Program, Parks & Recreation:* Funding is fully restored for Come Play Outside Programming.

- *Non-General Fund: \$1.1 million for the Climate Equity Fund:* \$1.1 million in higher than anticipated franchise fee revenue is added to \$1.5 million included in the Proposed Budget for the Climate Equity Fund, for a total of \$2.6 million. The \$1.1 million is planned to support traffic calming and traffic signal modifications in eligible disadvantaged community areas. Although additional funding is being provided for the Climate Equity Fund, \$8.5 million remains unfunded, consistent with the Proposed Budget.

Other Restorations

- *\$1,601,000 and 7.00 FTEs for Substation Front Counters, Police:* Full restoration of sworn staffing at seven patrol divisions, including Central, Eastern, Mid-City, Northeastern, Northwestern, Northern, Southeastern, Southern, and Western.
- *\$1,584,000 and 8.00 FTEs for Juvenile Services Team, Police:* Full restoration of sworn staffing associated with the Juvenile Services Team.
- *\$421,000 and 5.55 FTEs for Swim Teams and Water Polo Teams, Parks & Recreation:* Funding is fully restored for these programs.
- *\$300,000 for Donation Match (one-time), Library:* Donation matching funds are fully restored to FY 2024 funding level (\$1.2 million).
- *\$250,000 for Reading and Education Program (one-time), Library:* Funding for library programming is fully restored to FY 2024 funding levels.
- *\$32,000 for Restored Budget Reduction Target, Ethics Commission:* This restoration could allow the Ethics Commission to utilize outside legal counsel without any appropriation adjustments in FY 2025.

Other Expenditure Adjustments That Include Staffing

- *\$897,000 and 6.00 FTEs for San Pasqual Fast Response Squad, Fire-Rescue:* Additions will augment existing staff of 6.00 FTE positions (3.00 FTE Fire Captains and 3.00 FTE Fire Fighter 2s) resulting in a total of 12.00 FTEs (four-person crew per shift) beginning in FY 2025
- *\$383,000 and 3.00 FTEs for Youth Service Librarians, Library:* There are currently eight library branch locations that are staffed with a half-time Youth Service Librarian (YSL); all other branches have a full-time YSL. This adjustment will add a full-time YSL at each of the Oak Park, Beckwourth and Paradise Hills Libraries, which are located in, or adjacent to, Promise Zone communities; after this addition, five branch locations will remain staffed with only a half-time YSL (San Carlos, North Clairemont, Tierrasanta, Kensington and Allied Gardens/Benjamin). We note that this adjustment does *not* reduce the three half-time YSLs (1.50 FTE Librarian IIs) currently serving at the three locations proposed to receive the full-time positions. The Library Department indicated that it expects to reassign these half-time positions to other operational needs, such as Sunday locations that do not currently have a librarian in charge. Alternatively, the Department is exploring the option

of consolidating the half-time positions to create additional full-time YSLs and to provide support for the Do Your Homework @ the Library (DYH@L) Program.

- *\$260,000 with offsetting revenue and 2.00 FTEs for Consumer Protection and Penalty Collection Program, City Attorney:* Two City Attorney Investigators are being added to the budget to expand efforts in the Affirmative Civil Enforcement Unit. This unit brings causes of action under the Unfair Competition Law, which governs consumer privacy, predatory lending, and unsafe and dangerous products. These positions will focus on consumer protection issues.
- *\$252,000 with offsetting revenue and 7.70 FTEs for Employ & Empower Internship Program (one-time), multiple departments:* The May Revision includes \$254,000 in revenue and corresponding expenditures, with 7.70 FTEs, which augment the \$5.3 million and 127.39 FTE General Fund additions that were included in the Proposed Budget. Additional information on this program can be found in [our review of the FY 2025 Proposed Budget](#) beginning on page 47. Since this program is grant funded, we characterize it as one-time; the most recent round of funding is set to expire December 31, 2025.
- *\$252,000 and 1.00 FTE for Legislative Services Deputy Director, City Clerk:* This is a supplement position being added to the budget that assists various offices to plan Council meeting and legislative proceedings, interact with members of the public to ensure access to Council meetings, and to make sure meetings are run smoothly, especially in the hybrid environment.
- *\$218,000 with offsetting revenue and 1.00 FTE for Gun Violence Restraining Order Programs, City Attorney:* On May 13, Council approved the exemption of one Program Manager for classified service. This position will manage Gun Violence Restraining Order programs and will be limited to the life of the grant supporting its costs.
- *\$138,000 with offsetting revenue and 1.00 FTE for Information Systems Analyst 4, Economic Development:* One Information Systems Analyst 4 position is being added to the Economic Development Department's budget to help fill the critical IT operational needs with the merger of the Economic Development Department (EDD) and Department of Real Estate and Airport Management (DREAM). This position will assume GIS duties to maintain the layer of City-owned property and the real estate map of City-owned property, update all property sold or acquired throughout the year in the real property management system, support the new software migrations, manage IT asset inventory, and manage all department electronic records. This position will be 100% cost-recoverable through various funding sources that support the Department's operations.
- *\$45,000 and 0.50 FTE for Payroll Support, Sustainability & Mobility:* This position was added supplementally to the Sustainability & Mobility Department almost two years ago. This action would bring this position onto the budget, with an addition of 0.50 FTE and \$45,000 also included in the Energy Conservation Program Fund.
- *(\$51,000) and (0.50) FTE for Library Assistant III, Library:* This reduction in the May Revision is an error. As a result, the Library Department indicated that less staffing will be

available for coverage on Sunday's which may decrease service levels, if call outs occur. The Department has requested that the City Council consider restoring this reduction as part of its final budget actions.

- *(\$231,000) with offsetting revenue reduction and (2.00) FTEs for Human Resources Support for Employ & Empower, Parks & Recreation:* These positions have been determined to be ineligible for reimbursement under the Employ and Empower Grant Program.

Other Expenditure Adjustments

- *\$4,215,000 for Estimated Compensation Increases for Public Safety Employees, Police and Fire-Rescue:* MOUs for the public safety recognized employee organizations (REOs)¹ expire at the end of FY 2024. The City has been negotiating with the REOs over FY 2025 successor MOUs; agreements with SDPOA and Local 911 have been approved by City Council. Results of negotiations produced higher compensation increases for FY 2025 than were estimated in the Proposed Budget, when it was earlier in the negotiations process.
- *\$2,109,000 for Actuarially Determined Contribution (ADC) Adjustments, multiple departments:* Adjustments were made to the May Revise for the ADC pension payment after the SDCERS actuary completed the final FY 2023 actuarial valuation, which determines the FY 2025 ADC (\$486.3 million citywide).² The citywide ADC owed to SDCERS is about \$3.3 million lower than the Proposed Budget ADC amount, which was based on the initial draft actuarial valuation and an estimated adjustment.³ Although the citywide ADC decreased in the May Revise, the General Fund portion increased. The cost distribution shifted from non-general funds to the General Fund based on reallocations of costs for the Police portion of the ADC.
- *\$1,318,000 for the Transfer to Infrastructure Fund, Citywide:* The latest sales tax distribution received in February 2024 and updates to CA-CPI from the March UCLA forecast resulted in an additional contribution of \$1.3 million to the Infrastructure Fund, in accordance with City Charter Section 77.1. The total FY 2025 Infrastructure Fund contribution is now estimated to be \$21.1 million.
- *\$1,200,000 for Debris Assistance Program (one-time), Citywide:* The May Revision includes the addition of \$1.2 million in non-personnel expenditures to support the Debris

¹ The three public safety REOs include: San Diego Police Officers Association (SDPOA); International Association of Fire Fighters, Local 145 (IAFF Local 145); and California Teamsters Local 911 which represents the Lifeguards.

² SDCERS is the San Diego City Employees' Retirement System. The final FY 2023 valuation was approved by the SDCERS Board of Administration on May 10, 2024.

³ The Proposed Budget amount was based on the draft FY 2023 actuarial valuation which was presented as an information item to the SDCERS Board of Administration by its actuary, Cheiron, on January 12, 2024. The valuation determined the citywide ADC would be \$526.6 million. However, Cheiron also presented an amortization policy study, which included several scenarios for changing the amortization method related to the pension's unfunded liability. On March 8, 2024 the Board approved changing the amortization method for the nonpolice employees' portion of the unfunded liability from a level dollar to a level percentage of pay methodology. This change was anticipated to decrease the \$526.6 million ADC presented in January by \$37.0 million, to \$489.6 million, which was the amount included in the Proposed Budget.

Assistance Program as an emergency response to the January 2024 storm event, which allows for no-cost debris-management services at eligible flooded properties⁴. The total Program cost is estimated to be \$4.0 million, with \$2.8 million to be funded out of the Recycling Fund and \$1.2 million to be funded out of the General Fund.

- *\$1,200,000 for Transfer to CIP – San Carlos Library (one-time), Citywide:* The May Revision includes the transfer of \$1.2 million from the Citywide Program Expenditures budget to partially fund the design of the San Carlos Library. In addition to the General Fund contribution, the Project will also receive \$1.6 million from debt financing and \$290,000 from Citywide Library Development Impact Fees. The design phase will be fully funded with these funding sources based on current cost estimates.
- *\$454,000 for Chollas Operations Yard Parking Expansion (one-time), Transportation and Stormwater:* This is the General Fund portion of an overall \$900,000 addition to add employee parking at the Chollas Operations Yard. This expansion would be adjacent to the operations yard, where employees are already having to park on the street or nearby because the lot on the yard is full every day. The other allocations are \$257,722 in the Water Utility Fund, \$107,997 in the Fleet Operations Fund, and \$80,775 in the Central Stores Fund.
- *\$198,000 for Property Tax Administration Fees, Citywide:* Adjustments are made to accommodate increased expenditures to support the property tax administration fee paid to the County of San Diego.
- *\$60,000 for Trench Cut Fee, Transportation:* In the IBA’s Review of the Proposed Budget, our Office recommended that the Transportation Department conduct an analysis to ensure that the amount included within the General Fund for Trench Cut Fees to cover costs for SDG&E. Based on a more recent analysis, the City is going to incur additional expenses related to the transfer of \$60,000 beyond what is included in the Proposed Budget.
- *\$18,000 for Security Services, City Attorney:* This adjustment right sizes the allocation for security services at Your Safe Place which has been historically underbudgeted by \$18,000. Actual contract costs are \$68,000 per year.
- *(\$90,000) for Independent Legal Council (one-time), City Auditor:* In March 2024, voters approved a ballot measure to authorize the City Auditor and the Audit Committee to retain and use independent legal counsel, on an as-needed basis, to serve the public interest. Given the time needed to select and retain independent counsel, the Office anticipates likely awarding the contract mid-fiscal year. As a result, the City Auditor has reduced the budget request for independent legal counsel to \$90,000 in FY 2025, to reflect partial year savings.
- *(\$268,000) for Benefits Consulting Services, Citywide:* The Citywide Program Expenditures budget was reduced to reflect the reclassification of benefits consulting services from the General Fund to the Risk Management Administration (RMA) Fund.

⁴ The Debris Assistance Program is run by the Environmental Services Department. The May Revision mistakenly referenced a reimbursement to the Development Services Fund, which will be corrected in the Adopted Budget.

This reclassification will centralize the benefit consulting services expense in the RMA Fund budget, which will be allocated to departments as part of their fringe benefit payments to the RMA Fund. The General Fund portion of the benefits consulting services expense is estimated to be 65.7% of the full contract cost of \$407,000.

- *(\$467,000) Net Change in General Fund Support for Homelessness Programs, HSSD:* see below for a review of the funding changes and potential programmatic impacts on homelessness programs based on the May Revise.
- *(\$903,000) for Non-Discretionary Adjustments, multiple departments:* This amount includes several offsetting adjustments in the May Revise that are spread across various departments. Decreases include approximately \$1.2 million each for electric services and information technology costs. These decreases are partially offset with increases, including \$557,000 for Environmental Services payments, \$508,000 for gas services, and \$458,000 for Fleet vehicle usage fees.
- *(\$970,000) for Helicopter Financing Delay, Police:* Reduction in Debt Service costs based on the financing now anticipated to occur at the time the first Police Helicopter is delivered (November 2024).
- *(\$1,778,000) for Other PE Adjustments, multiple departments:* These are largely related to adjustments that avoid double counting of fixed fringe and a special assignment pay correction.

Homelessness Programs Support for FY 2025

This section details the May Revise changes specific to the Homelessness Strategies and Solutions Department (HSSD). As previously mentioned, the May Revise reflects a net change of (\$467,199) for the HSSD budget, compared to Proposed Budget, but this net change encompasses numerous May Revise adjustments. Broadly, May Revise adjustments include the shifting of \$6.0 million in previously proposed General Fund expenditures to State Homeless Housing, Assistance and Prevention (HHAP) grant funds in FY 2025 following updated State guidance regarding the timing of such funds. The availability of additional State grant funds in FY 2025 subsequently allowed for 1) a reduction to the proposed budget reduction for the San Diego Housing Commission, which now stands at \$7.0 million, and 2) full-to-partial program restorations to cuts identified in the Proposed Budget. Furthermore, the May Revise includes updated operating expenditures for some programs, as well as a source of additional funding from the Low-Income Housing Lease Revenue Fund. May Revise changes to the HSSD Budget are shown in the table on the following page and detailed in the remainder of the section, including a discussion of significant downward adjustments, significant restorations, programmatic impacts to SDHC-administered homeless programs following the May Revise, and a summary table showing total program funding and differences between the Proposed Budget and the May Revise.

SUMMARY OF HOMELESSNESS STRATEGIES AND SOLUTIONS FY 2025 GENERAL FUND BUDGET CHANGES			
Description	Proposed Budget Adjustment	May Revise Adjustment	Total Adjustment
Baseline Budget	FY 2024 Adopted Budget	FY 2025 Proposed Budget	
Baseline Total NPE Expenses	\$ 41,540,892	\$ 52,737,823	
Programmatic Changes			
<i>Budget Mitigation: San Diego Housing Commission</i>	\$ (15,000,000)	\$ 7,000,000	\$ (8,000,000)
<i>Housing Instability Prevention Program</i>	-	750,000	750,000
<i>Existing Programs with Annualized Costs - Safe Sleeping, Public Restrooms</i>	7,743,387	520,405	8,263,792
<i>Multidisciplinary Outreach Team</i>	-	350,000	350,000
<i>Existing Family Non-Congregate Shelter Operations</i>	-	315,000	315,000
<i>Day Center Operations</i>	500,000	160,933	660,933
<i>Non-Discretionary - Non-Congregate Shelter Leases</i>	2,842,045	-	2,842,045
<i>Shelter Contracts Compensation Increases</i>	1,048,784	-	1,048,784
<i>New Family Non-Congregate Shelter Expansion</i>	450,450	-	450,450
<i>Low-Income Housing Lease Revenue Fund</i>	-	(834,176)	(834,176)
<i>New 1,000 Additional Shelter Beds at Kettner/Vine and 200 Safe Parking Spaces at H-Barracks</i>	7,125,735	(2,711,101)	4,414,634
<i>Continued Shelter Operations - Grant Funding Replacement</i>	9,723,398	(6,018,260)	3,705,138
Other Changes			
<i>Removal of One-Time Funding and Revenue</i>	(3,384,859)	-	(3,384,859)
<i>Other Non-Discretionary Adjustments</i>	147,991	-	147,991
Total NPE Adjustments	\$ 11,196,931	\$ (467,199)	\$ 10,729,732
Total NPE Expenses	\$ 52,737,823	\$ 52,270,624	\$ (467,199)

* Table only reflects budget adjustments for non-personnel expenditures. The tables does not reflect total program expenses or personnel expenditures, which can be found elsewhere in the report.

Significant May Revise Downward Adjustments

- (\$6.0 million) for *Continued Shelter Operations – Grant Funding Replacement*: Since FY 2019, the City has relied on one-time State HHAP funds to support ongoing homelessness operations. In the fifth and most recent HHAP allocation (HHAP 5.0), the City was allocated \$29.9 million. However, in a departure from past practice, State [guidance](#) stated that HHAP 5.0 will be allocated in two separate disbursements with only 50% of the allocation (or \$15.0 million) available in FY 2025. The remaining 50% will only be available after 1) the City obligates at least 75% and expends at least 50% of the initial disbursement by June 30, 2026, and 2) the region submits an updated regionally coordinated homelessness action plan no later than January 31, 2026. As a result of these requirements, it was thought that the City would only receive the second half of the HHAP 5.0 allocation after FY 2025. Hence, the Proposed Budget included a \$9.7 million increase in General Fund to cover programs previously supported by HHAP funds. The City has since received clarification from the State regarding the requirements to access the second

half of the HHAP 5.0 allocation. According to the Department, the City can access the second half of the allocation after the obligation and expenditure requirements are met. The Department anticipates these requirements will be met in May 2025 and, at that point, will be requesting the second half of the allocation. As a result, the City is able to access additional HHAP 5.0 in FY 2025. The May Revise assumes \$6.3 million in additional HHAP funds – with \$4.5 million from new HHAP 5.0 funds and \$1.9 million in carryforward HHAP funding from prior rounds. The additional HHAP funds allow some eligible programs totaling \$3.7 million in expenditures to shift from General Fund to HHAP funds support.

- *(\$2.7 million) for New 1,000 Additional Shelter Beds at Kettner/Vine and 200 Safe Parking Spaces at H-Barracks:* The May Revise reduces expenditures associated with 1,000 net new shelter beds to be added at a former industrial facility at Kettner Street and Vine Street (Kettner/Vine) by \$921,000. This adjustment reflects a revised timeline for operations beginning in June 2025 (rather than April 2025 as assumed in the Proposed Budget) due to ongoing lease negotiations for the facility. Notably, the May Revise also includes \$390,000 for lease operating expenses, such as property taxes and insurance, that would be incurred in FY 2025. The May Revise assumes that the monthly base rent will be abated for the entirety of FY 2025. For Safe Parking, the May Revise reduces expenditures associated with the 200 Safe Parking spaces in H-Barracks by \$1.8 million due to a \$1.2 million federally awarded grant⁵ for the City to expand Safe Parking and the use of \$841,000 available in the current budget for new Safe Parking that has not been implemented in FY 2024, but is proposed to cover Safe Parking at H-Barracks. As of this writing, the Department is still developing program timelines and details for Safe Parking at H-Barracks. Revised assumptions and funding amounts associated with 1,000 new shelter beds and 200 Safe Parking spaces can be found in the following table.

Funding Type	Proposed Budget		May Revise	
	Funding	Assumptions	Funding	Assumptions
1,000 Additional Shelter Beds at Kettner/Vine - Estimated Annualized Cost \$30M				
One-Time	\$ 650,000	Initial start-up costs, including beds, furniture	\$ 650,000	Initial start-up, beds, furniture
Ongoing	2,187,500	350 beds starting April 2025	1,264,634	FY 2025 lease operating costs, including property taxes and insurance; 350 beds starting June 2025
FY 2025 Total Funding	\$ 2,837,500		\$ 1,914,634	
200 Safe Parking Spots at H-Barracks - Estimated Annualized Cost \$2.4M				
One-Time	\$ 3,700,000	Site improvements for Safe Parking	\$ 2,500,000	Site improvement for Safe Parking, reflects \$1.2M federal grant
Ongoing	588,235	200 spaces starting April 2025	-	200 spaces supported by \$841,000 in base budget
FY 2025 Total Funding	\$ 4,288,235		\$ 2,500,000	

⁵ According to the Government Affairs Department, the \$1.2 million awarded to the City through the federal Community Project Funding process is restricted to site preparation needed to expand the Safe Parking program but is not restricted to the H-Barracks location. The expenditure deadline is 2032.

- *(\$834,000) from the Low-Income Housing Lease Revenue Fund:* The May Revise includes the draw down of funds from the Low-Income Housing Lease Revenue Fund to cover bridge shelter operations. The Low-Income Housing Lease Revenue Fund was established in 1979. The fund previously collected revenue from lease payments on two properties providing low-income housing as well as earned interest on the fund's cash balance, but these properties were subsequently sold to the Housing Commission, and the fund no longer collects revenue, apart from interest income. The fund balance is currently \$834,000, meaning the May Revise proposes to fully deplete the fund. Funds are transferred by the Housing Authority upon request by the Housing Commission for the purpose of increasing the supply of low- and moderate-income housing. Since 2011, there have been three transfers from the fund: 1) \$4.0 million to support the Homeless Veteran's Initiative in 2016; 2) \$170,000 to support the Serial Inebriated Program in 2017; and 3) \$2.3 million to support the start-up and operation of the 17th and Imperial Bridge Shelter in 2019.

Significant May Revise Restorations

- *\$7.0 million to reduce funding withheld from the San Diego Housing Commission (SDHC):* The Proposed Budget included a budget mitigation action to withhold \$15.0 million from the SDHC funding allocation to administer City funded homelessness programs. Due to the availability of additional HHAP funds, the May Revise reduces SDHC's budget reduction to \$8.0 million.
- *\$750,000 (one-time) for the Housing Instability Prevention Program (HIPP):* The May Revise included a \$750,000 augmentation for HIPP, bringing total program funding to \$3.0 million in FY 2025. According to SDHC, this funding would support the current participants at the existing subsidy tiers. The May Revise funding level would not allow new participants to be enrolled to backfill open slots once current participants exit the program, effectively sunseting the program. Additional considerations regarding HIPP funding will be discussed later, under the SDHC-administered program subsection.
- *\$520,000 for "O" Lot Safe Sleeping operations:* This increase supports higher ancillary costs, such as janitorial and restroom servicing, at the "O" Lot Safe Sleeping site, bringing total program funding to \$9.4 million.
- *\$350,000 (one-time) for the Multidisciplinary Outreach Team:* This adjustment restores partial funding for the Multidisciplinary Outreach Team, which was not included in the Proposed Budget. Total program funding, including a \$750,000 State grant awarded to the program, is \$1.1 million.
- *\$315,000 (one-time) for existing family non-congregate shelter operations:* This funding offsets a reduction in federal Community Development Block Grant funding anticipated to be allocated for homelessness starting in FY 2025, bringing total program funding to \$4.4 million.

- *\$161,000 (one-time) for Day Center operations:* This increase restores funding to the Day Center, bringing total program funding to \$921,000.

Potential SDHC-Administered Program Impacts

Although May Revise included noteworthy program restorations, to varying degrees, numerous SDHC-administered homelessness programs have funding levels below SDHC recommended levels, with potential programmatic impacts. A comparison of SDHC recommended funding levels and City May Revise, as well as a high-level summary of potential impacts for each program can be found in the table on the following page.

SDHC-Administered City Program	SDHC Recommended Funding Level	FY 2025 City May Revise Total Funding	Difference between SDHC Recommended and May Revise	Potential SDHC Program Impacts
Housing Instability Prevention Program	\$ 5,584,346	\$ 3,000,000	\$ (2,584,346)	Supports existing participants at current subsidies; no new enrollment
Rosecrans Sprung Shelter	5,185,754	4,608,094	(577,660)	No lunch service
Harm Reduction Interim Shelter	2,629,733	2,271,819	(357,914)	Full operation costs might not be covered ¹ ; SDHC will explore right sizing staff-to-occupants ratio, since this site has more staff relative to bed capacity than other shelter programs.
Family Non-Congregate Shelter ²	2,582,435	2,231,652	(350,783)	HSSD intends to restore lunch service by leveraging federal food funds; SDHC remains uncertain about resources to restore lunch
Bridge Shelter - 17th and Imperial	4,084,824	3,738,960	(345,864)	Full operation costs might not be covered ¹ ; unfunded increased costs for utilities, insurance, and other operations
Bridge Shelter - 16th and Newton	8,314,611	7,981,057	(333,554)	Difference due to transfer of five outreach workers from this contract to a separate outreach contract
Homelessness Response Center	1,927,394	1,659,258	(268,136)	Unfunded 2.00 new FTE for intake/triage recommended to support increased demand for services
PEER College Course	262,500	-	(262,500)	Reduced course offerings from four to two each academic year; reduce job counseling
Interim Housing for Homeless Adults	2,716,644	2,487,984	(228,660)	
Serial Inebriate Program	339,299	145,000	(194,299)	Reflects partial year funding, as current County contract ends December 31, 2024
Bishops Shelter	658,338	622,900	(35,438)	
Think Dignity Storage Facility	245,683	243,252	(2,431)	
LGBTQ+ Youth Services and Shelter	2,047,500	2,047,500	-	
Storage Connect Center I	1,241,100	1,241,100	-	
Connections Interim Housing	1,224,023	1,224,023	-	
Women's Shelter	1,120,998	1,120,998	-	
Multidisciplinary Outreach Team ³	1,100,000	1,100,000	-	Program will operate at current capacity, rather than increasing participation, as State funding had intended
Neil Good Day Center	920,550	920,550	-	
New Family Shelter Expansion	450,450	450,450	-	
Youth Emergency Shelter	404,803	404,803	-	
Storage Connect Center II	315,000	315,000	-	
Rapid Rehousing	795,330	795,367	37	
Bridge Shelter - Golden Hall (Upstairs)	5,667,977	5,906,803	238,826	Reflects current contract agreement with service provider, which was not yet finalized when SDHC was developing recommendations
Transition Age Youth Shelter	2,200,680	2,497,304	296,624	
Eviction Prevention Program	-	3,000,000	3,000,000	
Withheld Funding from SDHC Allocation	-	(8,000,000)	(8,000,000)	
Grand Total	\$ 52,019,972	\$ 42,013,873	\$ (10,006,099)	

¹ According to SDHC, operation costs are not fully covered for some programs under May Revise. SDHC is in discussions with the respective program operators to determine potential impacts, which may include reductions in staff or services, to cover operational costs.

² May Revise amount may not match other total funding levels, due to the removal of non-discretionary lease costs in this table.

³ Assumes SDHC will use State grant funding awarded in the FY 2023-24 State Budget to supplement City General Fund.

Below we provide additional context related to potential implications of May Revise adjustments on SDHC-administered programs.

HIPP Funding Levels

As previously mentioned, according to SDHC, the proposed May Revise funding totaling \$3.0 million would allow HIPP to continue providing financial assistance to the 260 participants currently enrolled in the program at the existing subsidy tiers of \$250, \$500, and \$750 per month, but proposed funding would not support any new enrollment, potentially resulting in the wind-down of the program. Additional augmentations would support the following program changes:

- \$2.6 million increase to fund the full SDHC recommended amount. This additional funding would support increased subsidy tiers of \$550, \$800, or \$1,050 per month to reflect higher market rents, allow for new enrollment to operate at full program capacity of 300 households, and provide flexibility to extend financial support beyond two years of assistance for highly vulnerable households on fixed incomes, such as seniors and individuals with disabling conditions.
- \$1.2 million increase to maintain 300 households. This additional funding would enable SDHC to enroll new households and operate at the full program capacity of 300 households at the existing subsidy tiers, without the option to extend assistance beyond the two-year eligibility period.

Shelter Lunch Service

The Proposed Budget removed lunch service at the Rosecrans/Midway Sprung Shelter and existing family non-congregate shelter, while reducing lunch costs at the Emergency Harm Reduction Shelter. Under the May Revision, HSSD intends to restore lunch service at the family non-congregate shelter by accessing federal food assistance funds, such as the federal Emergency Food Assistance Program, that may be available, but according to SDHC, federal and State funds are likely limited and would not cover the operator's full cost to provide lunch service. SDHC estimates that an additional \$383,000 would be needed for the family non-congregate shelter to provide lunch service, or \$192,000 for a cold lunch option. We note, the status of lunch service at the Rosecrans/Midway Sprung and Harm Reduction Shelters remain unchanged from Proposed Budget.

Living Wage and Cost-of-Living Adjustments (COLA)

Based on May Revise, SDHC initially identified eight programs where living wage and COLA adjustments for shelter staff would be unfunded. Since May Revise, SDHC has been authorized to reallocate a budgeted overage of \$296,624 from the Transition Age Youth Shelter to cover a 3% COLA for shelter staff; **SDHC believes this amount will be sufficient to cover a 3% COLA for the remaining programs.** (The youth shelter overage is due to differences between the FY 2024 budgeted funding and anticipated operational needs in FY 2025.) Additionally, we note that the May Revise maintains \$1.0 million for living wage and COLA compensation increases for shelter staff, but the distribution of these funds across program operators remains unclear. According to HSSD, some program-level increases proposed to be budgeted in FY 2025 would allow for staff

compensation increases and other adjustments, and the \$1.0 million budgeted separately for living wage and COLA increases would be applied to programs selectively to ensure parity in pay increases across HSSD and SDHC administered programs.

Serial Inebriate Program (SIP)

According to both SDHC and HSSD, the current County SIP contract with the existing service provider will conclude on December 31, 2024. The May Revise reflects six-months of funding to support the program through the end of the current contract. The County has issued a Request for Proposals to award a new SIP contract, but the City's continued participation in SIP is unlikely. According to HSSD, the connection between SIP and homelessness is largely assumed, and, given other City priorities related to homelessness and limited funding, such funds could be better directed elsewhere.

Overall Anticipated Funding for Homelessness

As the previous discussion focused on the May Revise impacts to homelessness program funding levels and potential programmatic considerations, the table on the following page shows the total program funding as of the Proposed Budget and as of the May Revision across General Fund and other funds primarily from federal, State, and County grants, as well as differences in May Revise funding compared to the Proposed Budget.

FY 2025 Anticipated Funding for Homelessness (Subject to Change)						
System Component	Programs	Proposed Budget Total	May Revise General Fund	May Revise Other Funds	FY 2025 Total	Difference from Proposed Budget
Housing & Services \$4.5 million	Housing Instability Prevention Program	\$ 2,250,000	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 750,000
	Rapid Rehousing - City Programs	773,330	-	752,683	752,683	(20,647)
	Diversion - Family Reunification	750,000	-	785,478	785,478	35,478
Crisis Response & Stabilization \$70.2 million	Shelters					
	Bridge Shelter - 16th and Newton	7,497,896	2,052,379	6,367,848	8,420,227	922,331
	Bridge Shelter - Golden Hall (Upstairs)	6,656,803	6,656,803	-	6,656,803	-
	Family Non-Congregate Shelter	4,085,432	3,173,084	1,227,348	4,400,432	315,000
	Domestic Violence Shelter	4,060,000	60,000	4,000,000	4,060,000	-
	Bridge Shelter - 17th and Imperial	3,844,349	1,758,955	2,155,657	3,914,612	70,263
	New Permanent Shelter/Kettner & Vine ¹	2,775,735	1,914,634	-	1,914,634	(861,101)
	Youth Case Management & Shelter ²	2,754,911	296,624	2,481,413	2,778,037	23,126
	Seniors Landing Non-Congregate Shelter	2,295,087	2,052,240	242,847	2,295,087	-
	Interim Housing for Homeless Adults	2,244,229	1,820,076	627,223	2,447,299	203,070
	LGBTQ+ Youth Services and Shelter	1,843,260	400,000	1,569,047	1,969,047	125,787
	Connections Interim Housing	1,224,023	1,224,023	-	1,224,023	-
	Women's Shelter	1,120,998	1,120,998	-	1,120,998	-
	Winter Weather Shelter	1,055,920	753,070	302,850	1,055,920	-
	Bishops Shelter	622,900	622,900	-	622,900	-
	New Family Shelter Expansion	450,450	450,450	-	450,450	-
	Safe Sleeping Programs					
	"O" Lot	8,847,638	9,368,043	-	9,368,043	520,405
	20th and B Lot	2,733,507	2,733,507	-	2,733,507	-
	Substance Use Disorder Shelters & Services					
	Rosecrans Sprung Shelter	5,091,735	756,012	3,852,546	4,608,557	(483,178)
	Harm Reduction Interim Shelter	2,406,819	2,406,819	-	2,406,819	-
	Safe Haven	425,937	425,937	-	425,937	-
	Serial Inebriate Program	290,000	145,000	-	145,000	(145,000)
	Safe Parking Programs					
	H-Barracks New Safe Parking Program ^{1,3}	4,350,000	3,340,944	-	3,340,944	(1,009,056)
	Safe Parking Programs	3,313,990	975,000	2,828,955	3,803,955	489,965
	New Safe Parking for Families ³	840,944	-	-	-	(840,944)
Engagement Services \$20.4 million	Outreach					
	Coordinated Street Outreach	3,107,500	650,000	2,731,313	3,381,313	273,813
	Other Outreach ⁴	1,805,000	1,805,000	-	1,805,000	-
	Multidisciplinary Outreach Team	-	350,000	-	350,000	350,000
	Storage					
	Storage Connect Center I	1,592,100	1,264,047	-	1,264,047	(328,053)
	Storage Connect Center II	523,000	523,000	-	523,000	-
	Think Dignity Storage Facility	243,252	243,252	-	243,252	-
	Other					
	Encampment Resolution Grant Programs ⁵	4,982,456	-	4,982,456	4,982,456	-
	Homelessness Response Center	1,659,258	1,659,258	-	1,659,258	-
	Public Restrooms	5,832,587	4,210,000	-	4,210,000	(1,622,587)
	Shelter Contract Compensation Increases ⁶	1,048,784	1,048,784	-	1,048,784	-
	Neil Good Day Center	500,000	920,550	-	920,550	420,550
	PEER College Course	-	-	-	-	-
Administration ⁹ \$3.8 million	HSSD Administration ⁷	3,510,489	3,602,973	-	3,602,973	92,484
	SDHC Administration	603,579	-	887,969	887,969	284,390
	HMIS Set-Aside ⁸	149,592	-	149,592	149,592	-
	Low Income Housing Lease Revenue	-	(834,176)	-	(834,176)	(834,176)
	SDHC Withheld Funds	(15,000,000)	(8,000,000)	-	(8,000,000)	7,000,000
Total Expenses		\$ 85,163,489	\$ 54,950,185	\$ 35,945,225	\$ 90,895,410	\$ 5,731,921

Note: Ancillary costs (including lease costs) are included in the respective program operation allocations.

¹ Program budget reflects preliminary estimates regarding capacity and operational costs.

² Includes Transitional-Age Youth Shelters 1.0 and 2.0, as well as the Youth Emergency Shelter.

³ Reflects May Revise adjustment to use \$841,000 in existing budget resources to cover new H-Barracks Safe Parking operations.

⁴ Includes San Diego Downtown Partnership Street Outreach, Caltrans Outreach, and City CARE events and outreach hub.

⁵ All Encampment Resolution Grant funded activities are included in this item: housing and services contract (\$3.4 million), outreach (\$800,000), and Health Care in Action mobile medical services (\$800,000).

⁶ FY 2024 Adopted Budget included \$458,000 embedded in three shelter contracts intended for shelter worker compensation increases.

⁷ Includes adjustments from salaries, benefits, non-discretionary, energy increases, and the Employ and Empower program.

⁸ HMIS: Homeless Management Information System; set-aside required under recently allocated State grant funds.

MAY REVISION CHANGES: NON-GENERAL FUNDS

EMS Fund

As noted in IBA Report 24-09, Review of the Fiscal Year 2025 Proposed Budget, it was anticipated that the Fire-Rescue Department would include updated revenue and expense projections for the Alliance Model in the May Revision. Those updates include \$9.3 million in additional expenditures and \$9.2 million in offsetting revenue. With these additions, EMS revenue is projected to exceed EMS-related activity by approximately \$7.0 million. When including the \$6.1 million transfer out to the General Fund, which is a General Fund mitigation action included in the Proposed Budget, projected net activity in FY 2025 is reduced to \$929,000.

The Department is projecting the FY 2024 ending fund balance to be at a deficit of \$8.0 million. This shortfall was anticipated given the lag time between when services/transport occur and when revenue from billing/collections is received. Given the projected activity for next fiscal year, the FY 2025 ending fund balance is anticipated to improve, but remain in deficit by approximately \$7.0 million, assuming the full \$6.1 million transfer to the General Fund. Based on the current projections, it does not appear that the EMS Fund can sustain the full \$6.1 million transfer-out to the General Fund. However, the Department has noted that projections continue to fluctuate and until a full year of actual data for revenue and expenditures is gained, the projections will continue to change. The Fire Rescue Department plans to work with the Department of Finance to evaluate the EMS Fund's ability to sustain the full transfer at mid-year or year-end when historical data can support the assessment.

Public Utilities Department Enterprise Funds

The Public Utilities Department (PUD) made a number of changes during the May Revision, most of which relate to truing up the revenue budgets with expected activity, as well as changes to non-discretionary adjustments. For the wastewater funds, revenues and expenditures are still trending close to the projections within the most recent Public Utilities Department Five Year Outlook. For the water fund, the City's costs for operations and maintenance, debt service, and CIP are also in line with Outlook projections. However, the water purchases budget increased in the May Revision by \$53.1 million.

Based on current projections provided by the San Diego County Water Authority (CWA), which is the regional water wholesaler, the City's costs to purchase water in FY 2025 will be approximately \$30 million higher than what was assumed in the Outlook. This is because, while the Outlook assumed a roughly 7% rate increase from CWA, the CWA Board of Directors will be asked to approve a 20% rate increase during its meeting on June 27th. The reasons for this dramatic increase are mainly due to lower water sales at the CWA, combined with CWA's inability to lower its costs due to various contractual expenses that require the agency to buy water at a level that is beyond what they are currently selling.

The final impact from CWA rate changes is still being negotiated, and will not be known at the time of budget adoption. However, it is important to note that rate increases to cover PUD's FY

2025 costs have already been approved for both the wastewater and water funds. However, if the CWA Board does approve an approximately 20% increase, this would require PUD to either divert some of the already approved increase from City operations to water purchases, or seek authority to increase water rates to account for the wholesale passthrough. This increase would be between 2 to 4 percentage points approve the already approved rate increase.

Beyond water purchases costs, changes in revenues and expenditures for either wastewater or water funds are not anticipated to dramatically change the rates increases that PUD will seek next year. However, unforeseen increases in personnel expenses, supplies, and energy costs could increase operational expenses and therefore either increase the rates needed to sustain the department, or require additional mitigations including CIP reduction.



**COUNCIL PRESIDENT PRO TEM JOE LACAVA FIRST
COUNCIL DISTRICT**

M E M O R A N D U M

DATE: May 20, 2024

TO: Charles Modica, Independent Budget Analyst

FROM: Council President Pro Tem Joe LaCava

SUBJECT: Budget Review Committee - Questions for City Departments

I appreciate the efforts of the Office of the Independent Budget Analyst (IBA) and Councilmember Lee, as Chair of the Budget Review Committee, to implement changes to the format of the Budget Review Committee. I advocated for these modifications to the budget review process to allow for more productive and informative conversations between departments and the City Council. The resulting agenda and format accomplished this goal.

As suggested in Chair Lee's April 12, 2024 memorandum regarding the Budget Review Committee Meeting Format, my office utilized the budget referral response process and submitted questions to the IBA prior to department presentations. I thank the Office of the IBA for relaying these questions to the respective departments and facilitating an informed exchange on the budget.

Please find below a summary of the questions my office submitted via email, organized by departments and hearing date.

General

- ❖ What are the cost savings to the city associated with eliminating the Cannabis Social Equity Department, No Shots Fired, Immigrant Affairs, Climate Equity Fund, SD-Access for All, and Wi-Fi programs? Please provide details to include personnel savings, programmatic savings, and any consideration of what the cost will be to other departments to absorb.

Response: For the Cannabis Social Equity program, savings are \$417,139 in personnel expenditures associated with 3.00 FTEs; no other departments will absorb costs.

For the No Shots Fired Program, savings of \$250,000 in NPE associated with the elimination of this program was included in the Proposed Budget; this reduction has been restored in the May Revision.

For the Office of Immigrant Affairs (OIA), savings are \$521,000 personnel expenditures associated with 3.00 FTEs and \$41,000 NPE (total savings of \$562,000). Certain duties and responsibilities of the OIA are assumed, or will be assumed, by the Department of Race and Equity, the Mayor's Global Affairs team, and the Government Affairs Department. Additionally, members of the public could be referred to the County's Office of Immigrant and Refugee Affairs, which serves as the regional lead in immigrant and refugee affairs, for services.

The total appropriated to projects from the Climate Equity Fund (CEF) is \$2.6 million, including \$1.5 million in the proposed budget for green infrastructure projects and \$1.1 million in the May Revision for traffic calming and traffic signals modifications in communities of concern (COCs). The remaining \$8.5 million transfer that would have otherwise gone to the CEF is instead being put into the General Fund as a mitigation action.

There is a reduction of \$57,000 in NPE for the Digital Literacy Program that is part of the Digital Equity Program – SD Access 4 All ((part of the required 2% reduction target). This training is provided by the San Diego Futures Foundation, a local non-profit service provider. Department of IT officials noted that the decrease is anticipated to result in a 90% reduction in services and classes being eliminated at most sites. Based on discussions with the San Diego Futures Foundation, the program would most likely be reduced to one training that would occur every other week.

Two items requested by the Department of IT to support SD Access 4 All were not funded in the Proposed Budget, which are anticipated to reduce service levels. These were not reductions but were requested due to increased costs and the loss of other funding, so don't have related savings. This includes \$500,000 needed to continue Wi-Fi services at 59 Parks and Recreation sites. Wi-Fi for these sites was originally funded by the Parks Foundation (\$1.4 million for infrastructure and services). No replacement funding has been identified at this time. Also, \$227,000 was requested to support the Public Library Hotspot and Chromebook Lending program. The added funding is needed to address AT&T's planned FY 2025 price increases of 49% per unit for hotspots. There will be a 25% reduction of inventory due to cost increases if no additional funding is found.

Note that \$784,000 in one-time NPE was funded in the May Revision to restore the SD Access 4 All programs to existing service levels.

May 20, 2024
 Budget Review Committee - Questions for City Departments
 Council President Pro Tem LaCava
 Page 3 of 13

Wednesday, May 1st, 2024

Police

- ❖ Impact of reduction of 8 Police Officer 2s assigned to the Juvenile Services Teams (JST) on the JST?

Response: *This reduction was restored in the May Revision.*

- ❖ Does the Police Department budget for all 231 vacancies? Or just a portion, knowing they are unable to fill them all in a fiscal year? What are the vacancies now?

Response: *The Department of Finance performs an analysis during the development of the budget to estimate an amount of personnel savings by department attributed to: 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. The Fiscal Year 2025 Proposed Budget included an estimated savings of \$28.2 million for the Police Department. Please note that vacancy savings is intended to account for, among other things, the potential savings associated with vacant positions during the fiscal year. Due to this, the budget has already been reduced to account for potential vacancies. During Budget Development, the vacancies for the department were 212 sworn and 107 civilian (319 total). The department's current vacancies are 184 sworn and 84 civilian (268 total) as of 5/13/24.*

Public Utilities

- ❖ Of the reported \$78 million in uncollected revenue, how much are from individuals unable to pay compared to people unwilling to pay their bills?

Response: *The Public Utilities Department works with all customers who may experience challenges paying their bill. We have participated in multiple relief programs in the last four years that have benefited customers with a total of approximately \$75 million in water utility bill relief. We also offer installment plans for up to three years with no interest or fees.*

As part of our continued consideration of payment collections options, we will ensure compliance with state law that factors a customer's income level into a utility's ability to take action in times of non-payment.

Stormwater

- ❖ Where are the stormwater maintenance amounts counted? Included in NPE?

Response: *Budget for stormwater maintenance is included in both Personnel and Non-Personnel expenses. For example, Personnel expenses cover the work of in-house crews that regularly inspect/clean/repair storm drains, inspect/maintain channels, service pump stations, and perform other regular maintenance services such as street sweeping and cleaning of water quality treatment systems (basins, swales, etc.). Non-personnel expenses also support maintenance and include purchase of materials, rental of vehicles/equipment, landfill disposal fees, permitting, and engineering analysis/consultant support among other work.*

May 20, 2024
 Budget Review Committee - Questions for City Departments
 Council President Pro Tem LaCava
 Page 4 of 13

- ❖ Is there a fundamental shift in terms of stormwater maintenance (both prioritization and dollars), based on the floods?

Response: Yes, in FY 2025, the Stormwater Department is shifting both staffing and NPE resources to ensure an enhanced level of maintenance in the communities impacted by the floods. Specifically, our goal will be to perform repeat maintenance on the more than 18 miles of storm channels that were part of the emergency maintenance performed following the January storms. More than 12 miles of these channels are located in the highly impacted Chollas Creek Watershed and will receive ongoing maintenance. The shift will include re-assigning one of the department's two in-house pipe teams (13 staff) to perform full-time channel maintenance work in FY 2025. This is critical because vegetation and sediment can build up fast in the channels cleared during the emergency. The NPE budget for the Channels Maintenance team will also more than double to support this increased maintenance effort. For example, a contract with Urban Corps is anticipated to double to support vegetation removal. NPE increases will also support higher-than-normal material disposal costs. To support this shift, resources will be moved from the department's in-house pipe repair teams, which will be able to replace a smaller length of deteriorated storm drain pipe than originally anticipated.

Thursday, May 2nd, 2024

Development Services Department

- ❖ Does the proposed budget reflect the proposed DSD fees as approved by the City Council (Note, this question has been updated to reflect the approval of the fees by Council)? What will be the impact of those fee increases being approved? Will additional personnel, if any, be added in the May Revise? Will General Fund money be freed since the prior fee schedule only generated 88% of actual DSD costs?

Response: The Proposed Budget does not reflect proposed fees. We have submitted that adjustment for the May Revise issue. As was presented at LU&H, the proposed impact is approximately \$15.5M of increased revenues. Additional personnel in the May Revise for the Enterprise Fund is not being requested. Aside from the 5.00 FTEs included in Proposed, DSD will continue to leverage existing positions to best suit the needs of the operation.

- ❖ Why add FTE to support Complete Communities? Will these positions advance the goal of more affordable housing?

Response: The 3.00 FTEs are needed to support Complete Communities for those unique job classes (mechanical and life safety inspector and project manager) that are at capacity and have no vacancies.

- ❖ How many FTE will be remote? Are we planning appropriately with the new lease and office expenditures?

Response: DSD is space planning based on a 1.5 FTE per workstation ratio due to remote and alternative work schedules.

May 20, 2024
 Budget Review Committee - Questions for City Departments
 Council President Pro Tem LaCava
 Page 5 of 13

Thursday, May 2nd, 2024, Cont.

City Planning

- ❖ Is the \$863k for contractual services a program expansion? If so, for what program?

Response: This is not an expansion to the Department budget. This \$863K is the normal reappropriation of \$1 million in carry forward balance from the prior fiscal year to fund our work program, minus \$136,400 to reflect our revised GPMF revenue adjustment. These funds are appropriated to GF staff to reimburse for staff time (GF revenue).

- ❖ What is the FY25 Work Plan for City Planning?

Response: We plan to update our FY 25 work program and release in late June prior to the beginning of the new fiscal year. You can view our Department's FY 24 Work Program [here](#). To give an idea of the FY 25 Work Program, we anticipate that Blueprint SD, Hillcrest Focused Plan Amendment, University Community Plan Update, 2024 LDC Update, and Environmental Justice Element work program items will largely be completed in FY 25. As we get a better sense of potential funding sources to add items to the work program, additional items will be added to the FY 25 Work Program, which again, we expect to have updated by the end of this fiscal year. Please note that we do continuously update our Work Program throughout the year based on additional identified funding.

Sustainability and Mobility

- ❖ What is the reduction in Complete Streets design?

Response: The Complete Streets design reduction reflects the current status of the Complete Streets Design Manual draft. The remaining efforts around this project are served almost exclusively with staff time and the appropriated NPE funds are no longer necessary. There remains some NPE in the base budget for any marginal NPE costs for this effort.

- ❖ In FY24 the budget was developed in close coordination with the Sustainability and Mobility Department and our CAP goals. Was this the case in FY 25?

Response: The Sustainability and Mobility Department was consulted by and supported other departments in their budgeting plans through CAP workplan support, Sustainability Roundtable discussions, and ad hoc requests. The SuMo Director did not participate in the Executive Budget Review (EBR) process as was done in FY 2024, as the EBR process was adjusted in light of the structural deficit and other budgetary challenges in FY 2025.

- ❖ Will department work plans reflect implementation of CAP goals and identify gaps?

Response: Work plans will reflect expected effort toward CAP targets for FY 2025. Implementation status, timelines, and potential gaps are shifting to the CAP dashboard reporting tool for easier visibility at <http://climatedashboard.sandiego.gov>

May 20, 2024

Budget Review Committee - Questions for City Departments

Council President Pro Tem LaCava

Page 6 of 13

- ❖ Given the budget challenges, my budget priority memo called for an increased focus on state and federal grants for CAP revenue. What grants have we received and what are currently pursuing?

Response: Below is a list of grants received. Most of these are just getting started, so they will provide offsetting funds in FY 2025.

- Energy Efficiency Community Block Grant - \$1.2 million - most of this grant is going to be for efficient electric appliance rebates
- Energy Futures Grant - \$500,000 for contingency planning for off-grid EV charging which pairs well with the \$750,000 of congressional Community Program Funds (FY 2023) for off-grid EV chargers we've received and are currently developing a procurement bench for solutions to execute those funds
- \$500,000 for energy resilience hub planning from CalOES through the FEMA
- Over \$1.5 million over the next few years focus on updating and implementing the Bike Master Plan and other mobility related programs such as slow streets. (Active Transportation Grant program and Safe Streets for All program)
- Close to \$1 million in funding for the ADA transition plan in the public right of way (Active Transportation Grant program and Safe Streets for All program)
- \$750,000 in Community Program Funds (FY 2024) for an EV charging resilience hub at Montgomery-Waller Rec Center
- SDCP Member Agency grant (new since BRC presentation) to develop the climate workforce/career pathway tool

Below are additional grants that the department is currently applying for.

- Charging and Fueling Infrastructure grant (CFI)
- National EV Charging Infrastructure program (NEVI)
- Sustainable Transportation Program grant
- Micromobility hub planning

- ❖ What is the operational impact of halting or delaying the public power feasibility study?

Response: While there is no immediate impact this fiscal year, delaying the public power feasibility study completion and subsequent presentation to the Mayor's Office, Council, and the public also delays any decision regarding continuing to pursue a public power option in advance of the 10-year review point in the current SDG&E franchise. This means the City, should it choose to continue down that path, will not be as far along in that process at the 10-year mark.

Economic Development, Real Estate and Airport Management

- ❖ Does the \$200k increase for commercial and retail center repair and maintenance at Montgomery Gibbs Airport trigger ZEMBOP? What are the impacts of delaying this funding?

Response: *The additional funding is for as-needed maintenance and repair and will primarily be used for carpet and paint. If other repairs fall within the ZEMBOP policy, then the funds would be used accordingly. Delaying the funding would result in additional vacancy and reduced revenue for the Airports Enterprise Fund.*

- ❖ Regarding the Eviction Notice Registry/Eviction Prevention Program, are there other sources to fill this program?

Response: *Emergency Rental Assistance (ERA2) is the only real solution as other potential funding sources do not meet eligibility/use requirements.*

In general, ERA2 funds can be used:

- *To assist households where one or more individuals can demonstrate a risk of experiencing homelessness or housing instability and the household is a low-income family*
 - *For rent and rental arrears (limited to 18 months)*
 - *For utilities and home energy costs and arrears*
 - *For housing stability services, including*
 - *Eviction prevention and eviction diversion*
 - *Mediation between landlords and tenants*
 - *Housing counseling*
 - *Fair housing counseling*
 - *Housing navigators and case management related to housing stability*
 - *Housing-related services for survivors of domestic violence or human trafficking*
 - *Legal services related to eviction proceedings and maintain housing stability*
 - *Specialized services for individuals with disabilities or seniors that support their ability to maintain housing*
 - *To cover the cost of a hotel room occupied by an eligible household*
 - *Other expenses as defined by the Secretary: housing relocations, rental security deposits, rental applicant and screening fees*
- ❖ What other sources could be used to bring SBEP to level required by CP 900- 15?

Response: *The Business Tax Certificate revenue collected to support SBEP is the primary and only source for these funds. No other funding source managed by EDD can substitute this funding source besides unencumbered General Fund. The department is unaware of additional solutions for funding at the Council Policy level.*

May 20, 2024

Budget Review Committee - Questions for City Departments

Council President Pro Tem LaCava

Page 8 of 13

- ❖ How are “transactions” defined for performance indicators? Standard lease renewals?

Response: Transactions can be defined by the various types of Real Estate “jobs” or “Transactions”. This includes items like: rent adjustments, inspections, appraisals, amendments, renewals, terminations, acquisitions, dispositions, easement grants, misc., etc.

- ❖ In FY24 Petco Park was supposed to break even, now projecting significant loss – why is that?

Response: With special event revenue significantly exceeding budget, DOF decided to reduce the TOT Special Promo contribution in the form of “Transfers-In” and leave the variance to be covered by the fund balance in the Petco Park Fund 200208.

- ❖ What does property management for 101 Ash cost? Can this be reduced?

Response: Property management budget for FY25 is \$2,473,267 and includes insurance, security, utilities, plumbing/electrical maintenance, landscape, janitorial, elevator maintenance, HVAC, fire safety maintenance, permit/inspection for building safety, parking garage maintenance, etc. It’s a 1.48% increase from prior year FY24 budget. There may be an opportunity to save expenditure costs related to 101 Ash, however we would need to sit down and review all current and projected expenses before making any final recommendations.

Environmental Services

- ❖ ESD Waste Services, \$4.5 million for Cost-of-Service Study – how is that being funded? Could we reduce a portion beyond the actual Cost of Service Study?

Response: The cost to complete the Cost-of-Service Study, as currently scoped, is \$500,000 for FY 2024 and \$3.0 million for FY 2025. \$4.5 million is the not-to-exceed ceiling for the overall contract. The \$3.5 million of work that has been scoped will be funded under the newly created Solid Waste Management Enterprise fund and will be recovered by the adopted waste collection service fee. While portions of the scope could be reduced, any reductions would not result in the availability of General Fund money for reprogramming or reallocating.

Reductions would disrupt the work that has already begun since the contract was approved in March 2024. Additionally, reductions would impact the City’s ability to execute this project through the lenses of equity and improved customer service described in the RFP and consultant workplan. The outreach and engagement are designed to be inclusive, representative, and iterative. Reducing the scope would inhibit our ability to ensure these goals are met.

The City will be asking residents to pay a fee for waste collection services for the first time. This is a historic opportunity to engage customers directly, ask what their needs are, and follow up with potential cost impacts. Investing a portion of the anticipated new revenue to reach out and engage with the residents first, before they incur the fee, provides those residents a meaningful opportunity to provide input before the services are defined and before fees are finalized.

May 20, 2024
 Budget Review Committee - Questions for City Departments
 Council President Pro Tem LaCava
 Page 9 of 13

❖ Impact of delaying ESD outreach for cost-of-service study? Eliminating it?

Response: *Delaying outreach would likely mean engaging with residents after key decisions have already been made. Eliminating outreach would remove the opportunity to engage with customers directly on what services they would like to see and to describe to them directly what the cost impacts of those services might be. Delaying or eliminating would contrast with the vision to engage in an inclusive, representative, and iterative way designed to allow residents to provide meaningful input through multiple rounds of outreach during the process.*

Thursday, May 2nd, 2024. Cont.

Environmental Services Cont.

❖ Does the ESD budget include a second pick up in Mission Beach during the summer?

Response: *Yes, a second pick up in Mission Beach is budgeted in FY 2025 for trash and recycling. This includes two collections per week for trash and weekly collection for recycling.*

General Services

❖ How much in vehicle acquisition costs (\$5,361,801) is being allocated toward fleet electrification?

Response: *In the Fleet Operations Fund, the \$5.3M is a net amount of a \$6.4M increase for fleet replacements and a decrease of \$1.0M for Non-Discretionary adjustments. The \$6.4M increase is budgeted for vehicles that need to be replaced in FY25 according to the Vehicle Replacement Plan. Use of funds towards electric vehicles (EV) depends on if the vehicles to be replaced have an EV equivalent and if those vehicles are available for purchase from the manufacturer within the fiscal year.*

❖ What are the main repercussions of the reduction in expenditures for facility maintenance and repairs?

Response: *The \$538,000 NPE reduction for supplies and services to meet the operational efficiency budget reduction is likely to impact the Division's ability to provide core services. We note that since FY 2022, Facilities Services has expended 92% to 100% of its NPE budget. In addition, Facilities Services has been chronically underfunded. As a result of this budget reduction for supplies and services, some needed maintenance is likely to be deferred. Deferred maintenance to Citywide facilities could increase future maintenance costs and/or the need for capital renewal; lead to asset failure and require more costly, emergency projects; and add to the already significant backlog of projects.*

We note the \$3.0 million one-time reduction in NPE for repair and maintenance for electrical, HVAC, plumbing, carpentry, roofing, painting, and plastering will be offset by a one-time addition in expenditures in the Infrastructure Fund, so there is no resulting impact to service levels from that reduction.

May 20, 2024
 Budget Review Committee - Questions for City Departments
 Council President Pro Tem LaCava
 Page 10 of 13

Friday, May 3rd, 2024

Library

- ❖ How is the Library Master Plan being implemented through the budget?

Response: The Library Master Plan has been adopted as of Fiscal Year 2024 and serves as a long-range guide for future City investment in Library spaces. It's a planning tool used to help identify the diverse community needs and demands as they relate to library services, through an equitable approach. However, the Master Plan was not adopted with specific budget strings attached. Rather, it includes recommendations for improvements in the areas of innovation and technology resources, diversified collections, increased program or service offerings, among building improvements (i.e., not strictly "CIP"). The Master Plan allows the Library to focus on the priorities at each location and gives us the flexibility needed to approach projects based on available funding. The Department will be tying our budget requests to appropriate areas in the Master Plan in future fiscal years.

Parks and Recreation

- ❖ Parks and Rec General Fund include a \$10M increase in revenue from fees from last year? What fees?

Response: The net bottom-line increase to the Parks and Recreation Department Revenue is \$10.8 million. Note that this is primarily due to an increase of \$12.7 million for Environmental Growth Fund reimbursements of eligible expenses. Increased revenue specifically from fees are limited to \$386,000 for increased permit issuances for building use and athletic use based on FY 2024 activity/projections and \$20,000 for increased permitting at the expanded Balboa Park Botanical Building.

- ❖ We are adding 45.03FTE to Parks and Rec Staff. How many vacancies do we have?

Response: As of 5/2/2024, the Parks and Recreation Department has 156 Fulltime Positions (General Fund) vacant.

- ❖ Do we have enough staff allocated to the Carmel Valley pool? Is it enough staff to keep this pool open?

Response: We have adequate staff to operate the Carmel Valley Pool 5 days/week, and approximately 30 hours/week this summer season. We will be providing lap swimming, recreation swimming, water fitness classes, youth swim team, swimming lessons, space for pool rentals, and a water polo basics course. The water polo basics course is a new addition to the program. It's also important to note that we will be doubling the number of swimming lessons and water fitness classes this summer in comparison to last summer. Unfortunately, the slides and children's pool are currently inoperable due to maintenance issues. It is our goal to get them up and running in time for the summer season.

Recruitment issues have significantly improved, but it is an ongoing challenge to recruit and retain aquatic staff, especially in the northern region of our city. We are also in the process of hiring staff for the Carmel Mountain community pool. We will continue to prioritize hiring, and

May 20, 2024
 Budget Review Committee - Questions for City Departments
 Council President Pro Tem LaCava
 Page 11 of 13

as more staff are onboarded it is our intent is to continue increasing hours of operation and programs.

Monday, May 6th, 2024

Homelessness Strategies and Solutions & San Diego Housing Commission

- ❖ The IBA notes a difference between the City and SDHC proposed budgets for 19 of the 21 SDHC-Administered City Program (see page 1, IBA SDHC report). What is the explanation for these differences for each of the 19 programs?

Response: *The majority of differences come from requested increases over FY 24 budget, as well as administration funding being a separate line item in the two tables. A few programs were affected by cost saving mitigation measures for efficiencies but notably, there were a few larger variances which include MDOT, and HIPP program, which were budgeted at FY 24 levels, however the full program costs in FY 24 were offset by FY 23 carryforward savings which was only available in FY 24.*

- ❖ The Parks & Recreation Department is transferring the support for the portable restrooms in downtown to HSSD. The reduction from Parks & Recreation for eight restrooms is \$898,160 and the annualized addition to HSSD for 13 restrooms is \$3.7M. The IBA reports a program total of \$5.8M (see page 170). What are the total number of restrooms supported by HSSD?

Response: *16 restrooms. In addition to the Budget adjustment of \$3.7 million and \$898k from Parks and Recreation, there was an additional \$1.2 million in the existing HSSD budget allocated to restrooms.*

- Are these restrooms located citywide or limited to downtown?

Response: *The majority are located downtown based on the population and areas of need. One of these restrooms is outside of downtown.*

- What is the cost per restroom under HSSD versus P&R, and if a difference, why is there a change in cost?

Response: *The amount transferred does not reflect the current and actual costs of operation for the P&R sites. The amount included in the reduction reflects the amount of budget added to Parks and Recreation in 2019 for this purpose, however current contract costs for the restrooms exceeded this amount.*

Monday, May 6th, 2024, Cont.

Homelessness Strategies and Solutions & San Diego Housing Commission

- ❖ The FY24 final budget included \$500,000 for Day Center Site Improvements as one-time NPE. The FY25 proposed budget includes an identical line item. The IBA report (See page 170) shows an FY24 total of \$1.041M and FY25 at \$500,000.

Response: *In FY 24, the Day Center received \$500k in general fund budget in addition to \$541k in CDBG support which is not available this year. The FY 24 general fund amount of \$500k was*

marked as one time funding, which means it needs to be requested again in FY 25. Additionally, of the \$1M in FY 24, \$100k was for one time site repairs, which were removed from FY 25 budget.

- ❖ What is the baseline funding for the Day Center and does the proposed budget include an additional increase of \$500,000 from FY24?

Response: *The baseline funding for the Day Center is \$9451k for operations.*

- ❖ Was the FY24 allocation fully expended? Does the FY25 proposed budget cover the same increases in NPE as FY24?

Response: *As of March 30, the program has recorded \$75k in expenditures. In FY23 the program expended \$696k between general fund and CDBG.*

- ❖ Though not mentioned in the proposed budget, the IBA notes a reduction of \$499,000 between the Storage Connect 1 and Storage Connect 2 centers (see page 162 of Citywide report). Is the new contract servicing the same number of clients and bins? What is the utilization rate for each center?

Response: *The reduction is related to the sunseting of the Lea Street facility. In the City's and SDHC's review of this program, we both agree that the overall utilization rate of the site is extremely underutilized, with approximately only 13 individuals who frequent the site on a regular basis. Similar to what we have done in the past with other programs that have come to a close, the City will work with the SDHC and program operator to coordinate a winddown plan, including finding placement for the 13 individuals who regularly visit the site. All program participants, regardless of how often they visit the facility, will be notified well in advance to ensure proper communication of the program's closure.*

As of May 28, 2024, the number of bins at each facility are as follows. Note, this data solely reflects the numbers of bins in use and does not reflect the number of client visits each week.

- *Storage Connect I (Sherman Heights): 487 bins in use out of 500 total (97%)*
- *Storage Connect II (Lea Street): 247 bins in use out of 300 total (82%)*
- *Think Dignity Storage (downtown): 386 bins in use out of 400 total (97%)*

Additionally, there is a reduction in Storage Connect I as SDHC recently carried out a selection process for a new operator, and the SDHC Board approved contract is lower than the FY 24 contract.

Tuesday, May 7th, 2024

Communications

- ❖ Is the Communications Department planning on doing a fee study to determine what fees are needed to be cost recoverable in the Publishing Services Fund?

Response: *Staff noted that the Communications Department is currently undergoing a fee analysis for Publishing Services. The Department will be making an adjustment to the fees that it*

May 20, 2024
Budget Review Committee - Questions for City Departments
Council President Pro Tem LaCava
Page 13 of 13

charges other City departments. This adjustment is expected to be implemented at the start of FY 2025.

Boards and Commissions

- ❖ The Executive Assistant supported the Gang Commission, Human Relations Commission, and OBC generally. What will be the impact of the reduction of this position on those two Commissions?

Response: *Currently, those responsibilities will be taken up by the Director and remaining staff in the Department. The Administration is committed to monitoring and evaluating the staffing needs of the Department throughout the next fiscal year.*

Treasury

- ❖ Are there alternatives to relying on STRO platforms that do not require renewing the STRO program enforcement contract?

Response: *Staff noted that there are no alternatives and that the City Treasurer's Office plan to continue compliance by using the reports provided by the Hosting platforms.*

Thank you for your assistance throughout the budget process.

cc:

Jillian Andolina, Deputy Director, Office of the Independent Budget Analyst



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: May 1, 2024

TO: Charles Modica, Independent Budget Analyst

FROM: Councilmember Kent Lee, Chair, Budget Review Committee

SUBJECT: Budget Referral Memorandum - Homelessness and Housing Services

Per the memorandum sent from my office on April 12, 2024, titled *Budget Review Committee Meeting Format*, this memorandum is for the purpose of implementing the new Budget Referral Process that is designed to empower the City Council to take a more active role in determining the operational and programmatic priorities and associated budget of key City initiatives.

I am submitting these questions to the Independent Budget Analyst so that they can be routed to the appropriate City department. City staff should be prepared to respond to questions at the Budget Review Committee at the associated department's scheduled presentation.

Homelessness Services

The City provides several homelessness and housing programs; funding for these programs are complex and provided for through various state, federal, and local sources. My questions are designed to get a better understanding for what homelessness programs are being funded in the Proposed Fiscal Year 2025; at what level compared to previous fiscal years; and the impact the current Proposed Budget has on outside agencies such as the San Diego Housing Commission.

Question #1

Can you please provide a breakdown of expenditures of funding source (General Fund, SDHC, Community Block Grant, etc.) for each homelessness program? Please share if this is a program that is part of the June 2023 Memorandum of Understanding Between the City of San Diego and the San Diego Housing Commission for the Administration of the City's Homelessness Services Programs and describe the net difference in the City's General Fund allocation from the previous fiscal year, and what is the anticipated program impact (i.e., reduction in meals, increase in security, etc.).

Harm Reduction Interim
Shelter "Bridge Shelter
(17th & Imperial)"
"Bridge Shelter

(16th & Newton)"
Interim Family Shelter
Rosecrans Shelter
Rachel's Promise

Page 2

Charles Modica, Independent Budget Analyst

May 1, 2024

Paul Mirabile Center
 Bishop's Maher Center
 Day Center
 Golden Hall
 Storage Connect Center I
 Storage Connect Center II
 Connections Housing
 Multidisciplinary
 Outreach

HHAPRRH
 ESG/RRH/SD
 + PEER
 HIPP
 Homelessness Response Center
 Youth Emergency Shelter
 LGBTQ+ Affirming STAY
 Shelter Transitional Storage
 Center Serial Inebriate
 Program
 STAY Shelter

Response: *The attached workbook contains the approved FY24 Budget by funding source for homelessness programs the San Diego Housing Commission (SDHC) administers on behalf of the City and the FY25 budget the City allocated in the May Revise, also broken down by funding source. The homelessness shelters and services programs SDHC administers on behalf of the City require an additional \$8 million in City funding for FY 2025. SDHC's proposed FY 2025 budget of \$57 million for homelessness housing innovations does not include this \$8 million. A source of funds for this \$8 million shortfall needs to be identified and allocated to provide the resources necessary for these programs. If funds are not identified to make up for this gap in City funding, a reduction in services in homelessness programs would be necessary. The Mayor has proposed reallocating \$8 million from the City Affordable Housing Fund, which SDHC administers, to homelessness shelters and services programs instead of affordable housing. For this to occur, the City Council would need to reallocate those funds when it considers the proposed FY 2025 Affordable Housing Fund Annual Plan, which is scheduled to be presented the same day as the presentation of SDHC's budget to the Housing Authority. To reflect the proposed FY 2025 Affordable Housing Annual Plan, which is pending City Council approval, SDHC's proposed FY 2025 budget currently includes these Affordable Housing Fund resources in the Real Estate Division for the creation of affordable housing.*

The workbook shows General Fund allocations in FY24 and proposed for FY25 (excluding the \$8 million funding gap), as well as any program impacts based on current proposed funding levels reflected in the May Revise.

The City and SDHC entered into a new Master Memorandum of Understanding (MOU), which took effect July 1, 2023. This MOU covers all homelessness programs SDHC administers on behalf of the City. The MOU covers program types, i.e., shelter or outreach, but does not list each project by name.

Page 3

Charles Modica, Independent Budget Analyst

May 1, 2024

San Diego Housing Commission	* Please note in the FY24 budget listing, SDHC HHAP admin is separated out for HHAP funded programs so some totals may look slightly different from other reports. Comments are imbedded to explain any revised amounts. **Please note that in the FY25 Budget (May Revise) column that SDHC has NOT excluded the \$8 million dollars that the May Revise includes from the Housing Commission.			
Homeless Programs Budget	Funding Source	Total FY24*	Total FY25 (May Revise) **	Program Impacts
Connections Housing	CDBG	245,477	-	
Connections Housing	City GF	550,403	1,224,023	
Connections Housing	ESG	444,637	-	
Connections Housing Total		1,240,517	1,224,023	No impact. Level funding requested
Interim Family Shelter	CDBG	-	1,000,000	
Interim Family Shelter	City GF	-	1,231,652	
Family Shelter Total		-	2,231,652	SDHC requested \$2,582,435 to operate this program in FY25, an additional \$125,863 over FY24 to go towards 3% COLAs and living wage adjustments for staff and to address increasing costs for utilities, insurance, and other operational expenses. Additionally, it corrected the FY24 allocation which was only budgeted for 11 months. Our budget request covered 12 months of operations. SDHC anticipates that the amount allocated to the program will be able to minimally cover a 3% COLA for all staff positions. SDHC is currently working with HSSD to ensure this is possible and HSSD has identified an overage of \$294,624 that can be used towards this effort if needed. The remaining variance is attributed to the removal of lunch services, which SDHC does not agree with. Families will have to seek lunches elsewhere on a daily basis.
Day Center	CDBG	541,250	-	
Day Center	City GF	400,000	920,550	
Day Center Total		941,250	920,550	Increased through May Revise. No impact to services
Interim Shelter PMC	City GF	2,238,253	1,820,076	
Interim Shelter	ESG	222,142	653,594	

Page 4

Charles Modica, Independent Budget Analyst

May 1, 2024

Interim Shelter Total		2,460,395	2,473,670	<i>The \$229,000 unfunded amount covered Living Wage and Cost of Living Increases. HSSD has identified an overage of \$294,624 that can be used towards covering a 3% COLA for all staff positions.</i>
<i>Interim Shelter SVDP Bishop</i>	<i>City GF</i>	<i>622,900</i>	<i>658,338</i>	
Interim Shelter SVDP Bishop Total		622,900	658,338	<i>Increased through May Revise. No impact to services</i>
<i>Harm Reduction Shelter Alpha</i>	<i>City GF</i>	<i>2,149,237</i>	<i>2,271,819</i>	
Harm Reduction Shelter Alpha Total		2,149,237	2,271,819	<i>The \$358,000 unfunded amount included living wage/COLA adjustments, budgeting personnel expenses at 100%, and adding the expense of handwashing stations and restrooms to the contract. The City contracted and paid for these directly in previous fiscal years. There were also some minor increases related to insurance and utilities. Additionally, the City has put a cap on lunch costs which will result in a transition from a hot meal to a bagged lunch at the start of the fiscal year. We are working through budget development with the provider right now. The operational costs must be covered, which means a reduction in staffing or other services may be necessary to cover these expenses. Please note that although the budget states \$2,149,237, the FY24 actual budget was \$2,421,967. HSSD has identified an overage of \$294,624 that can be used towards covering a 3% COLA for all staff positions which will help reduce the variance and impact to operations.</i>
<i>Women's Shelter</i>	<i>City GF</i>	<i>1,067,617</i>	<i>1,120,998</i>	
Women's Shelter Total		1,067,617	1,120,998	<i>No impact . Level funding requested</i>
<i>Sprung Structure Shelter - Rosecrans</i>	<i>HHAP</i>	<i>4,665,375</i>	<i>4,045,173</i>	
<i>Sprung Structure Shelter - Rosecrans</i>	<i>City GF</i>		<i>562,921</i>	

Page 5

Charles Modica, Independent Budget Analyst

May 1, 2024

<i>Sprung Structure Shelter Total</i>		<i>4,665,375</i>	<i>4,608,094</i>	<i>The budget variance of \$577,660 was requested to cover an increase for COLA/living wage adjustments and to budget Personnel Expenses at 100% due to shrinking staffing vacancies. The remaining difference in the May revise is due to the removal of lunch services which SDHC does not agree with. Shelter residents will have to leave the shelter and seek lunch options elsewhere.</i>
<i>HHAP Admin</i>	<i>HHAP</i>	<i>1,276,805</i>	<i>887,969</i>	<i>5% admin for HHAP programs</i>
<i>HHAP Admin Costs Total</i>		<i>1,276,805</i>	<i>887,969</i>	
<i>RRH</i>	<i>HHAP</i>	<i>1,652,266</i>	<i>433,584</i>	
<i>RRH</i>	<i>ESG</i>	<i>362,912</i>	<i>354,679</i>	
<i>RRH Total</i>		<i>2,015,178</i>	<i>788,263</i>	<i>This program is scheduled to sunset in FY25 per decision by HSSD. The program stopped taking referrals in FY24. Funding allocation in May revise is sufficient.</i>
<i>SIP</i>	<i>City GF</i>	<i>290,000</i>	<i>145,000</i>	
<i>SIP</i>	<i>AHF</i>	<i>181,430</i>	<i>181,430</i>	
<i>SIP Total</i>		<i>471,430</i>	<i>326,430</i>	<i>The County, which currently funds the services for SIP, is issuing a Request for Proposals for the services component of the contract. HSSD and SDHC currently fund rental assistance only for the transitional housing program. The current County agreement with the existing service provider will end on December 31. HSSD and SDHC mutually agreed to commit to fund the six-month term until the contract ends. HSSD and SDHC will work with the County to assess the ability to continue funding of the program, assuming it still meets SIP's original intents and the City's current priorities.</i>
<i>Transitional Storage Center</i>	<i>City GF</i>	<i>243,252</i>	<i>245,683</i>	
<i>Transitional Storage Center Total</i>		<i>243,252</i>	<i>245,683</i>	<i>Increased through May Revise. No impact to services</i>
<i>Housing Instability Prevention</i>	<i>City GF</i>	<i>2,548,401</i>	<i>3,000,000</i>	

HIPP Total		2,548,401	3,000,000	<i>HIPP is currently funded in FY24 at \$4 million (see comment). That amount is sufficient to support 300 households at existing rental tiers. The program has served 300 households this year and currently has 260 households receiving support. We have suspended new intakes until the final budget is approved to ensure we can continue to support new households in FY 25. In the May revise, the allocation for HIPP increased to \$3 million. This amount will allow SDHC to continue to support the 260 households currently enrolled at current rental tiers but there will be no new enrollments. SDHC's original FY25 budget request was for \$5.6 million. This amount would have allowed us to maintain an ongoing case load of 300, allowed us to increase rental tiers to align with the rental increases we are seeing and would have allowed us to expand time in the program to households on a fixed income or heavily rent burdened.</i>
<i>Bridge Shelters (GH, 17th and 16TH)</i>	<i>HHAP</i>	<i>15,145,267</i>	<i>15,598,452</i>	
<i>Bridge Shelters</i>	<i>City GF</i>	<i>-</i>	<i>2,028,368</i>	
Temporary Bridge Shelters Total		15,145,267	17,626,820	<i>17th- The \$345,000 unfunded amount would have covered 3% COLAs and living wage adjustments for staff and addressed increasing costs for utilities, insurance, and other operational expenses. We are unsure at this time of how services will be impacted. We are working through budget development with the provider right now. The operational costs must be covered, which means a reduction in staffing or services may be necessary to cover these expenses. HSSD has worked with SDHC to identify additional funding to apply towards COLAS so impact may be reduced.</i>

Page 7

Charles Modica, Independent Budget Analyst

May 1, 2024

				<i>16th- Increased through May Revise. No impact to services Golden Hall- No impact Fully funded in initial budget</i>
<i>Storage Connect Center</i>	<i>City GF</i>	<i>1,396,389</i>	<i>1,241,100</i>	
<i>Storage Connect Center II</i>	<i>City GF</i>	<i>531,436</i>	<i>315,000</i>	
<i>Storage Connect Center Total</i>		<i>1,927,825</i>	<i>1,556,100</i>	<i>SCCII is sunsetting at the end of October, budget reflects that change. No impact at SCC1, amount budgeted and allocated was a result from competitive procurement</i>
<i>Homelessness Response Center</i>	<i>City GF</i>	<i>1,409,258</i>	<i>1,659,258</i>	
<i>Homelessness Response Center</i>	<i>Low and Moderate Income Housing Fund</i>	<i>250,000</i>	<i>-</i>	
<i>Homelessness Response Center Total</i>		<i>1,659,258</i>	<i>1,659,258</i>	<i>If the additional \$268,000 remains unfunded, we will not be able to provide a living wage adjustment to case management staff. Additionally, we would not be able to add 2 new full-time equivalent positions for intake/triage, which we recommended because of the increased number of people seeking services at the Homelessness Response Center. HSSD has worked with SDHC to identify additional funding to apply towards COLAS so total impact may be reduced.</i>
<i>Multidisciplinary Outreach</i>	<i>City GF</i>	<i>1,100,000</i>	<i>350,000</i>	<i>The intention of the State funding was to double the amount of persons served through MDOT. The program will remain at its current operating capacity.</i>
<i>Multidisciplinary Outreach</i>	<i>State</i>	<i>-</i>	<i>750,000</i>	
<i>Salvation Army Family Shelter</i>	<i>MTW</i>	<i>280,313</i>	<i>280,313</i>	
	<i>City GF</i>		<i>450,450</i>	<i>New program expansion; will add 9</i>

Page 8
 Charles Modica, Independent Budget Analyst
 May 1, 2024

				<i>family non-congregate shelter options, 39 beds</i>
<i>Family Shelter Total</i>			<i>730,763</i>	
<i>Youth</i>	<i>HHAP</i>	<i>4,073,182</i>	<i>4,252,983</i>	<i>May revise fully funded the 3 TAY projects.</i>
<i>Youth</i>	<i>City GF</i>	<i>524,989</i>	<i>696,624</i>	
<i>Youth Total</i>		<i>4,598,171</i>	<i>4,949,607</i>	
<i>PEER Program</i>	<i>SDHC local</i>	<i>187,553</i>	<i>187,553</i>	
<i>PEER Program</i>	<i>City GF</i>	<i>250,000</i>	<i>-</i>	
<i>PEER TOTAL</i>		<i>437,553</i>	<i>187,553</i>	<i>Reduction in number of classes provided from 4 to 2 annually. Reduction in Job Counseling services that work to fill vacant nonprofit local opportunities.</i>

Page 9

Charles Modica, Independent Budget Analyst

May 1, 2024

Question#2

\$3.7M is listed in the Proposed Fiscal Year 2025 budget to complete capital work to prep H Barracks site for safe parking. Are these resources General Fund resources? Are these resources restricted to capital? How long could an H Barracks safe camping site be operational prior to that site being need for Pure Water operations? Is there another method that would comply with the *Bloom* settlement that would be more cost efficient?

Response:

- *Yes, these are General Fund Resources.*
- *These are not restricted to capital, however, per the Bloom settlement agreement we do have to develop a new site for Safe Parking and regardless of the location (H Barracks or not), it would require capital resources for site improvements to the ready the site for Safe Parking and uphold the settlement agreement.*
- *H Barracks could be operational for five years.*
- *The department is continuously seeking potential site locations that would be feasible, however, any such site identified would require some capital for site preparations.*

Question #3

What is the status of the Eviction Notice Registry project that was approved by the City Council in FY24 to initiate this important initiative? It appears that the one-time FY24 addition of \$400k in NPE to the Economic Development has not been renewed in the Proposed Budget. What impact will this budgetary decision have on the program's progress?

Response: *Per the City of San Diego's Residential Tenant Protections Ordinance, landlords were required to inform SDHC of at-fault and no-fault terminations of tenancy within three business days of issuing a tenant termination notice. Subject to funding allocation of \$500,000 for first-year expenses, SDHC had agreed to collect and maintain these landlord notifications (develop a portal), provide reports to the City and create a tenant protection guide. SDHC successfully completed the tenant protection guide. A Request for Proposals (RFP) was developed for a software company to build the portal; however, no contract was issued.*

Question#4

The IBA Review of the FY25 budget states that funding for the Eviction Prevention Program has been eliminated. What will be that impact on individuals and families currently enrolled in the program? Will eliminating this program require returning grant money to the state?

Response: *SDHC has been working with City HHSD and DOF to ensure families in the City of San Diego will continue to receive assistance through the Eviction Prevention Program. As part of the May Revise, funding to this program has been restored, and SDHC intends to continue the contract with Legal Aid Society of San Diego with no impact to families.*

Question#5

On April 24, 2024, the San Diego Housing Commission (SDHC) requested that if the Kettner & Vine Shelter does not proceed, that the \$18 million budgeted for the

Page 10

Charles Modica, Independent Budget Analyst

May 1, 2024

rehabilitation of the site be reallocated to support the ongoing homelessness and shelter programs administered by the SDHC. Could you provide a list of the \$18 million and associated funding sources? As part of this analysis can you share if these are resources that could be reallocated to support ongoing homelessness services/and if there these funding sources have funding restrictions?

Response: EDD to provide breakdown of \$18 million, however many of these resources are available for capital type projects only, which is why they were allocated to the project.

Proposed Funding Source	Intended Eligible Use	Amount	Funding Restrictions	Eligible to Support Homelessness Services?
<i>Permanent Local Housing Allocation (PLHA)</i>	<i>Tenant Improvements</i>	<i>\$5,200,000</i>	<i>Persons at 60% AMI or less who are experiencing or at risk of homelessness</i>	<i>Eligible with amended PLHA plan approval from City Council/HCD.</i>
<i>Low & Moderate Income Housing Asset Fund (LMIHAF)</i>	<i>Tenant Improvements</i>	<i>\$250,000</i>	<i>\$250K is the max annual allocation per state law.</i>	<i>Eligible. Note the proposed \$250,000 would not be "new" or additional funding on top of the annual \$250k allocation HSSD currently receives.</i>
<i>Unobligated Community Development Block Grant CARES Act (CDBG-CV)</i>	<i>Tenant Improvements</i>	<i>\$2,700,000</i>	<i>Funds must be spent and drawn prior to September 2026.</i>	<i>Eligibility for tenant improvements of shelter has a nexus to coronavirus but operations nexus with coronavirus is very unclear according to HUD in May 2024.</i>
<i>Citywide Homeless Shelters within GFCIP Contributions</i>	<i>Project management oversight for inspection and invoice review</i>	<i>\$400,000</i>	<i>Admin for City staff oversight as tenant improvements completed by Landlord.</i>	<i>No</i>
<i>Fiscal Year 2025 Community Development Block Grant (CDBG)</i>	<i>Tenant Improvements</i>	<i>\$9,889,623</i>	<i>Homelessness operational activities fall under the 15% public service cap.</i>	<i>Eligible activity-but would exceed the FY 25 Public Service cap based on RFQ/RFP process which was oversubscribed.</i>
Total approximate TI Funding needed Kettner & Vine	-	\$18,400,000		

Page 11

Charles Modica, Independent Budget Analyst

May 1, 2024

Question#6

Rapid Rehousing programs provide rental assistance_ and services ranging from one to two years and is considered a permanent housing resource. Per the IBA review of the FY25 Proposed Budget report, it appears that the City is reducing funding to its Rapid Rehousing programs. Can City staff provide additional information regarding the existing program and the impact of this budget reduction?

SDHC Response: *HSSD made the decision to sunset the three Rapid Rehousing programs funded through Homeless Housing, Assistance and Prevention (HHAP) funds starting in FY24. The programs stopped taking new referrals this year and are working to support the remaining households, which will exit the program in FY25. This is the reason the requested budget was so much smaller for FY25. HSSD cited that they wanted to seek more sustainable funding sources for this program given the nature of Rapid Rehousing programs, which often straddle three fiscal years and are difficult to budget for without ongoing, secure funding sources. HSSD has also shared that the Regional Task Force on Homelessness and the County's HHAP 5 request is heavily focused on Rapid Rehousing and that more resources may be available through their allocation.*

HSSD Response: *This has been a known and planned phaseout of the existing programs in coordination with SDHC as these were funded with one-time HHAP resources. As such, SDHC's budget request only included the amount of funds necessary to complete the existing project, which was fully funded in the proposed budget.*

Questions Community Development Block Grant Proposed FY25 Allocation

On April 11, 2024, city staff presented the Proposed FY 2025 Proposed Allocation. Several homelessness initiatives were presented as part of the proposed CDBG allocation; I have several questions regarding the proposed deployment of these limited resources given that these are limited federal resources that can support existing homelessness programs are being reduced.

Question#1

The Proposed FY 2025 Community Development Block Grant (CDBG) states that the CP 700- 20 Homelessness Set-Aside Project will provide emergency shelter and/or interim or transitional housing families experiencing homelessness; however, it states that the location and number of units to be determined. Can you share what program this is referring to? Is it for an existing program at an existing location that will need to be relocated/or is this intended to support services at the Kettner and Vine site?

Response: *The information presented to CNS on April 11, 2024 included a recommendation for a FY 2025 CDBG allocation to one homelessness project to receive the entire \$1M allocation. It was included in Attachment 6 of the staff report and identified as the San Diego Family Shelter Program. Administered by HSSD through an MOU with the San Diego Housing Commission.*

Question#2

In the draft annual action plan, it states that \$9,966,678 is to be directed to the Kettner and Vine. Is this funding source restricted to capital? Or can it be used to fund ongoing shelter program operations and/or other ongoing needs to support homelessness services?

Response: *Yes, the funding recommended for the Kettner & Vine project in the draft FY 2025 Annual Action Plan would be restricted to capital improvements. There is a 15% cap on CDBG public services*

Page 12

Charles Modica, Independent Budget Analyst

May 1, 2024

expenditures and homelessness programs/operations would fall under the definition of the public service activities.

Question #3

Under Project #5 of the Proposed FY 2025 Community Development Block Grant (CDBG) what are the restrictions to the \$3.8 million allocated for the Kettner & Vine facility in the CDBG Annual Action Plan? Is this for ongoing operations? Is this carryover from previous fiscal year CDBG allocations? Is this funding in addition to the \$2.8 million that is included in the General Fund for Kettner & Vine operations?

Response: *The \$2.7M listed under project 5 in the FY 2025 AAP is remaining balance of the CDBG-CV grant from HUD. CDBG-CV can be used for operations (when there is a clear PPR tieback) or capital improvements, but it has a federal expenditure deadline of 9/2026, and expenditure for facility improvements could ensure expenditure by that deadline. NOTE: General fund operational budget questions will be deferred to HSSD.*

Question#4

What amendments to City Council Policy 700-02 are being contemplated? What is the intent/and potential impact? If not amended, would there be additional resources for homelessness shelter programs?

EDD Response: *Response: Amendments to the Council Policy 700-02 include: increasing the minimum allocation for nonprofit facility improvement projects from \$150k to \$200k, limiting the number of open facility improvement project a nonprofit may have at one time, defining the CDBG public services homelessness set-aside based on a percentage (25%) of the public service budget with a not to exceed amount of \$1M, defining the mandatory RFP workshop requirements and other minor organizational edits. The intent is to ensure the limited resources available for public services can also be made available to nonprofit organizations to provide community-serving programs and to implement the feedback received from the community and the Consolidated Plan Advisory Board. If not amended, the current CP 700-02 allows for an amount up to \$1,318,078, but does not require that dollar amount.*

HSSD Response: *Regarding additional resources, this policy would result in a net loss for homelessness programs.*

Thank you for the opportunity to request additional information regarding the Proposed Fiscal Year 2025 Budget and its impact on homelessness and housing services.

Councilmember Kent Lee

Chair, Budget Review Committee

KL/kmj

cc: Jillian Andolina, Deputy Director, Office of the Independent Analyst
 Matt Vespi, Chief Financial Officer
 Matt Yagyagan, Policy Director, Office of the Mayor
 Kohta Zaiser, Director of Council Affairs, Office of the Mayor
 Sarah Jarman, Director, Office of Homelessness Strategies and Solutions
 Christina Bibler, Director, Economic Development Department



**THE CITY OF SAN DIEGO
OFFICE OF COUNCILMEMBER RAUL CAMPILLO
DISTRICT 7**

MEMORANDUM

DATE: April 30, 2024
TO: Charles Modica, Independent Budget Analyst
FROM: Councilmember Raul A. Campillo *Raul A. Campillo*
SUBJECT: Department Questions for Budget Review Committee

Homelessness Strategies & Solutions

- The LGBTQ+ Youth Shelter is included in the Proposed Budget for \$1.8 million. It was recently announced that there is \$1.5 million in federal funding for the shelter – would this federal funding be in addition to the \$1.8 million, or a possible offset?

***Response:** The \$1.5 million is for capital costs associated with the conversion of the SDHC office space to shelter space.*

- A proposed Family Shelter Expansion is included as a \$450,000 General Fund expenditure. The IBA notes that the shelter does not currently receive funding through the General Fund but the San Diego Housing Commission (SDHC) includes \$429,000 to operate it.

- Does this shelter operation at its existing level, and potential expansion, depend on how SDHC absorbs the proposed \$15 million budget reduction?

***Response:** Once it is determined what support from SDHC funds would be made available, HSSD and SDHC would work together to determine the programming that would be most eligible based on funding sources and practical from an administrative standpoint.*

- What would be the operational impacts of delaying the expansion, if Council opted to delay as a budget mitigation measure?

Response: The operational impacts would be 39 additional beds would not come online to offer families shelter access. Conversely, should these funds be delayed, it could reduce operational impacts elsewhere should these funds be repurposed to close other operational funding gaps. The benefit to the expansion of this program includes a lower cost bed/night rate for family beds which are currently in high demand. This demand is shown through high utilization of our existing family shelter options and incomplete family referrals searching for assistance through our various referring partners.

HSSD FY 25 May Revise Budget									
Budget Line	Administrative Program	General Fund	Grant Funded	Grant Admin	TOTAL FY 25	FY 24	Variance from FY 24		Operational Impact
Support Sen. SDHC	Serial Inebriate Program	\$ 145,000	\$ -	\$ -	\$ 145,000	\$ 250,000	\$ (145,000)	-50%	Program funding moving to County mid-year
Support Sen. SDHC	Homelessness Response Center	\$ 1,659,258	\$ -	\$ -	\$ 1,659,258	\$ 1,659,258	\$ -	0%	
Support Sen. SDHC	PEER program	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ (250,000)	-100%	One time ARPA funding expiration
Support Sen. SDHC	Day Center	\$ 920,550	\$ -	\$ -	\$ 920,550	\$ 1,041,250	\$ (120,700)	-12%	capital improvements from FY 24 budget removed
Support Sen. SDHC	Storage Connect 1	\$ 1,241,100	\$ -	\$ -	\$ 1,241,100	\$ 1,396,389	\$ (155,289)	-11%	SDHC new contract is lower than in FY 24.
Support Sen. SDHC	Storage Connect 2	\$ 375,000	\$ -	\$ -	\$ 375,000	\$ 531,436	\$ (216,436)	-41%	Underutilized program, sunseting in Fall
Support Sen. SDHC	Think Dignity	\$ 245,683	\$ -	\$ -	\$ 245,683	\$ 243,252	\$ 2,431	1%	
Prevention C SDHC	Housing Instability Prevention Program	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 2,250,000	\$ 750,000	33%	
Housing SDHC	Rapid Rehousing	\$ -	\$ 752,683	\$ 42,684	\$ 795,367	\$ 2,074,626	\$ (1,279,259)	-62%	End of grant funded program- CoC and County budgets increasing RPH resources
Shelters SDHC	Bishops	\$ 658,338	\$ -	\$ -	\$ 658,338	\$ 622,900	\$ 35,438	6%	
Shelters SDHC	Connections Interim Housing	\$ 1,224,023	\$ -	\$ -	\$ 1,224,023	\$ 1,196,387	\$ 27,636	2%	
Shelters SDHC	Paul Mirable Center- Interim Shelter	\$ 1,820,076	\$ 627,223	\$ 40,685	\$ 2,487,984	\$ 2,447,299	\$ 40,685	2%	
Shelters SDHC	324 Person Sprung Shelter(16th)	\$ 1,646,045	\$ 6,033,345	\$ 301,667	\$ 7,981,057	\$ 7,442,791	\$ 538,266	7%	
Shelters SDHC	17th& Imperial	\$ 1,475,520	\$ 2,155,657	\$ 107,783	\$ 3,738,960	\$ 3,668,637	\$ 70,323	2%	
Shelters SDHC	Golden Hall	\$ 5,306,803	\$ -	\$ -	\$ 5,306,803	\$ 8,739,351	\$ (2,833,148)	-32%	Golden Hall second floor closure/ transition
Shelters SDHC	Women's Shelter	\$ 1,120,398	\$ -	\$ -	\$ 1,120,398	\$ 1,067,617	\$ 52,781	5%	
Shelters SDHC	Family Non-Congregate Hotel Operatin	\$ 1,231,652	\$ 1,000,000	\$ -	\$ 2,231,652	\$ 2,458,572	\$ (226,920)	-9%	Lunch meal services leveraged by other resources- Year one startup costs removed
Shelters SDHC	Midway Sprung Shelter	\$ 562,321	\$ 3,852,546	\$ 132,627	\$ 4,507,494	\$ 4,898,644	\$ (391,150)	-8%	Lunch meal services reduced/ leveraged by other resources
Shelters SDHC	Emergency Harm Reduction Shelter Pils	\$ 2,271,819	\$ -	\$ -	\$ 2,271,819	\$ 2,149,237	\$ 122,582	6%	
Shelters SDHC	Urban Street Angels TAY Shelter 2.0	\$ 296,624	\$ 2,095,886	\$ 104,794	\$ 2,497,304	\$ 2,492,073	\$ 5,231	0%	
Shelters SDHC	SDYS Youth Emergency Shelter	\$ -	\$ 385,527	\$ 19,276	\$ 404,803	\$ 374,334	\$ 30,469	8%	
Shelters SDHC	LBGTQ Youth Shelter & Outreach	\$ 400,000	\$ 1,569,047	\$ 78,452	\$ 2,047,500	\$ 1,935,423	\$ 112,077	6%	
Shelters SDHC	Family Shelter Expansion	\$ 450,450	\$ -	\$ -	\$ 450,450	\$ -	\$ 450,450	-100%	
Outreach SDHC	Multi-Disciplinary Outreach Team- SDI	\$ 350,000	\$ -	\$ -	\$ 350,000	\$ -	\$ 350,000	-100%	
Outreach City	Outreach (Caltrans)	\$ 600,000	\$ -	\$ -	\$ 600,000	\$ 600,000	\$ -	0%	
Outreach City	Coordinated Street Outreach	\$ 650,000	\$ 2,731,313	\$ -	\$ 3,381,313	\$ 3,125,000	\$ 256,313	8%	Moved FTE from Shelter contract to Outreach contract
Outreach City	Downspout Outreach	\$ 1,180,000	\$ -	\$ -	\$ 1,180,000	\$ 1,430,256	\$ (250,256)	-17%	250k in contracts moved to grant funding under ERIG
Outreach City	CARE Events and Outreach HUB	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 50,000	\$ (25,000)	-50%	Adjusted per spending trends
Outreach City	ERG Outreach	\$ -	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 738,409	\$ 861,591	117%	
Housing City	ERG Housing Subsidies & Supportive S	\$ -	\$ 3,382,456	\$ -	\$ 3,382,456	\$ 750,000	\$ 2,632,456	351%	
Support Sen. City	Program Operators COLA	\$ 1,010,315	\$ -	\$ -	\$ 1,010,315	\$ -	\$ 1,010,315	-100%	
Support Sen. City	Restrooms	\$ 4,210,000	\$ -	\$ -	\$ 4,210,000	\$ -	\$ 4,210,000	-100%	
Prevention C City	Family Reunification Program	\$ -	\$ 785,478	\$ -	\$ 785,478	\$ 763,812	\$ 21,666	3%	
Shelters City	DV Shelter	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 4,211,372	\$ (1,211,372)	-29%	No operational impact, funding rightsized for program
Shelters City	Senior Non-Congregate Hotel Operatin	\$ 950,000	\$ -	\$ -	\$ 950,000	\$ 924,884	\$ 25,116	3%	
Shelters City	Safe Haven	\$ 425,337	\$ -	\$ -	\$ 425,337	\$ 413,501	\$ 11,836	3%	
Shelters City	Winter Weather Shelter	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 1,234,143	\$ (734,143)	-59%	No operational impact. FY 24 reflected two potential shelters. FY 25 reflects one.
Shelters City	Program Ancillary Costs	\$ 5,678,452	\$ 573,589	\$ -	\$ 6,252,041	\$ 5,622,377	\$ 629,664	11%	
Safe Sleepin City	Safe Sleeping 20th & B (Ops & Ancillar	\$ 2,733,507	\$ -	\$ -	\$ 2,733,507	\$ -	\$ 2,733,507	-100%	
Safe Sleepin City	Safe Sleeping O Lot (Ops & Ancillary)	\$ 3,368,043	\$ -	\$ -	\$ 3,368,043	\$ -	\$ 3,368,043	-100%	
Safe Parking City	Safe Parking	\$ -	\$ 1,758,188	\$ -	\$ 1,758,188	\$ 1,841,812	\$ (83,624)	-5%	Reflects grant spend down in FY24 for family challenge grant
Safe Parking City	Safe Parking Rose Canyon	\$ 975,000	\$ 191,151	\$ -	\$ 1,166,151	\$ 975,000	\$ 191,151	20%	
Safe Parking City	Safe Parking New	\$ 840,944	\$ -	\$ -	\$ 840,944	\$ 840,944	\$ -	0%	
Capital Gran City	Capital Grants	\$ -	\$ 2,079,072	\$ -	\$ 2,079,072	\$ 3,098,222	\$ (1,019,150)	-33%	Reflects grant spend-down in FY 24
Shelters City	New Shelter Beds	\$ 4,414,634	\$ -	\$ -	\$ 4,414,634	\$ 6,500,000	\$ (2,085,366)	-32%	
Personnel, Non-Discretionary		\$ 3,345,019	\$ -	\$ -	\$ 3,345,019	\$ 3,084,579	\$ 260,440	8%	
Total		\$ 63,849,310	\$ 34,573,161	\$ 887,969	\$ 99,310,440	\$ 85,432,447	\$ 13,877,993		
SDHC Reserves and Local Funds		\$ (8,000,000)	\$ -	\$ -	\$ (8,000,000)	\$ -	\$ (8,000,000)		
		\$55,849,310	\$34,573,161	\$887,969	\$91,310,440	\$85,432,447	\$5,877,993		

Information Technology

- The General Fund portion in the Department of IT is only \$2.7 million of the Department's total \$139 million budget. When the Administration requested 2% cost reduction proposals from City Departments for budget mitigation, did it consider allowing the Department of IT to implement an overall 2% reduction across all funds, and not have to reduce 2% for each fund, in order to reduce impacts to SD Access for All?

Response: The FY25 Operational Efficiency Target Memo, and applicable attachment, from the COO on 12/4/23 outlined operational efficiency targets by fund.

- What is the reason AT&T is increasing the cost for the Public Library Hotspot and Chromebook Lending program by 49% per unit?

Response: AT&T was receiving federal grant revenue via the Emergency Connectivity Fund (ECF) through December 2023. That funding allowed AT&T to pass per unit

discounts and subsidize the costs of the overall program. Since that funding is no longer available, AT&T is no longer passing through the per unit discounts.

- The CA Department of Technology recently announced a \$70.2 million grant secured via the Infrastructure Investment and Jobs Act, to fund the State Digital Equity Plan. Will any of this funding be available to the City of San Diego, or the San Diego Futures Foundation that worked with the State to develop the State Digital Equity Plan, and would the SD Access for All Program be eligible?

Response: *The CA Dept of Technology issued a press release on 4/5/2024: [California Unlocks \\$70.2 Million to Close the Digital Divide - CDT](#).*

The \$70.2 million capacity grants funded through the IIJA will be administered through a competitive statewide process. Additionally, some of the funding is expected to be utilized by the CA Department of Technology for program administration and implementation of the CA State Digital Equity Plan. We anticipate that the SD Access 4 All program may be eligible for this funding. DoIT is watching the funding opportunity closely. However, the Notice of Funding Opportunity has not yet been released detailing information including, how funding will be structured and allowable program expenses. If the City were successful in securing funding, it would most likely be received in Spring/Summer 2025.

Parks & Recreation

- Given the transfer out of the budget for portable restrooms and handwashing stations, will the Homelessness Strategies & Solutions Department be responsible for maintaining these facilities at City parks?

Response: *The transfer out was associated with longstanding portable restrooms in areas of high concentrations of reported homeless encampments. However, there remain numerous portable restrooms managed by Parks and Recreation Department, including those located at community parks, that remain after this transfer.*

Performance & Analytics

- When will the second pay equity study be presented to City Council?

Response: *The Performance and Analytics Department (Panda) anticipates having the second Pay Equity Study be heard at Council in late-May 2024. A staff report relating to the study has been submitted for Council Docketing on April 9, 2024.*

Police

- How many units would be reduced as a result of the \$754,000 reduction in patrol vehicles on duty?

Response: *Currently, a total of 337 vehicles are assigned to SDPD's Patrol Division. This proposal would reduce the number of vehicles to 273 units for Patrol, which translates to an overall reduction of 64 vehicles/units to the overall Patrol fleet.*

San Diego Housing Commission

- The IBA noted that the Housing Instability Prevention Program (HIPP) funding at \$4 million is insufficient to support current participants in the program, and new program enrollment would have to be suspended. If the proposed \$2.3 million for FY25 is approved, what are the program impacts to existing participants?

Response: To clarify, in FY 2024, SDHC was allocated \$3,848,000 for HIPP to maintain a caseload of 300 households. We strongly advocate funding in the amount of the original FY 2025 request of \$5.6 million to accommodate increased rental tiers and extensions for households on a fixed income and/or heavily rent burdened. If no changes are made to rental tiers or extensions, we project that we will need \$4,200,000 to maintain a continuous enrollment of 300 households in FY 2025. This is slightly higher than what we received in FY 2024 and is due to the fact that new households cost the program more money because we are paying their arrears to end their immediate housing crisis. We currently have approximately 260 households enrolled and have paused new intakes due to budget uncertainty. If a decision is made to restore funding to maintain a continuous enrollment of 300 households, we will be able to initially enroll 40 new households and add more families throughout the year as existing cases close to maintain 300 enrollments. Also, as a reminder, HIPP provides rental support for up to 24 months, so if a household enrolls in April 2025, they will need to be supported through April 2027.

In the May Revise, the allocation for HIPP increased from \$2.3 to \$3 million. This amount will allow SDHC to continue to support the approximately 260 households currently enrolled at current rental tiers, but there will be no new enrollments.

Stormwater

- Is the \$80 million funded for stormwater emergency repairs in FY25 estimated to cover upcoming FY25 emergencies and prevent the need to divert from other CIPs, or will part of that funding be for FY24 emergencies?

Response: In the FY 2025 budget there is \$79.0 million allocated for emergency stormwater repairs. This includes \$55.0 million for 21 active emergency projects, while \$24.0 million is intended for upcoming FY25 emergencies.

RAC/sl

CC: Jillian Andolina, Deputy Director, Office of the Independent Budget
Analyst Michael Simonsen, Chief of Staff, Office of Councilmember
Campillo




THE CITY OF SAN DIEGO

MEMORANDUM

OFFICE OF THE INDEPENDENT BUDGET ANALYST

DATE: May 20, 2024

TO: Honorable Council President Elo-Rivera and Members of the City Council

FROM: Charles Modica, Independent Budget Analyst 

SUBJECT: Allowable Uses for Non-General Fund Sources Proposed for Kettner/Vine Tenant Improvements

During the Budget Review Committee meeting for the Homelessness Strategies and Solutions Department on May 6th, Councilmember Moreno requested our Office provide an analysis of the non-General Fund sources identified for the Mayor's proposal to convert an industrial facility on Kettner and Vine Streets into a new 1,000 bed shelter. Attached to this memo is a table laying out those funding sources, amounts, and limitations.

This table includes resources from Community Development Block Grants (CDBG), CDBG-Coronavirus (CDBG-CV), the Permanent Local Housing Allocation (PLHA), and the Low- and Moderate-Income Housing Asset Fund (LMIHAF). Additionally, \$400,000 from previously allocated General Fund CIP contributions tentatively available for potential tenant improvements is also included to provide a complete analysis.

The attached table provides the following components:

- 1) Non-General Fund funding source identified for Kettner/Vine tenant improvements;
- 2) Funding amounts from each associated funding source;
- 3) Allowable uses for each associated funding source, developed in consultation with the Economic Development Department, and a review of the relevant existing local and State laws (as hyperlinked, where appropriate);
- 4) Funding source limitations regarding homelessness expenditures; and
- 5) Required actions to use funds for homelessness, if allowable.

Given that Kettner/Vine tenant improvements are currently subject to negotiations, these funding sources and amounts are also subject to change. Council may also wish to seek additional guidance from the City Attorney's Office on the allowable use of non-General Fund sources and required Council actions.

Please feel free to contact our Office with any additional questions regarding this request.

CM/al

Attachment: Kettner/Vine Non-General Fund Sources for Proposed Tenant Improvements

cc: Matt Yagyagan, Director of Policy, Office of the Mayor
 Casey Smith, Deputy Chief Operating Officer
 Christina Bibler, Director, Economic Development Department
 Kevin Reisch, Chief Deputy City Attorney, Office of the City Attorney

Kettner/Vine Non-General Fund Sources Proposed for Tenant Improvements

Allowable Uses and Limitations Regarding Homelessness Services

Subject to Change

Funding Source	Funding Amount	Allowable Uses	Limitations re. Homelessness	Required Actions to Allow Use for Homelessness
FY 2025 Community Development Block Grant (CDBG)	\$ 9,889,623	<ul style="list-style-type: none"> Public Services, including Homelessness Programs (capped at 15%) Housing and services in connection with housing, such as rehabilitation, acquisition of properties for housing purposes, and housing activities (e.g. housing counseling) linked to services eligible for funding under the HOME program Public facilities and improvements, such as CIP and nonprofit facility improvements. All CDBG funding allocated to capital improvements must be spent within 24 months (City CIP projects must be completed and closed out within 24 months). Economic development, such as technical assistance to businesses General administration and planning (capped at 20%) Other eligible activities, such as community economic development activities carried out by a community based development organization (CBDO) CDBG funds may not be used to provide ongoing income payments such as paying for a tenant's rent or a household's mortgage. The only exceptions to this are: (1) income payments that are provided as a loan or (2) income payments that are emergency in nature and do not exceed three consecutive months. Of note, rental assistance is also subject to the public services 15% cap. CDBG funds may be used to compensate property owners for the loss in rental income incurred while temporarily holding housing units to be used for the relocation of individuals and families displaced by CDBG-assisted activities. 	<p>Allowable (with restrictions). Council Policy 700-02 limits homelessness set-aside from CDBG to a maximum \$1,318,078.</p> <p>Proposed HUD Annual Action Plan presented at CNS on April 11th recommends new policy limiting set aside to \$1M in FY 2025.</p> <p>Homelessness programs operational expenditures are generally considered public services and are subject to a cap of 15% of the total CDBG allocation.</p> <p>Proposed Budget assumes \$1M CDBG for Family Non-Congregate Shelter operations from the homelessness set-aside. Other examples of City's use of CDBG include:</p> <ul style="list-style-type: none"> Affordable Housing (Bridge to Home or SDHC NOFA) CIP for eligible projects 	<p>Council can allocate additional \$318,078 for maximum set aside of \$1.3M in FY 2025 City Budget.</p> <p>Council can allocate additional funds to homelessness, beyond the set-aside, (up to the maximum public service amount estimated at \$4,025,007), if Council Policy 700-02 is waived to allow additional funds for homelessness. The public services category also provides competitively awarded funding for non-profit organizations, which could be affected if additional CDBG funding is allocated to homelessness.</p>
Unobligated Community Development Block Grant CARES Act (CDBG-CV)	\$ 2,700,000	<ul style="list-style-type: none"> Same as CDBG, except (1) expenditures must be "to prevent, prepare for, and respond to coronavirus" or future outbreaks and vulnerabilities, (2) funds are not subject to 15% Public Service cap that would typically apply to CDBG funds. Rental assistance for low-income households, on a limited basis not to exceed 3-6 months, is an allowable use. 	<p>Allowable. According to EDD, CDBG-CV can be spent on shelter operations, eviction prevention services, and rental assistance for low-income households, on a limited basis not to exceed 3-6 months.</p>	<p>Council can allocate \$2.7 million to eligible homeless programs in the City Budget. The City will need to provide justifications for the Covid nexus.</p>
<u>Permanent Local Housing Allocation (PLHA)</u>	\$ 5,200,000	<ul style="list-style-type: none"> Affordable housing: The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low, very low, low-, and moderate-income households, including necessary operating subsidies. Affordable rental and ownership housing that meets the needs of a growing workforce earning up to 120 percent of area median income, or 150 percent of area median income in high-cost areas. Assist persons experiencing or at risk of homelessness, including providing rapid rehousing, rental assistance, navigation centers, emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing. Homeownership opportunities, including, but not limited to, downpayment assistance. 	<p>Allowable. Based on City's PLHA Plan, funds are currently restricted to PSH. Per Council action taken on July 14, 2020, navigation centers and emergency shelters are prohibited uses for PLHA funds under the current PLHA plan. This prohibition could be waived if Council so chooses. If additional funds are allocated to homelessness outside of PSH, but within the allowable PLHA uses, City would need to update PLHA plan.</p>	<p>Requires EDD to update their PLHA plan to include homelessness services as allowable use and transmit it to the State</p>
Citywide Homeless Shelters within GFCIP Contributions	\$ 400,000	Unrestricted General Fund	<p>Allowable. Funds are unrestricted General Fund.</p> <p>Funding comes from CIP projects that will be closing soon with excess funds, totaling \$400,000.</p>	<p>Requires Council action to transfer to homelessness activities.</p>
<u>Low & Moderate Income Housing Asset Fund (LMIHAF)</u>	\$ 250,000	<ul style="list-style-type: none"> Affordable Housing Preservation. Monitoring and preserving long-term affordability restrictions or covenants entered into by successor agency (up to 5% of owned real property and loans and grants receivable, at minimum \$200,000) Homelessness Services. Up to \$250,000 per fiscal year for homeless prevention, rapid rehousing, construction of homeless shelters, housing relocation and stabilization services, moving cost assistance, case management, or other appropriate activities for homelessness prevention. Remaining funds must go to affordable housing development (households earning < 80% AMI), with at least 30% for households earning <30% AMI, no more than 20% for households earning 60-80% AMI. 	<p>Allowable (with restrictions). Funds limited to \$250,000 for homeless prevention and rapid rehousing, including term-limited rental assistance, construction of homeless shelters, housing relocation and stabilization services.</p> <p>Funds have supported Homelessness Response Center since FY 2019 Adopted Budget.</p>	<p>Council can allocate \$250,000 to eligible homeless programs in the City Budget.</p>
TOTAL \$		18,439,623		

*Underlined funding sources are hyper linked to relevant State statutes.

During the Budget Review Committee meeting for the San Diego Housing Commission (SDHC) on May 6th, Chair Lee requested our Office work with SDHC to provide additional detail on SDHC reserves. Attached to this memo are tables that show SDHC reserves by revenue source and budgeted expenditures. Specifically,

- ***SDHC Beginning Fund Balance/Reserves – by Revenue Source*** shows, as of Proposed Budget, the revenue sources that contribute to each reserve and fund with beginning fund balance. For each revenue source, the beginning fund balance, ending fund balance, restrictions on use of funds, and planned expenditure uses are included.
- ***SDHC Beginning Fund Balance/Reserves – by Expenditures*** shows, as of Proposed Budget, the proposed budgeted expenditures from each reserve and fund in FY 2025, such as affordable housing project loan commitments and planned facility repairs and upgrades. For each planned expenditure, the budgeted expenditures are shown and are rolled up at the reserve or fund level to show beginning fund balance, total expenditures, and ending fund balance. A table showing examples of committed affordable housing loans is also included for illustrative purposes.

Our Office discussed three types of reserves with SDHC, including the reserves maintained at SDHC (SDHC reserves), which are detailed in the attachment; the reserves held at the U.S. Department of Housing and Urban Development associated with housing vouchers (HUD-Held reserves), which are available for SDHC to draw down for allowable uses; and reserves from the SDHC's nonprofit housing developer affiliate, the Housing Development Partners (HDP), which are treated separately and maintained for affordable housing efforts. Below, we provide a brief description of each type of reserve.

SDHC Reserves

SDHC reserves and funds include the following, as detailed in the attachment:

- *Program-Restricted Reserves* are largely restricted to housing vouchers or associated administrative activities, affordable housing projects (including loans from past affordable housing Notices of Funding Availability [NOFAs] and the Accessory Dwelling Unit Finance Program), and grant funds for the First-Time Homebuyer Program. The majority of funds in this category are associated with affordable housing projects, representing 77.7% of the beginning fund balance in the Program-Restricted Reserve. These are committed funds for SDHC Board approved loans for various affordable housing NOFAs and projects that are in different stages of development, including preliminary commitments. Funds are released upon projects meeting certain milestones during development.
- *Contingency Reserves* are maintained at 3.5% of annual budgeted new revenue for emergency operations. SDHC has expressed that these funds would be used to cover agency operations, such as staff payroll, under extreme and unanticipated circumstances. Due to recent discussions about the contingency reserve, SDHC plans to develop and formalize policies regarding the maintenance and allowable uses of reserves in the coming year. There are no planned expenditures for these funds in FY 2025.

- *Property Replacement Reserves* are intended to fund the costs associated with addressing building issues, necessary capital improvements, and deferred maintenance needs at affordable rental housing properties SDHC owns, as the properties wear with age. These funds are used to maintain compliance with Federal, State, and local housing regulations, and are set at levels based on federal HUD guidance. SDHC also maintains a property reserve for the SDHC headquarters or Smart Corner facility. This reserve covers major repairs beyond routine maintenance. For instance, during the winter storms earlier this year, the underground pumps located in the facility malfunctioned and needed repair or would have risked flooding the facility.
- *Operating Fund* includes discretionary unrestricted reserves generated by rental income from SDHC-owned properties or “local unrestricted” funds. This fund reflects remaining fund balances from local unrestricted revenue after revenue is allocated to eligible expenditures and used to maintain reserves, as needed. These funds are used for property repairs and maintenance, as well as general SDHC operations.
- *Lender-Required Operating Reserve* include both replacement and operating reserves that are required by loan covenant or regulatory agreement. Replacement reserves are for non-routine capital items to maintain the condition of the property. Operating reserves are to be used for shortfalls in operations either due to revenue or expenses. Shortfalls in operations are more likely at affordable housing properties because property revenue is limited due to the affordability restrictions that apply as well as the high costs of operating permanent supportive housing from factors such as prevailing wage rates, landlord paid utilities and increased security. Both reserve types require a minimum balance and/or requirement to be replenished to original balance upon use.

HUD-Held Reserves

Although not included in the tables, SDHC also has access to HUD-held reserves. HUD disperses Section 8/MTW funds for the Housing Choice Voucher program to SDHC monthly based on prior-month actual costs and any additional funds based on when they are needed. The rest of SDHC’s allocation is held at HUD, otherwise referred to as HUD-held reserves. For FY 2025, the beginning fund balance of the HUD-held reserves is \$29.9 million. SDHC plans to use \$16.8 million in HUD-held reserves in FY 2025, largely to increase the value of the Housing Choice Voucher to reflect prices in the City’s current rental market, as well as help fund SDHC homelessness initiatives. Draw down of HUD-held reserves will be requested from HUD as expenses are incurred. The ending HUD-held reserves fund balance for FY 2025 is projected to be \$13.2 million, following planned expenditures.

HDP Reserves

Our Office also examined reserves held by SDHC’s nonprofit housing developer, HDP. As of January 1, 2024, HDP had \$6.5 million in unrestricted reserves and \$6.2 million in other reserves and commitments, including operating reserves. However, HDP is a separate legal entity from SDHC. Due to HDP’s nonprofit status, which is based on HDP being a separate entity, HDP reserves must go toward its mission as a development nonprofit to create affordable housing as a separate and distinct entity from SDHC. For instance, unrestricted reserves can be used for future

comprehensive rehabilitations, predevelopment work, and acquisitions. Staff indicate that densification projects are an example of possible potential projects for HDP. HDP's reserves cannot be accessed by SDHC, and attempts to access HDP's reserves for use by SDHC could jeopardize HDP's nonprofit status.

Please feel free to contact our Office with any additional questions regarding this request.

SDHC Beginning Fund Balance/Reserves - by Revenue Source

As of April 18, 2024

Subject to Change

	Beginning Fund Balance		Ending Fund Balance		Restrictions on	Expenditure uses
					Use of Funds	
Program Restricted Reserves	\$	58,615,087	\$	54,002,094	Mostly Restricted	Restricted to housing vouchers, affordable housing projects, and other programs
Housing Choice Voucher Rental Assistance and other Federal	\$	8,918,631	\$	982,000	Mostly Restricted	Largely restricted to administration of housing voucher programs
Section 8/MTW (Moving to Work) ¹		3,790,000		-	Flexible	Cover program administration costs
VASH (Veterans Affairs Supportive Housing)		3,600,000		12,000	Restricted	Cover increases in voucher payment standards
Mainstream Vouchers		770,000		772,000	Restricted	Cover increases in voucher payment standards
EHV (Emergency Housing Voucher)		370,000		196,000	Restricted	Cover increases in voucher payment standards
HOME, CDBG & Other Federal		308,631		-	Restricted	Used to fund program operations
FUP (Family Unification Program)		80,000		2,000	Restricted	Cover increases in voucher payment standards
NOFA and Other Affordable Housing Projects	\$	45,521,456	\$	49,970,094	Restricted	Committed funds for SDHC Board approved loans for various Affordable Housing NOFAs and projects that are in different stages of development, including preliminary commitments. Funds are released upon projects meeting certain milestones during development.
Affordable Housing Fund		34,677,943		25,068,603	Restricted	Fund disbursements from previously approved loans made to affordable housing projects, based on project milestones.
HOME		8,967,072		24,283,197	Restricted	Fund disbursements from previously approved loans made to affordable housing projects, based on project milestones.
Other		1,876,441		618,294	Restricted	Fund disbursements from previously approved loans made to affordable housing projects, based on project milestones.
First-Time Homebuyers	\$	4,175,000	\$	3,050,000	Restricted	Committed funds for First-Time Homebuyer Program
First-Time Homebuyers Grant		4,175,000		3,050,000	Restricted	Grants for the First-Time Homebuyer Program
Contingency Reserve	\$	21,055,017	\$	21,055,017	Not restricted	Maintained at 3.5% of annual budgeted new revenue for emergency operations
Local Unrestricted		13,141,842		13,141,842	Not restricted	No planned expenditures
Section 8/MTW		7,913,175		7,913,175	Not restricted	No planned expenditures
Property Replacement²	\$	15,947,000	\$	14,488,408	Not restricted	Covers property replacement requirements.
Local Unrestricted		15,947,000		14,488,408	Not restricted	Elevated surfaces (including balcony, stairs, decks) retrofitting, life and safety property repairs, maintenance
Operating Fund³	\$	13,957,931	\$	-	Not restricted	Covers property repairs and maintenance at SDHC-owned properties, and general SDHC operations
Local Unrestricted		13,957,931		-	Not restricted	General SDHC operations, elevated surfaces (including balcony, stairs, decks) retrofitting, life and safety property repairs, maintenance
Lender Required Operating Reserve⁴	\$	3,181,744	\$	3,181,744	Restricted	Reserves required by lenders, associated with loans from HUD, State, City, or traditional mortgage lenders.
Local Unrestricted		3,181,744		3,181,744	Restricted	Required, no planned expenditures
Property Replacement - Smart Corner (SDHC Headquarters)	\$	1,000,000	\$	1,000,000	Not restricted	Emergency property replacement reserve for SDHC headquarters, includes major repairs beyond routine maintenance
Local Unrestricted		1,000,000		1,000,000	Not restricted	No planned expenditures
TOTAL	\$	113,756,779	\$	93,727,263		

Notes

- ¹ Section 8/MTW beginning fund balances can be used on activities outside of housing vouchers and public housing programs, if the activities serve eligible households and pursues one of MTW's statutory goals: cost-effectiveness, household self-sufficiency, and housing choice. These activities fall into four possible categories: (1) rental subsidy programs for supportive housing, transitional housing, and other programs; (2) homeownership programs; (3) housing development programs that acquire, renovate, or build units that are not public housing; and (4) service provision activities, such as self-sufficiency or supportive services.
- ² The property replacement reserves are intended to fund the costs associated with addressing building issues, necessary capital improvements, and deferred maintenance needs at affordable rental housing properties SDHC owns, as the properties wear with age. These funds are used to maintain compliance with Federal, State, and local housing regulations, and are set at levels based on federal HUD guidance.
- ³ These are discretionary unrestricted reserves generated by SDHC rental property income. These funds are used for property repairs and maintenance, as well as operations.
- ⁴ Lender reserves include both replacement and operating reserves that are required by loan covenant or regulatory agreement. Replacement reserves are for non-routine capital items to maintain the condition of the property. Operating reserves are to be used for shortfalls in operations either due to revenue or expenses. Shortfalls in operations are more likely at affordable housing properties because property revenue is limited due to the affordability restrictions that apply as well as the high costs of operating permanent supportive housing from factors such as prevailing wage rates, landlord paid utilities and increased security. Both reserve types require a minimum balance and/or requirement to be replenished to original balance upon use.

SDHC Beginning Fund Balance/Reserves - by Expenditures

As of April 18, 2024

Subject to Change

	Beginning Fund Balance	Budgeted Expenditures/Added Fund Balance	Ending Fund Balance
Program Restricted Reserves	\$ 58,615,087	\$ (4,612,993)	\$ 54,002,094
<i>Housing Choice Voucher Rental Assistance and other Federal</i>	<i>\$ 8,918,631</i>	<i>\$ (7,936,631)</i>	<i>\$ 982,000</i>
Fund program operations/administration		(4,098,631)	
Increase voucher payment standards		(3,838,000)	
NOFA and Other Affordable Housing Projects*	\$ 45,521,456	\$ 4,448,638	\$ 49,970,094
<i>First-Time Homebuyers</i>	<i>\$ 4,175,000</i>	<i>\$ (1,125,000)</i>	<i>\$ 3,050,000</i>
First-Time Homebuyers Loans		(1,125,000)	
Contingency Reserve	\$ 21,055,017	\$ -	\$ 21,055,017
<i>No planned expenditures</i>			
Operating Fund	\$ 13,957,931	\$ (13,957,931)	\$ -
General SDHC Operations		(4,467,484)	
Elevated Surfaces Retrofitting (e.g., balconies, stairs, decks, etc.)		(3,541,408)	
Repairs on existing hotels (Valley Vista, Kearny Vista)		(3,047,600)	
Plumbing Repairs		(2,045,047)	
Misc. Property Management Request		(606,392)	
HVAC Replacement		(250,000)	
Property Replacement & Lender Required Operating Reserve	\$ 19,128,744	\$ (1,458,592)	\$ 17,670,152
Property Repairs - Balcony Retrofitting		(1,458,592)	
Smart Corner - SDHC Headquarters	\$ 1,000,000	\$ -	\$ 1,000,000
<i>No planned expenditures</i>			
TOTAL	\$ 113,756,779	\$ (20,029,516)	\$ 93,727,263

***Examples of Program Restricted Reserves: NOFA and Other Affordable Housing Projects**

Developer Project	Beginning Fund Balance	FY 2025 Anticipated Loan Disbursement	Ending Fund Balance/FY 2026 and Beyond Loan Funding	Associated SDHC NOFA
Navajo Family Apartments	\$ 3,379,200	\$ -	\$ 3,379,200	FY21 NOFA
Kindred	7,955,600	(5,966,700)	1,988,900	FY24 NOFA
13th & Broadway PSH	2,000,000	(800,000)	1,200,000	FY21 NOFA
Iris Trolley Apartments	1,228,800	(122,880)	1,105,920	FY22 NOFA
Kindred	4,000,000	(3,000,000)	1,000,000	FY24 NOFA
Serenade on 43rd	500,000	(50,000)	450,000	FY22 NOFA
Modica	355,000	-	355,000	FY22 NOFA
Iris at San Ysidro	575,000	(230,000)	345,000	FY20 NOFA
Ventana Al Sur	440,000	(220,000)	220,000	FY19 NOFA
Cortez Hill	624,737	(416,491)	208,246	FY20 PSH NOFA
Mt Etna - Messina	592,500	(395,000)	197,500	FY21 NOFA
Hacienda Townhomes	550,000	(440,000)	110,000	FY22 NOFA
Ulric St (II)	203,750	(203,750)	-	FY20 NOFA
Tranquility @ Post 310	288,300	(288,300)	-	FY20 NOFA
Nestor Senior	166,500	(166,500)	-	FY23 PSH NOFA

Note: Table is not inclusive of all projects under "NOFA and Other Affordable Housing Projects" category.