



Mayor's Message – Fiscal Year 2023 Budget

Dear San Diegans,

I am proud to present the Fiscal Year 2023 Adopted Budget, which builds on our continuing recovery from the pandemic while investing in enhancements to services and infrastructure that will improve quality-of-life for our residents for decades to come.

Last year, we invested millions in federal and State relief dollars to jumpstart San Diego's economic recovery by providing aid to small businesses and help to our most vulnerable residents. This helped carry us through the worst effects of the COVID-19 pandemic. As the City's major revenues continue to recover, we are strategically using an additional \$148 million in federal relief dollars to ensure City employees can continue to provide the vital services residents deserve while prioritizing investments in areas where the needs are greatest.

This has put us in a position to where, as a City, we are ready to rebuild – ready to rebuild decades-old infrastructure that has historically been neglected and invest in housing and homelessness solutions that work, ready to rebuild our workforce and deliver high-quality services to every neighborhood and ready to do the hard work of implementing our climate action initiatives.

I made a promise during my 2022 State of the City address to deliver infrastructure improvements faster and more equitably across San Diego. To do that, we need to expand the capacity of our City's workforce to deliver critical capital projects that benefit San Diego communities. This budget makes significant investments that will allow us to fix sidewalks in 600 additional locations per year and install curb ramps based on the highest Americans with Disability Act (ADA) priority list. To improve traffic flow, we are funding a new, reconfigured traffic-management center to allow operation for 12 hours per day and additional capacity for event management. A new traffic loop replacement crew will replace 250 traffic sensors per year to ensure traffic flows seamlessly through signals and intersections, limiting vehicle idling, while a new traffic-signal technician crew will be able to replace approximately 160 aging signal cabinets and service-meter pedestals annually, with a goal of replacing all 1,600 locations over a 10-year period.

While we are making significant investments in new infrastructure, we cannot ignore the maintenance and upkeep of our existing assets. This budget includes more than \$6 million for existing City facilities to repair or replace roofs, heating, ventilation, air-conditioning, elevators and parking lots, and to expand facilities. We are adding in-house staff and infrastructure investments for critical pump maintenance and repair to ensure communities and major transportation routes are protected from floods. The budget also includes additional support for the City's graffiti abatement efforts within the right-of-way.

Additionally, addressing housing and homelessness are a top priority of my administration and of this City Council. In the last 12 months, there have been 1,518 housing opportunities created through vouchers, permanent supportive housing, rapid rehousing and other housing interventions to end and prevent homelessness. As we make progress on the housing front, I am laser-focused on expanding our shelter capacity to get more unsheltered San Diegans off the streets and connected to housing and services, with a focus on creating more mental health services in our shelters. This budget continues to leverage federal and state funding while adding \$25.2 million in General Fund dollars to accelerate the City Action Plan on homelessness goal of adding 500 shelter beds for single adults, youth and families, to lease and improve additional sites to expand congregate and non-congregate shelter bed capacity, to create a Safe Camping Pilot Program for vulnerable seniors, and additional dedicated homeless outreach efforts in downtown and the urban core. The budget also continues to fund the Coordinated Street Outreach Program, sending out a team of caseworkers to neighborhoods across the City to help people off the streets.

For San Diego to be a global leader on climate action, we must look at all possible ways to combat the climate crisis. The City of San Diego's new Climate Action Plan (CAP), approved by the City's Environment Committee on June 30, 2022, establishes a community-wide goal of net zero by 2035, committing San Diego to an accelerated trajectory for greenhouse gas reductions.

The budget funds key positions that will implement the CAP and pays for experts to assist with the development of the Mobility Action Plan, the Zero Gas Emissions Vehicle Strategy and the Building Decarbonization Strategy. It also includes the addition of a Chief Resiliency Officer, responsible for implementation of the Climate Resilient SD initiative, a plan to prepare our communities for the impacts of climate change. The City is also making major investments to decrease the amount of organic waste sent to the landfill, which reduces the production of greenhouse gas emissions and produces compost to improve soil quality. The Budget adds to the investments made last fiscal year to meet new state requirements, including the deployment of 285,000 green waste containers and kitchen pails, route-optimization hardware and software, and an education and outreach campaign to ensure San Diego residents understand these new waste-reduction requirements. This program is a crucial part of meeting our updated climate goal of achieving net zero emissions by 2035.

Our beautiful beaches and waterways rely on the City's stormwater system to remain clean, safe and healthy. Rainfall that enters storm drains is not treated, and runoff collects pollutants from properties and streets and carries them into our waterways. This year, the City secured more than \$359 million in low-interest federal loans, which, together with local and state matching funds, will allow for major investments in this area. To execute these improvements, the Budget ramps up the engineering team responsible for the CIP stormwater program to meet regulatory milestones and address the backlog of failed storm drainpipes -- an average of \$120 million per year of CIP projects must be designed and implemented over the next five years. The Budget also provides for 6,000 miles of additional street sweeping to prevent contaminants from reaching our beaches and waterways.

As part of my commitment to build more homes that San Diegans can actually afford, we have launched the "Homes for All of Us" initiative, which seeks to address the housing crisis by making it easier to create new homes throughout the city by streamlining regulatory measures like building affordable and middle-income homes on City-owned sites and implementing a recently passed state law allowing the split of a single-family lot into two and permitting up to two new homes on each lot. Beyond these regulatory streamlining measures, we plan to facilitate citywide housing production by

reducing the amount of time it takes to permit new units. For this reason, this budget adds staff capacity for the City's Development Services Department to process permits that result in net new housing units. The desired increase for home production annually in the City is three-fold, from 5,000 to 15,000 units per year to solve the City's housing crisis based on the City's Regional Housing Needs Assessment. These new positions are cost-recoverable and will enable the City to focus a subset of permit technicians, reviewers and supervisors to permit only projects that deliver net new homes.

We are making strategic additions in public safety to improve response times to residents' safety and quality-of-life priorities, including raises for Police Officers and lateral incentive programs to address staffing needs. We are adding two squads to allow coverage for seven days a week of parking enforcement, improved response times to resident notifications and more consistent coverage throughout the City. The budget also includes additional staff to allow the Police Department to reduce response times to 72-hour parking complaints from the current 45-60 days down to six. We also are increasing overtime to better reflect the needs of the department to address increases in violent crime. Lastly, we are continuing the No Shots Fired Program, an intervention and prevention program that seeks to reduce violence through strategic partnerships with faith leaders and developing exit strategies from gang culture to reduce gang violence in communities of concern.

We also have a goal to improve public spaces for residents and visitors alike. That's why the City and its dedicated partners in Balboa Park have been working together to upgrade and enhance many of the physical spaces in the park. This budget restores a crew specifically dedicated to upkeep and maintain Balboa Park, focusing on general repairs, litter removal and overall beautification of this treasured destination. The budget also includes additional resources for enhanced restroom cleaning and increased trash collection throughout the City's parks as well as enhanced security at 20 parks and recreation facilities and Mission Bay Park. Additional staff is also included in the budget to support the Do Your Homework @ the Library Program which provides homework help and other services at 18 library locations.

We are also investing in the personnel that perform important city services and seeking to address key vacancies. After nearly a decade of stagnant salaries, the City's employee compensation is not competitive with other agencies throughout the region. This has resulted in the City's inability to fill positions that provide basic services like road repair, trash pickup and public safety. Building on modest gains over the last fiscal year, this budget continues to address this challenge with compensation increases to better align salaries with the current employment market. It also restores retirement benefits to make them comparable to those offered by most government agencies in California. We are also deploying an approach used successfully to fill vacancies in our Library Department last year to fill Parks and Recreation positions with chronically high vacancy levels. By converting many of our hourly positions responsible for servicing and maintaining our parks from hourly to benefited positions, we expect to fill those positions quickly and retain valuable employees who ensure our parks are clean and well maintained for our residents to enjoy.

Conclusion

The City continues to recover from the devastating effects of the COVID-19 pandemic with some of our major revenues coming back stronger than expected and others on the path to recovery. I am optimistic that we'll soon see the return of large conventions that generate so much local revenue to fund many of the critical services the City provides. The Fiscal Year 2023 Adopted Budget continues the fiscally responsible, multi-year strategy we developed last year. We are using federal relief funds

over three years while the City's major revenues continue to recover. This will allow us to maintain the services that our residents rely on while rebuilding and prioritizing key investments in the areas of infrastructure, clean water, homelessness solutions and housing and climate action. Make no mistake, our city is ready to get back to business and ready to rebuild.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Gloria". The signature is fluid and cursive, with the first name "Todd" and last name "Gloria" clearly distinguishable.

Todd Gloria

Mayor

Economic Recovery

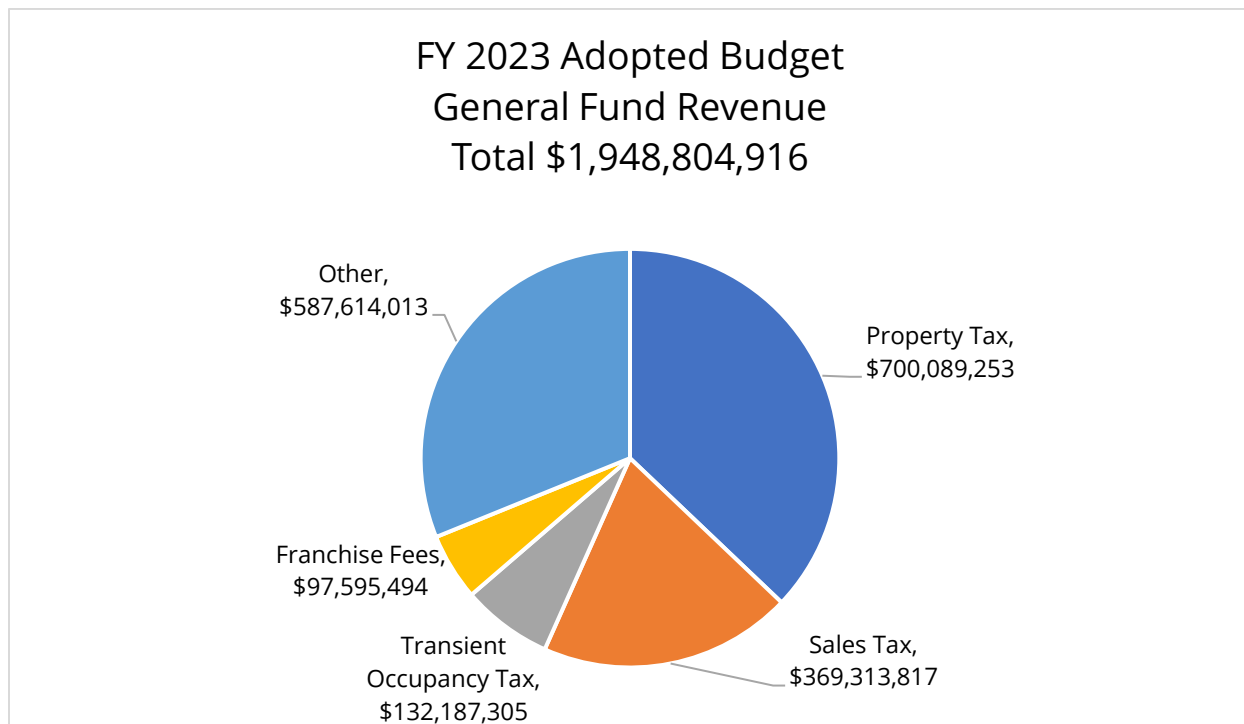
In the spring of 2021, the City began to show signs of recovery from the deeply impacting COVID-19 pandemic; revising the major General Fund revenue projections to reflect the positive impacts from the acceleration of the vaccine distribution, a decrease in COVID-19 infection rates, the passing of the American Rescue Plan Act of 2021, and the lifting of federal and State restrictions. The Fiscal Year 2023 Adopted Budget continues to incorporate a positive economic outlook that balances the continuing trend of positive key economic indicators, with corresponding growth in property tax, sales tax, and transient occupancy tax. The Fiscal Year 2023 Adopted Budget reflects a multi-year analysis that addresses the projected recovery growth of the City's major general Fund revenues, funds critical expenditures, and responsibly uses the one-time resources from the American Rescue Plan Act.

General Fund Revenues

The Fiscal Year 2023 Proposed General Fund revenue budget is \$1.95 billion, which represents an increase of \$205.3 million, or 11.8 percent, from the Fiscal Year 2022 Adopted Budget. Departments within the General Fund provide essential City services including police, fire, refuse collection, homelessness services, library services, and parks and recreation programs. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. These revenue sources account for 67.6 percent of the City's General Fund revenue in the Fiscal Year 2023 Adopted Budget and are projected to increase by \$148.7 million, or 12.7 percent, from the Fiscal Year 2022 Adopted Budget. The increases in the major General Fund revenues is primarily attributed to the continuing robust growth of the economic recovery from the COVID-19 pandemic. In addition to the major General Fund revenues, \$147.6 million in federal funding from the American Rescue Plan Act of 2021 is included in the Fiscal Year 2023 Adopted Budget to fund critical expenditures and offset past revenue loss from the COVID-19 pandemic.

Additionally, the Fiscal Year 2023 Adopted Budget includes an increase in other revenue sources of \$56.5 million, or 9.8 percent, from the Fiscal Year 2022 Adopted Budget. The increase in other revenue sources is primarily attributed to reimbursements from the Transient Occupancy Tax Fund to support the safety and maintenance of visitor-related facilities, new or revised user fee revenue as a result of

the Fiscal Year 2023 Comprehensive User Fee Study, and one-time revenue increases related to the implementation of the Short-Term Residential Occupancy Program.



General Fund Expenditures

The Fiscal Year 2023 Adopted Budget for General Fund expenditures is \$1.96 billion, which represents an increase of \$211.5 million, or 12.1 percent, from the Fiscal Year 2022 Adopted Budget. These expenditures are primarily supported by major General Fund revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. These critical expenditure additions maintain current services and adds enhancements and new services to address the needs of residents.

The Fiscal Year 2023 Adopted Budget invests in notable additions to maintain current service levels including parking enforcement, maintenance of the right-of-way, capital improvement projects, SB 1383 – Organics Waste Diversion, homelessness services and programs and funding for streets. Additionally, funding for employee compensation increases negotiated with the City's Recognized Employee Organizations are included in the Fiscal Year 2023 Adopted Budget. New services include efforts to comply with stormwater regulations, achieve climate action plan goals, enhance and implement State requirements associated with SB 1383 - Organics Waste Diversion and the Sidewalk Vending Ordinance. This also includes a \$40.2 million General Fund transfer to the Capital Improvements Program, which will be used to fund flood resilience infrastructure, stormwater green infrastructure, street repair and parks and facilities improvements. The list highlights some of the General Fund critical expenditures.

Climate Action Plan

<i>Climate Action Plan</i>	Funding in positions and non-personnel expenditures to support the City's Climate Action Plan goals.
<i>Evan Jones Parkade EV Charging</i>	Funding in one-time non-personnel expenditures to install off-grid solar powered charging at the Evan Jones Parkade.
<i>Mobility Master Plan</i>	Funding in non-personnel expenditures to support the Mobility Master Plan.
<i>Public Power Feasibility</i>	Funding in one-time non-personnel expenditures associated to a feasibility study to pursue municipalization of the electricity grid.

Employee Compensation and Proposition B

<i>Employee Compensation</i>	Funding related to employee compensation increases.
<i>Labor Negotiation Support</i>	Funding in non-personnel expenditures to support labor negotiation and support services.
<i>Proposition B Transition Costs</i>	Funding related to transition costs of post-Proposition B employees into the pension system.

Equity and Diversity

<i>Disparity Recommendations</i>	<i>Study</i>	Funding to support a bonding assistance and technical contracting assistance programs.
<i>Employee Compensation Survey</i>		Funding in non-personnel expenditures to support a compensation survey.
<i>Interpretation and Translation Services</i>		Funding to support translation services for City Council Offices and citywide.
<i>Recreation Program Audit Recommendations</i>		Funding of positions and non-personnel expenditures to support recreation programming equity.
<i>SD Access 4 All</i>		Funding in non-personnel expenditures to expand the SD Access 4 All Program and develop the Digital Equity Program.
<i>Support for Office of Child and Youth Services</i>		Funding of positions and non-personnel expenditures to support critical operations for the Office of Child and Youth Services.
<i>Support for Office of Immigrant Affairs</i>		Funding of positions and non-personnel expenditures to support critical operations for the Office of Immigrant Affairs.
<i>Wage Monitoring Solution</i>		Funding in non-personnel expenditures for a wage monitoring IT solution.

Homelessness and Housing

<i>Bridge to Home Program</i>	Funding of one-time non-personnel expenditures to support the Bridge to Home program.
<i>Downtown and Urban Core Homeless Outreach</i>	Funding of non-personnel expenditures to support downtown and urban core homeless outreach.
<i>Establishment of a Rental Registry</i>	Funding of one-time contractual expenditures for a nexus study to initiate the establishment of a rental registry.
<i>Homelessness Programs and Services</i>	Funding in one-time non-personnel expenditures to support various homelessness programs and services.
<i>Housing Stability Fund</i>	Funding of one-time non-personnel expenditures to support the creation of a pilot program that would provide rental subsidies.
<i>LGBT Youth Services and Shelters</i>	Funding of one-time non-personnel expenditures for LGBT Youth shelter beds.
<i>Multidisciplinary Outreach Team Pilot</i>	Funding of one-time non-personnel expenditures to support the Multidisciplinary Outreach Team Pilot.
<i>Safe Camping Pilot</i>	Funding of one-time non-personnel expenditures to support the Safe Camping Pilot Program.
<i>Shelter Capacity Expansion</i>	Funding of one-time non-personnel expenditures to lease and improve additional sites to expand congregate and non-congregate shelter bed capacity.

Neighborhood Services

<i>Animal Services Contract</i>	Funding to support the San Diego Humane Society Animal Services contract and for patrol services at parks.
<i>CleanSD</i>	Funding in non-personnel expenditures to improve illegal encampment abatement response times.
<i>Encampment Abatement</i>	Funding of positions to improve current encampment abatement response times and increase sidewalk sanitation.
<i>Graffiti Abatement</i>	Funding of positions and non-personnel expenditures to address graffiti within the right-of-way and at public restrooms.
<i>Illegal Dump Abatement</i>	Funding in one-time non-personnel expenditures for Illegal Dump Abatement.
<i>Missed Collection Crew</i>	Funding in non-personnel expenditures for a collection crew pilot program to address missed collection response times.
<i>Office of the Commission on Police Practices</i>	Funding to support the Office of the Commission on Police Practices.
<i>New Parks and Recreation Facilities</i>	Funding of positions and non-personnel expenditures to staff and maintain new parks and recreation facilities citywide.

<i>Park Restoration</i>	Funding of positions for the restoration of the Balboa Park Maintenance Special Projects Unit.
<i>Public PC Replacements</i>	Funding in non-personnel expenditures to replace computers at various libraries.
<i>Service Level Improvements of Sidewalk Sanitation</i>	Funding in one-time and on-going non-personnel expenditures to improve encampment abatement response times and sidewalk sanitation.
<i>Sidewalk Vending Ordinance</i>	Funding for positions and non-personnel expenditures to support the Sidewalk Vending Ordinance.
<i>Substandard Housing Support</i>	Funding of positions to support effective and timely response to substandard housing complaints.
<i>Support for Arts and Culture</i>	Additional funding for arts, culture, and community festivals through support to organizations and creative communities.
<i>Central Library Facility Maintenance</i>	Funding in non-personnel expenditures to conduct window washing at the Central Library.

Other

<i>Asset Management Plan Support</i>	Funding in positions and non-personnel expenditures to support the minor construction process and asset management plan.
<i>California Coastal Commission Support</i>	Funding in personnel expenditures to support review and approval of programs, projects, and permitting requests.
<i>City Attorney Positions</i>	Funding of positions to reduce the need for outside counsel and retain institutional knowledge and experience.
<i>Council Administration and Council District Support</i>	Funding of positions to support the City Council Administration with administering all committees and support City Council Offices and their respective community programs, projects and services.
<i>Economic Development Strategy</i>	Funding of one-time non-personnel expenditures associated with the development of an Economic Development Strategy.
<i>Free4Me Pilot Program</i>	Funding of one-time non-personnel expenditures to provide free feminine hygiene products at city-owned facilities.
<i>General Fund Reserves</i>	Funding of one-time non-personnel expenditures for a contribution to the General Fund Reserves.
<i>Refuse Disposal and Tipping Fees</i>	Funding of non-personnel expenditures to eliminate the refuse disposal fee discount and support the consumer price index increase for tipping fees.
<i>Real Estate Management Support</i>	Funding of positions and non-personnel expenditures to support property acquisitions, leases, appraisals, and dispositions.
<i>Supplemental Positions</i>	Funding for supplemental positions in various departments.

<i>Support for the Office of the Independent Budget Analyst</i>	Funding of positions and non-personnel expenditures to assist the Independent Budget Analyst with analyzing real estate transactions, housing, and homelessness.
<i>Support for the Personnel Department</i>	Funding of positions to support the Personnel Department to assist and enhance hiring efforts and address personnel issues.

Public Safety

<i>Boating Safety Unit</i>	Funding of positions to support the Boating Safety Unit and nighttime operations.
<i>Crime Lab Support</i>	Funding of positions to support DNA and evidence processing.
<i>Facilities Maintenance</i>	Funding in one-time non-personnel expenditures to support infrastructure maintenance.
<i>Facilities Remediation</i>	Funding in non-personnel expenditures to support asbestos remediation in various City buildings.
<i>Fire Air Bag Kits</i>	Funding in one-time non-personnel expenditures to replace vehicle extrication air bag kits.
<i>Fire Facilities Maintenance</i>	Funding in non-personnel expenditures to maintain new and aging facilities.
<i>New Seasonal Lifeguard Towers</i>	Funding in ongoing non-personnel expenditures to replace a seasonal lifeguard tower annually.
<i>Parking Enforcement Support</i>	Funding to support parking enforcement efforts.
<i>Police Promotional Examination Process</i>	Funding in one-time non-personnel expenditures to support the bi-annual promotional process in the Police Department.
<i>Recruitment Support</i>	Funding in non-personnel expenditures to support the promotion of City employment opportunities and advertising of the City's employment website.
<i>Shared Mobility Device Enforcement</i>	Funding in expenditures to support the enforcement of Shared Mobility Devices in the public right-of-way.
<i>Street Racing and Sideshow Enforcement</i>	Funding to support the enforcement of street racing and car shows.
<i>Wellness Behavioral Services</i>	Funding in non-personnel expenditures related to contractual increases for firefighter psychological services.

Stormwater

<i>Stormwater Compliance</i>	Funding in positions and non-personnel expenditures to meet regulatory requirements and address storm needs and comply with Regional Water Quality Control Board regulations.
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Transportation

<i>Complete Streets Design</i>	Funding in non-personnel expenditures associated with the Complete Streets Design Guidelines.
<i>Graffiti Abatement Program</i>	Funding in non-personnel expenditures to support citywide graffiti abatement.
<i>Public Works Dispatch</i>	Funding to increase public works dispatch support.
<i>Street Condition Assessment</i>	Funding of one-time non-personnel expenditures to continue the street condition assessment.
<i>Traffic Management Center</i>	Funding in one-time non-personnel expenditures for the relocation, design and configuration of a new Traffic Management Center.
<i>Traffic Signal Support</i>	Funding of positions to replace traffic signal cabinet and loops citywide.
<i>Transportation Safety Compliance</i>	Funding of positions and one-time non-personnel expenditures to support department-wide safety, light duty, and injury prevention programs in the Transportation Department.
<i>Weed Abatement Program</i>	Funding in non-personnel expenditures to support weed abatement in the right-of-way.

Balanced Budget and Conclusion

The Fiscal Year 2023 Adopted Budget continues to focus on the City's goals and make investments to address the City's various needs including: infrastructure, stormwater compliance, and climate action plan goals. This balanced budget includes funding to maintain current services and fund new critical expenditures. The Adopted Budget includes an increase of \$148.7 million in additional Major General Fund revenues from the continuing economic recovery from the COVID-19 pandemic and includes the use of an additional \$147.6 million of one-time funding from the American Rescue Plan Act of 2021. However, to maintain a balanced budget in future years it will require further mitigations such as the suspension of the General Fund reserve contributions and transfers to the infrastructure fund, expenditure reductions or identification of new revenue sources. Additional details are included throughout the Budget document.