



The City of San Diego

Staff Report

DATE ISSUED: 10/24/2017  
TO: City Council  
FROM: Financial Management  
SUBJECT: Fiscal Year 2018 First Quarter Budget Monitoring Report

Primary Contact: Jose Mendoza Phone: (619) 533-5562  
Secondary Contact: Ambar Gutierrez Phone: (619) 533-6297

Council District(s): Citywide

OVERVIEW:

The purpose of the Fiscal Year 2018 First Quarter Budget Monitoring Report (First Quarter Report) is to provide City Council and the public an update of General Fund revenues, significant overtime expenditures, updates on selected programs and/or initiatives, updates to General Fund balance and reserve estimates, and non-General Fund Risk Management reserves.

PROPOSED ACTIONS:

This is an informational item only.

DISCUSSION OF ITEM:

Per City Council Budget Policy (Policy No. 000-02), quarterly reports are presented to the Budget and Government Efficiency Committee and the City Council each fiscal year. The purpose of the Fiscal Year 2018 First Quarter Budget Monitoring Report (First Quarter Report) is to provide City Council and the public an update of General Fund revenues, overtime expenditure projections, updates on selected programs and/or initiatives, updates to General Fund balance and reserve estimates, and non-General Fund Risk Management reserves.

Financial Management (FM) produces this report, in collaboration with City departments, to address significant variances between budget and projected revenues and/or expenditures for significant programs and/or initiatives. The First Quarter Report is developed using three months of actual (unaudited) activity for Fiscal Year 2018. Statistical data and economic analyses are gathered from economic consultants and other resources to project year-end revenue estimates. The data included

in this report is the most current data available at the time of publication; however, the data and projections are subject to change.

The First Quarter Report will discuss the following areas:

- Major General Fund revenue projections
- Overtime expenditure projections
- Program updates
- Update to the General Fund balance and reserves
- Update of the non-General Fund Risk Management reserves

FM and departments will continue to monitor the City's actual revenue and expenditures and will provide any significant changes in subsequent quarterly budget monitoring reports.

City Strategic Plan Goal(s)/Objective(s):

Goal # 1: Provide high quality public service

Objective # 2: Improve external and internal coordination and communication

Goal # 3: Create and sustain a resilient and economically prosperous City

Fiscal Considerations:

None, this is an information report only.

Environmental Impact:

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment and therefore this activity is not subject to CEQA, pursuant to Section 15060(c)(3).

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

This item will be heard by the Budget & Government Efficiency Committee prior to full City Council.

Key Stakeholders and Community Outreach Efforts:

N/A

Tracy McCraner

Rolando Charvel

Department Director

Chief Financial Officer

The City of  
**SAN DIEGO**

**FISCAL YEAR 2018  
FIRST QUARTER BUDGET  
MONITORING REPORT**



**Kevin L. Faulconer**  
Mayor

**Scott Chadwick**  
Chief Operating Officer

**Rolando Charvel**  
Chief Financial Officer

**Tracy McCraner**  
Financial Management Director

**Jose Mendoza**  
Interim Budget Coordinator

**NOVEMBER 2017**

## INTRODUCTION

---

Per City Council Budget Policy (Policy No. 000-02), quarterly reports are presented to the Budget and Government Efficiency Committee and the City Council each fiscal year. The purpose of the Fiscal Year 2018 First Quarter Budget Monitoring Report (First Quarter Report) is to provide City Council and the public an update of General Fund revenues, overtime expenditure projections, updates on selected programs and/or initiatives, updates on General Fund balance and reserve estimates, and non-General Fund Risk Management reserves.

Beginning in Fiscal Year 2016, Financial Management (FM) identified enhancements and streamlining improvements to the First Quarter Report while working with the City Comptroller on the newly created FY 2015 Year-End Financial Performance Report, which was combined with the Charter 39 Report for June 2015. The departments and FM have continued preparing the Year-End Financial Performance Report and the streamlined First Quarter Report in Fiscal Year 2018, focusing staff resources to priority budget analysis and Major Revenue projections. The program updates identified for inclusion within the First Quarter Report are the combination of recommendations from all operating departments, Personnel, FM and management.

FM produces this report, in collaboration with City departments, to address significant variances between budget and projected revenues and/or expenditures for significant programs and/or initiatives. The First Quarter Report is developed using three months of actual (unaudited) activity for Fiscal Year 2018. Statistical data and economic analyses are gathered from economic consultants and other resources to project year-end revenue estimates. The data included in this report is the most current data available at the time of publication; however, the data and projections are subject to change. The First Quarter Report provides relevant expenditure and revenue projections on items of focus.

The First Quarter Report will discuss the following areas:

- Major General Fund revenue projections
- Overtime expenditure projections
- Program updates
- Update to the General Fund excess equity and reserves
- Update of the non-General Fund Risk Management reserves

FM and departments will continue to monitor the City's actual revenue and expenditures and will provide any significant changes in subsequent quarterly budget monitoring reports.

## GENERAL FUND REVENUE

The following section includes a summary of the projected City’s major General Fund revenues and a brief update to departmental revenues. As FM and departments continue to monitor the City’s operating budget throughout the fiscal year, any significant variances in departmental revenue will be reported in future quarterly budget monitoring reports.

### MAJOR GENERAL FUND REVENUES

The City’s major General Fund revenues are projected over budget by \$7.1 million primarily as a result of Property Tax, Transient Occupancy Tax, and Franchise Fees which are projected to be over budget by \$4.7 million, \$2.2 million and \$510,000, respectively. The over budget projection is slightly offset by a decrease in Sales Tax revenue of \$300,000. Table 1: FY 2018 Major General Fund Revenue Projections summarizes this information.

FY 2018 Major General Fund Revenue Projections					
<i>Table 1</i>					<i>in millions</i>
Revenue Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Property Tax	\$ 534.6	\$ 534.6	\$ 539.3	\$ 4.7	0.9%
Sales Tax	275.3	275.3	275.0	(0.3)	-0.1%
Transient Occupancy Tax <sup>1</sup>	121.1	121.1	123.3	2.2	1.8%
Franchise Fees <sup>2</sup>	75.1	75.1	75.6	0.5	0.7%
<b>Total</b>	<b>\$ 1,006.1</b>	<b>\$ 1,006.1</b>	<b>\$ 1,013.2</b>	<b>\$ 7.1</b>	<b>0.7%</b>

<sup>1</sup> Total City FY 2018 Adopted Budget for Transient Occupancy Tax revenue is \$231.1 million and the projection is \$235.3 million. The balance is budgeted in the Transient Occupancy Tax Fund.

<sup>2</sup> Total City FY 2018 Adopted Budget for Franchise Fees revenue is \$149.7 million and the projection is \$150.2 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

The projections for major General Fund revenues are based on the most recent economic information and actual revenue distributions available to the City. When the Fiscal Year 2018 budget for the major General Fund revenues was developed, it incorporated a moderate but slower rate of growth than had been experienced in the previous fiscal years. Property Tax and Transient Occupancy Taxes are projected to exceed budget due to stronger than anticipated growth in assessed valuations and tourist activity, respectively. A summary of current local key economic indicators are reflected in Table 2: Local Economic Indicators.

**Local Economic Indicators**  
*Table 2*

Economic Indicator	September 2016	September 2017	Change %
City of San Diego Unemployment	4.4%	3.9%	-0.5%
City of San Diego Number of Unemployed	31,100	27,700	-10.9%
USD Index of Leading Economic Indicators <sup>1</sup>	139.9	145.2	3.8%
City of San Diego Home Sales (YTD)	12,792	12,540	-2.0%
City of San Diego Median Home Price	\$ 515,000	\$ 535,000	3.9%
San Diego County Foreclosures (YTD)	938	648	-30.9%
San Diego County Notices of Default (YTD)	3,470	2,664	-23.2%

Source: California Employment Development Department, USD Index of Leading Economic Indicators, DQNews/CoreLogic, San Diego County Assessor/Auditor/Recorder's Office

<sup>1</sup>Data for 2017 reflects August 2017; data for September not available as of publication date.

When compared to September 2016, the unemployment rate and the number of unemployed in the City of San Diego for September 2017 have improved. Similarly, the University of San Diego's (USD) Index of Leading Economic Indicators for September 2017 has also improved from the same point last year demonstrating a stable local economy. This index provides a broader picture of the local economy, as it summarizes data across several areas, including building permits, unemployment, stock prices, consumer confidence, help wanted advertising, and the national economy. Home prices continue to rise, while the number homes sales have decreased slightly. Furthermore, foreclosure and notices of default have declined to the lowest level in twelve years. These local economic indicators are supportive of the overall projection for revenue growth that is positive yet moderate. Discussion on the major components of the City's General Fund Fiscal Year 2018 Adopted Budget are provided next.

## Property Tax

**FY 2018 Property Tax Revenue Projections**  
*Table 3* *in millions*

Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Property Tax Growth Rate	5.0%	5.0%	6.0%	1.0%	N/A
Property Tax Projection	\$ 534.6	\$ 534.6	\$ 539.3	\$ 4.7	0.9%

Property tax is projected to be over budget by \$4.7 million at fiscal year-end primarily due to continued growth in assessed valuation for Fiscal Year 2018. The Fiscal Year 2018 Adopted Budget growth rate of 5.0% was based on preliminary assessed valuations from the County of San Diego of approximately 4.9% and prior year actual growth of 5.8%. The final assessed valuation growth from the County of San Diego indicated an actual growth of 6.4% in assessed valuation.

The Fiscal Year 2018 Adopted Budget for tax sharing pass-through payments of \$8.3 million from the former Redevelopment Agencies (RDA) based on projections for the upcoming



Recognized Obligation Payment Schedule (ROPS), includes the distribution of an estimated \$1.7 million in one-time residual proceeds from the sale of former RDA properties. This amount will be recorded as Redevelopment Property Tax Trust Fund (RPTTF) Residual Property Tax instead of tax sharing pass-through, therefore creating a variance in each of these categories. The residual property tax payment, which is the City’s proportionate share of funds remaining in the RPTTF after ROPS requirements have been met, is projected to be \$20.5 million or \$1.7 million above the Fiscal Year 2018 budget amount. Exclusive of the reclassification of RDA property sales between pass through and residual categories, total RPTTF distributions are expected to be \$110,000 above budget based on updated RPTTF projections.

FY 2018 Property Tax Revenue Projection Details					
<i>Table 4</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
1% Property Tax	\$ 372.0	\$ 372.0	\$ 374.7	\$ 2.6	0.7%
MVLF Backfill	135.8	135.8	137.5	1.7	1.3%
RPTTF Tax Sharing Pass-through Payments	8.3	8.3	6.7	(1.6)	-19.2%
RPTTF Residual Property Tax	18.8	18.8	20.5	1.7	9.1%
<b>Total</b>	<b>\$ 534.8</b>	<b>\$ 534.8</b>	<b>\$ 539.3</b>	<b>\$ 4.5</b>	<b>0.8%</b>

Reviewing the risks to this projection, property tax revenues could be affected by delinquency rates, refunds, and RPTTF residual distributions, the latter of which is largely determined by enforceable obligations to be placed on the ROPS in April 2018. An update to the projection of the residual property tax distributions will be provided at that time.

## Sales Tax

FY 2018 Sales Tax Revenue Projections					
<i>Table 5</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Sales Tax Growth Rate	2.5%	2.5%	2.5%	0.0%	N/A
Sales Tax Projection	\$ 275.3	\$ 275.3	\$ 275.0	\$ (0.3)	-0.1%

Sales tax revenue is projected to be slightly under budget by fiscal year-end. The Fiscal Year 2018 Adopted Budget was based on year-end estimates for Fiscal Year 2017. As reported in the Fiscal Year 2017 Year-End Financial Performance Report, Fiscal Year 2017 actual sales tax revenues were lower by \$2.6 million than anticipated. As a result, the base for the Fiscal Year 2018 sales tax revenues projection is lower than assumed in the Fiscal Year 2018 Adopted Budget and thereby slightly reducing the projection for Fiscal Year 2018.

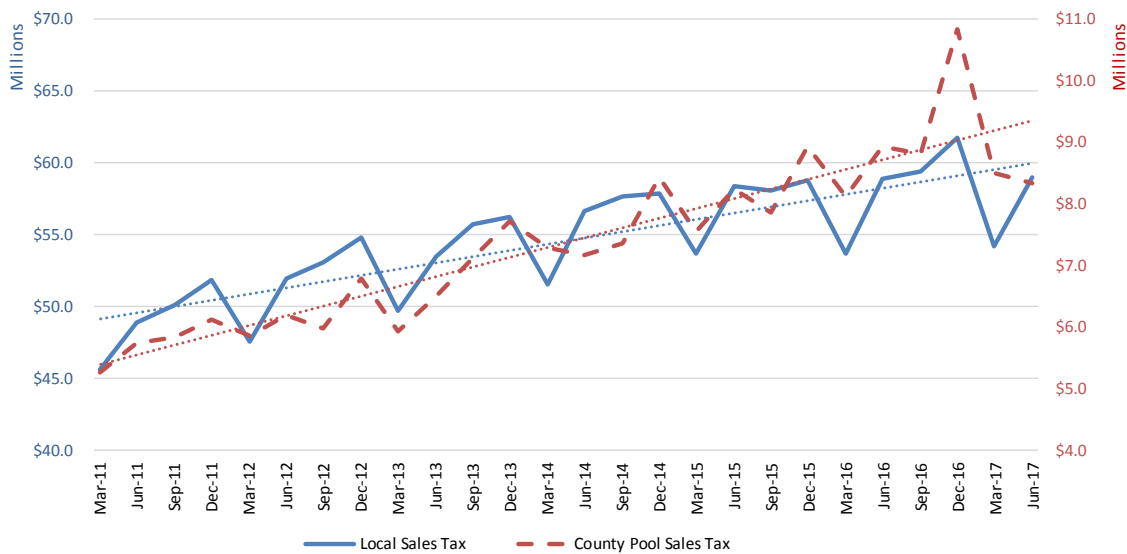
Major local economic drivers of the City’s sales tax receipts include the unemployment rate, consumer confidence, and consumer spending. As of September 2017, the San Diego unemployment rate was 3.9%, as preliminarily reported by the California Employment Development Department. The unemployment rate has decreased 0.5% from September 2016. Consumer confidence, a measurement of the consumer’s willingness to spend, had



experienced significant growth since 2009, reaching an all-time high in March 2017 at 124.9 before settling at 119.8 in September 2017.

While the local economic indicators for sales tax are positive and stable, growth in sales tax will continue to be constrained by online sales. As consumers shift from instore (brick and mortar) purchases to online sales, the City receives a smaller portion of sales tax revenues. Sales tax revenues from online retailers are distributed to the City through the county pool at a rate of approximately 0.5% as opposed to 1.0% for instore point of sale City sales tax revenues. This trend towards online sales is evidenced by the percentage of the City’s total sales tax revenue received from the county pool steadily increasing over the past several years. In summary, Graph 1: Historical Sales Tax Receipts, displays that total local sales tax receipts have grown cumulatively by 13.6% over the last five years; whereas the county pool has seen a significantly higher increase of 34.2%, cumulatively.

**Historical Sales Tax Receipts**  
 Comparison of Local Sales Tax Receipts vs County Pool Sales Tax Receipts



As depicted in Table 6: Annual Sales Tax Revenue, receipts from general retail were less than the prior twelve-month period due to growing online sales as previously discussed. However, in contrast, the county pool, business-to-business and food products categories, particularly restaurants, have exhibited steady growth.





Annual Sales Tax Revenue			
<i>Table 6</i>			<i>in millions</i>
Economic Category	2nd Quarter CY 2016	2nd Quarter CY 2017	Variance %
General Retail	\$66.9	\$66.7	-0.3%
Food Products	\$59.4	\$62.6	5.4%
Transportation	\$45.8	\$46.8	2.1%
Construction	\$19.4	\$19.3	-0.5%
Business to Business	\$39.1	\$40.4	3.3%
Miscellaneous	\$3.3	\$3.4	1.7%
County Pool	\$33.2	\$37.1	11.9%
<b>Total</b>	<b>\$ 267.0</b>	<b>\$ 276.2</b>	<b>3.4%</b>

Source: MuniServices, LLC

Based on stable and positive economic indicators, tempered by declining retail sales, the year-end projection maintains the budgeted growth rate of 2.5%. Sales tax revenue will continue to be closely monitored and updated in the Fiscal Year 2018 Mid-Year Budget Monitoring Report (Mid-Year Report) to account for any changes in spending trends or other economic indicators impacting sales tax receipts.

### Transient Occupancy Tax (TOT)

FY 2018 Transient Occupancy Tax Revenue Projections					
<i>Table 7</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
TOT Growth Rate	5.7%	5.7%	5.7%	0.0%	N/A
TOT Projection	\$ 121.1	\$ 121.1	\$ 123.3	\$ 2.2	1.8%

General Fund Transient Occupancy Tax (TOT) revenue is projected to exceed budget by \$2.2 million based on better than expected year-end performance in Fiscal Year 2017 and sustained growth in the primary economic drivers of TOT - overnight visits, occupancy rates, and room rates.

According to the July 2017 Travel Forecast from the San Diego Tourism Authority (SDTA) and Tourism Economics, Inc., the rate of tourism growth is estimated to steadily improve this calendar year and beyond. Based on this information, the projected growth rate included in the Fiscal Year 2018 Adopted Budget of 5.7% remains appropriate. Table 8: San Diego County Visitor Industry, provides a summary of the projected growth in economic indicators that impact the City's TOT receipts.



**San Diego County Visitor Industry**

Table 8

	CY 2016	CY 2017 <sup>1</sup>	CY 2018 <sup>1</sup>	CY 2019 <sup>1</sup>
<b>Visitors</b>				
Total Visits (millions)	34.9	35.1	35.5	36.1
Overnight Visits (millions)	17.4	17.6	17.9	18.2
<b>Hotel Sector</b>				
Average Occupancy	77.1%	77.9%	77.2%	77.1%
Average Daily Rate	154.92	159.95	167.32	172.39
Revenue PAR <sup>2</sup>	119.38	124.52	129.22	132.94
Room Demand (growth)	2.2%	2.5%	2.2%	1.9%

Source: San Diego Tourism Authority and Tourism Economics, July 2017

<sup>1</sup>Forecast - Tourism Economics Inc.

<sup>2</sup>Revenue Per Available Room (Average Occupancy multiplied by Average Daily Rate)

TOT revenue projections will continue to be closely monitored and updated in the Mid-Year Report to account for any changes in spending trends and economic indicators related to the San Diego tourism economy.

## Franchise Fees

**FY 2018 Franchise Fee Revenue Projections**

Table 9

*in millions*

Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
SDG&E Growth Rate	2.0%	2.0%	2.0%	0.0%	N/A
Cable Growth Rate	0.0%	0.0%	0.0%	0.0%	N/A
Franchise Fee Projection	\$ 75.1	\$ 75.1	\$ 75.6	\$ 0.5	0.7%

Franchise fee revenue is generated from agreements with private utility companies and refuse haulers in exchange for the use of the City's rights-of-way. Currently, the City has franchise agreements with San Diego Gas & Electric (SDG&E), Cox Communications, Spectrum formerly known as Time Warner, AT&T, and several refuse haulers. Approximately 80.7% of franchise fee revenue is comprised of revenue from SDG&E and cable companies. The revenue received from the agreements with SDG&E and the cable companies is based on a percentage of gross sales while the revenue received from refuse haulers is based on tonnage.

The Fiscal Year 2018 Franchise fee revenue is projected to exceed budget at fiscal year-end by \$0.5 million due to "clean up" payments received from Spectrum which true-up previous franchise fee payments with actual amounts due to the City.

## DEPARTMENTAL REVENUE

Operating departments and FM continue to perform quarterly budget monitoring of departmental revenues. Currently, three months of actual collections have taken place and no significant variances have been identified. As FM and departments continue to monitor the City's operating budget throughout the fiscal year, any significant variances in departmental revenue will be reported in future quarterly budget monitoring reports.

# GENERAL FUND EXPENDITURES

## OVERTIME EXPENDITURE PROJECTIONS

Overtime expenditures are projected to exceed budget by \$1.7 million, or 2.8% by fiscal year-end. The following section discusses the major contributors to the projected overtime expenditures in the Fire-Rescue, Police, and Transportation and Storm Water Departments.

FY 2018 Overtime Projections					
Table 10					in millions
Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Fire-Rescue	\$ 32.8	\$ 32.8	\$ 33.0	\$ (0.2)	-0.6%
Police	26.3	26.3	26.6	(0.3)	-0.9%
Transportation and Storm Water	1.1	1.1	2.3	(1.2)	-114.2%
<b>Total</b>	<b>\$ 60.2</b>	<b>\$ 60.2</b>	<b>\$ 61.9</b>	<b>\$ (1.7)</b>	<b>-2.8%</b>

### Fire-Rescue Department

The Fire-Rescue Department is projecting overtime to exceed budget slightly by \$190,000 by fiscal year-end. This variance is primarily attributed to the following increases:

- \$2.3 million in strike team and other deployments, which is partially reimbursable.
- \$590,000 associated with weather up-staffing as a result of the Fire Potential Index.
- \$550,000 for Lifeguard services due to the increased volume of beach incidents.

These increases are offset by the following decreases:

- \$2.3 million associated with lower than anticipated backfill overtime primarily for the use of annual leave.
- \$700,000 associated with achieving full staffing in the firefighter ranks.
- \$250,000 associated with a decrease in training and special assignments.

### Police Department

The Police Department is projecting overtime to exceed budget by \$250,000 by fiscal year-end. This increase is primarily attributed to the Hepatitis A outbreak, including support for the Safe Campground at 20<sup>th</sup> and B. Furthermore, the Department’s Quality of Life Team (QLT) continues to focus outreach to the homeless population, and assisting individuals and families experiencing homelessness by providing direct resources for information and services.

### Transportation and Storm Water

The Transportation and Storm Water Department is projecting overtime to exceed budget by \$1.2 million by fiscal year-end. This variance is primarily attributed to the following increases:

- \$900,000 in emergency work primarily related to projected winter storms and after hours calls for service in the right of way, road hazards, etc.
- \$300,000 as a result of unanticipated cleaning during regular work hours associated to the Hepatitis A outbreak.

## GENERAL FUND RESERVES

The City’s Reserve Policy (Council Policy 100-20) documents the City’s approach to establishing and maintaining strong reserves across City operations. The following section discusses the General Fund FY 2018 Projected Ending Fund Balance and reserve estimates.

### Fiscal Year 2018 General Fund Reserve Projections

Table 11: FY 2018 General Fund Balances and Reserve Estimates displays the General Fund balance and reserve estimates calculation. The Fiscal Year 2018 projected ending fund balance (excess equity) of \$17.9 million is based on budgeted revenues and expenditures and does not incorporate the projected activity included in this report.

FY 2018 General Fund Balances and Reserve Estimates		
<i>Table 11</i>		<i>in millions</i>
Description	Amount	Revenue %
<b>FY 2017 Unaudited Ending Fund Balance</b>	<b>\$ 218.2</b>	<b>18.0%</b>
FY 2018 Adopted Budget Activity		
Resources		
Revenue	1,407.7	
Budgeted Use of Fund Balance (Excess Equity)	8.7	
<b>Total Resources</b>	<b>1,416.5</b>	
<b>Total Expenditures<sup>1</sup></b>	<b>1,416.5</b>	
Net Projected Activity	-	
<b>FY 2018 Projected Ending Fund Balance</b>	<b>\$ 209.5</b>	<b>15.8%</b>
Emergency Reserve	94.3	8.0%
Stability Reserve	79.5	6.75%
FY 2018 Reserve Contribution <sup>2</sup>	7.5	0.25%
<b>FY 2018 Projected Reserve Contribution<sup>3</sup></b>	<b>\$ 181.3</b>	<b>15.0%</b>
FY 2019 Prefunded Budgeted Reserve Contribution	10.3	
<b>FY 2018 Projected Ending Fund Balance (Excess Equity)</b>	<b>\$ 17.9</b>	<b>1.5%</b>

<sup>1</sup> The FY 2018 Adopted Budget has total expenditures of \$1,433.8 million which includes the use of \$26.1 million of fund balance. This use of fund balance includes the budgeted FY 2018 Reserve Contribution of \$7.0 million to reach the target of 15.0% and prefunding of the FY 2019 Reserve Contribution of \$10.3 million to reach the target of 15.25%. The \$7.0 million and \$10.3 million are removed from the budgeted activity to reflect the projected expenditures of \$1,416.5 million as the reserve contributions will not be recognized as an expenditure but will close to fund balance as part of the year-end financial accounting process.

<sup>2</sup> The FY 2018 Reserve Contribution includes \$500,000 above the \$7.0 million budgeted reserve contribution for a total contribution of \$7.5 million to reach the 15.0% policy target. This is attributed to FY 2017 unaudited operating revenues being higher than what was projected during the FY 2018 Adopted Budget.

<sup>3</sup> Based on FY 2015 and FY 2016 (audited) and FY 2017 (unaudited) operating revenues in accordance with the City's Reserve Policy (CP 100-20).

The Fiscal Year 2018 projected ending fund balance (excess equity) is \$17.9 million, or 1.5%, after taking into account the following:

- \$8.7 million Fiscal Year 2018 budgeted use of fund balance for eligible one-time uses.

- \$181.3 million Fiscal Year 2018 projected General Fund Reserve Contribution to reach the target of 15.0%.
- \$10.3 million to prefund the Fiscal Year 2019 Reserve Contribution to reach the target of 15.25%.

The following section details the projected reserves and excess equity for the General Fund in accordance with the City's Reserve Policy.

The unaudited Fiscal Year 2017 ending fund balance is \$218.2 million, or 18.0%, of the three-year average of Fiscal Year 2015 and Fiscal Year 2016 audited and Fiscal Year 2017 unaudited General Fund operating revenues.

The Fiscal Year 2018 Adopted Budget includes the use of \$26.1 million of fund balance. The Fiscal Year 2018 budgeted use of fund balance primarily funds the Fiscal Year 2018 General Fund reserve contribution of \$7.0 million to reach the target of 15.0% and pre-funds the Fiscal Year 2019 reserve contribution of \$10.3 million to reach the target of 15.25%. The sum of these reserve contributions are excluded from the Fiscal Year 2018 budgeted activity because they will close to fund balance as opposed to being recognized as an expenditure as part of the year-end financial accounting process. The remaining \$8.7 million budgeted use of fund balance is primarily attributed to police recruitment and retention efforts and one-time funding for the Penny for the Arts program.

The current General Fund reserve of 15.0% is comprised of an 8.0% Emergency Reserve and a 7.0% Stability Reserve. The amendments to the Reserve Policy approved by the City Council on February 2017 include increasing the Stability Reserve by 2.7% over a five-year period, or from 6.0% to 8.7% by Fiscal Year 2023, of a three-year average of audited General Fund operating revenues. The Fiscal Year 2018 target is scheduled to increase from 6.75% to 7.0% to reach a total General Fund reserve level of 15.0% by fiscal year-end.

The Fiscal Year 2018 ending fund balance projection will be updated during the Mid-Year Report once the City of San Diego's Comprehensive Annual Financial report ending June 30, 2016 is complete and any recommended use of excess equity may be included in the respective report.

### **Pension Payment Stabilization Reserve**

The Pension Payment Stabilization Reserve (Pension Reserve) was established per the City's Reserve Policy to mitigate any unanticipated increases in the annual pension payment, also known as the Actuarially Determined Contribution (ADC). The Pension Reserve is only expected to supplement unexpected increases in the ADC payment as calculated in the most recent Actuarial Valuation Report produced by the San Diego City Employees' Retirement System's (SDCERS) actuary. On November 13, 2017 the City Council will consider revisions to the City of San Diego Budget Policies and Reserve Policy to allow use of the Pension Reserve for any increase in the annual pension payment.

The Fiscal Year 2018 Adopted Budget included full utilization of the Pension Payment Stabilization Reserve to minimize the impact from the significant increase in the City's ADC pension payment. Per the City's Reserve Policy, use of the reserve requires the Mayor to prepare a plan to replenish the balance to policy levels. The forecast for Reserve Contributions in the Fiscal Year 2019-2023 Five-Year Financial Outlook Report includes a plan to replenish the reserve on an incremental basis of 20.0% per year to achieve the full reserve target by Fiscal Year 2023.

## PROGRAM UPDATES

---

### 1,000 Miles of Street Repair

One of the Mayor's top initiatives is to repair 1,000 miles of City streets in five years or less by Fiscal Year 2020. The City completed 595 miles of street repairs, or 59.5% of this goal, in Fiscal Years 2016 and 2017, and plans to repair approximately 349 miles, or cumulatively 94.4%, by the end of Fiscal Year 2018 through asphalt overlay, slurry seal, and concrete street repairs. The \$70.9 million in projected street repair expenditures for Fiscal Year 2018 are supported by several funding sources including TransNet, Gas Taxes (including Senate Bill 1: Road Maintenance and Rehabilitation Program), and debt financing.

Through the first quarter of Fiscal Year 2018, the City has initiated repair of 115 miles of City streets and has fully completed repair of 60 of those miles. The City is in the process of initiating approximately 234 more miles of road repair, all of which are expected to be completed by the end of Fiscal Year 2018. Since the inception of this initiative in Fiscal Year 2016, the City has completed a total of 655 miles, or 65.5%, of the 1,000-mile goal through November 2017. This puts street repair well ahead of the 200 miles per year needed to meet this initiative.

### 101 Ash Street Update

During the first quarter of Fiscal Year 2018, mechanical, electrical, plumbing and Americans with Disability Act (ADA) consultants have completed inspections of the 101 Ash building and submitted the findings. Based on these findings, the architectural consultant finalized has space plans and construction drawings. The construction drawings were submitted to the Developmental Services Department in September 2017. The plans have been approved and permits will be issued to the contractor ultimately chosen by the City.

A request for quotation by construction companies is expected to be posted by the end of November 2017 and construction is expected to begin in March 2018. The first phase of tenant improvements will begin on the floors that will be occupied by departments relocating from the Executive Complex Building (1010 2nd Ave). The next phase will incorporate the staff relocating from the City Operations Building (COB). Departments relocating from the Executive Complex are expected to move into 101 Ash at the beginning of Fiscal Year 2019.

### 311 Customer Experience

In Fiscal Year 2016, the Performance and Analytics Department (P&A) developed a 311 Customer Experience and Service Delivery Roadmap ("Roadmap"). Concurrently, in partnership with the Transportation and Storm Water (TSW) Department and the Department of Information Technology, the "Get It Done" pilot project was launched on May 20, 2016. Get It Done provides a new customer-driven web and mobile application that utilizes a Customer Relationship Management (CRM) software platform that allows employees to engage with customers. As of November 2017, over 170,000 reports have been received and the Get it Done mobile application has been downloaded over 30,000 times.

During Fiscal Year 2017, the 311 Customer Experience program initiated a competitive procurement process for the Get It Done expansion with a focus on maintaining and enhancing the Get It Done pilot.

On October 16, 2017, the Get It Done Expansion received City Council approval for the authorization of a contract with a system implementation firm and the formation of a technology CIP (CIP T-18000). Over ten departments will be involved in the expansion effort with six different legacy applications being retired. Legacy systems being replaced cover both services offered to customers and internal work order management functions utilized by employees. No savings are anticipated to take place in the current fiscal year as the legacy systems will not be deactivated until the Expansion finishes development. Examples of legacy systems to be replaced include software utilized by the Environmental Services Department to manage customer requests and work orders related to service requests such as missed trash pick-up, code enforcement case management functions across multiple departments, and the Public Utilities Department's Food Establishment Waste Discharge program. The Expansion allows for additional customer-facing service information, greater tracking of reports, improved customer communication and responsiveness, and more efficient handling of work orders. The Get It Done Expansion development effort is planned to start in the second quarter of Fiscal Year 2018.

### **Bayside Fire Station**

The Fiscal Year 2018 Adopted Budget includes the addition of 7.00 FTE positions and \$860,000 in expenditures associated with operational support for the Bayside Fire Station. During the first quarter of Fiscal Year 2018, the contractor began plastering the exterior building and conducting interior work. Construction of the Bayside Fire Station is anticipated to be completed by mid-January 2018. Site work is pending due to a storm drain vault repair on Pacific Highway. Some of the challenges that may impact the anticipated opening date include: San Diego Gas & Electric's (SDG&E) date for providing permanent power to the fire station, and delayed information technology work. The Department is currently estimating savings equal to one month of operations.

### **Central Library Security Services**

The Fiscal Year 2018 Adopted Budget includes the addition of \$380,000 in expenditures for library security services. The Library Department is projected to stay within its increased Fiscal Year 2018 appropriation for security services for all 22 locations, utilizing its current system-wide staffing model.

### **Climate Action Plan**

With the goal of creating a cleaner San Diego for future generations, the City of San Diego's Climate Action Plan (CAP) calls for eliminating half of all greenhouse gas emissions in the City and aims for 100% of electricity used in the City to be from renewable sources by 2035.

The CAP is a dynamic list of strategies resulting in projects that will enable the City to reach the greenhouse gas emission reduction targets. The second annual Climate Action Plan Annual Report was released on October 25<sup>th</sup>, and showed San Diego ahead of schedule in reducing greenhouse gas emissions, with 19.3% to date. The current Annual Report can be found here: <https://www.sandiego.gov/sustainability>. In order to promote CAP activities throughout the year, a web site is being designed to replicate and expand on information in the CAP Annual Report.

Implementation activities anticipated to be developed or continued during calendar year 2018 include the following: residential, and commercial energy ordinances; a monitoring plan for mobility; 100% renewable energy; urban forest improvements; and a climate adaptation and resilience plan.



## Compressed Natural Gas Fueling Station

With the goal of making a cleaner San Diego for future generations, the City has taken a major step toward switching its entire fleet of refuse and recycling collection trucks from diesel fuel to compressed natural gas (CNG) – a cleaner-burning fuel that significantly reduces greenhouse gas emissions and reduces costs.

The City completed construction on the first phase of a CNG Fueling Station at the Environmental Services Operations Station, which allows for fueling up to 52 vehicles simultaneously with CNG. There are two remaining phases to complete the fueling station.

The City currently has 20 CNG vehicles that have been successfully utilizing the fueling station since April 2017. CNG vehicles are projected to reduce smog-contributing pollutants by up to 90% when compared to diesel vehicles.

Once fully built out, the facility will have the ability to fill up to 140 collection vehicles and allow the City to replace its existing fleet of 131 diesel-powered collection vehicles with CNG vehicles by 2022 – one of the targets in the City’s Climate Action Plan. Completion of the facility will reduce the amount of diesel fuel consumed by more than one million gallons annually.

## Emergency Command and Data Center Staffing

The Fiscal Year 2018 Adopted Budget included the addition of 4.00 Fire Dispatchers and 1.00 Fire Dispatch Supervisor. This brought the total number of budgeted Fire Dispatchers to 43.00 FTE positions. In July 2017, there were nine total vacancies. In order to provide sufficient staffing in the Emergency Command and Data Center (ECDC), the Fire-Rescue Department requested and received approval to fill ten additional supplemental Fire Dispatcher positions in Fiscal Year 2018; the department projects to fill 8.00 of the additional FTE positions and will request them during the Fiscal Year 2019 budget development process to meet ECDC’s needs.

With the eight additional Fire Dispatcher positions, total Fire Dispatcher FTEs would increase to 51.00; the needed amount to maintain a constant staffing level of 12 Fire Dispatchers per shift. As of September 30, 2017, 14.00 Fire Dispatchers were hired from the fire dispatcher academy and fulfilled the requirement for constant staffing. As of October 2017, 2.00 Fire Dispatcher positions became vacant due to a resignation and a retirement. Additionally, all Fire Dispatcher-Hourly positions were filled and 1.00 Fire Dispatch Supervisor is anticipated to be hired by the end of the 2017 calendar year.

Challenges to ECDC staffing include historically low graduation rates from past dispatcher academies of 30.0% to 50.0%. Conducting concurrent academies is logistically problematic, however, may be necessary to provide the required staffing. Fire dispatcher academies typically take approximately six months to bring a new hire to functional dispatcher status. Additional challenges include higher salaries in other dispatch centers within the County. The Fire-Rescue Department has contracted Citygate Associates to assist in verifying staffing numbers based on known workload and providing additional strategies for retention and training practices.

The Department will continue to monitor staffing. If staffing levels decrease to 45 positions, a concurrent academy will be initiated. The Department plans to begin interviews to queue potential Fire Dispatcher candidates for the possible second concurrent academy. The City has reached tentative agreement to increase Fire Dispatcher pay to prevent attrition.

## Energy Costs Non-Discretionary Analysis

FY 2018 Energy Services Projection					
<i>Table 12</i>					<i>in millions</i>
Fund	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
General Fund	\$ 10.3	\$ 10.3	\$ 10.3	\$ 0.0	0.3%
Non-General Fund	25.6	25.6	24.1	1.5	5.9%
<b>Total</b>	<b>\$ 36.0</b>	<b>\$ 36.0</b>	<b>\$ 34.4</b>	<b>\$ 1.5</b>	<b>4.3%</b>

Expenditures in electrical services are projected under budget by \$1.5 million citywide by fiscal year-end, all of which is attributed to Non-General Funds. The Fiscal Year 2018 year-end electrical services forecast is developed using Fiscal Year 2017 actuals and Fiscal Year 2018 Period 1 to 3 actuals as a baseline, correcting for billing issues, adjusting for City accounting changes, and applying estimated rate increases based on historical averages. Since the development of the Fiscal Year 2018 budget, there is updated information for the three expected rate changes for Fiscal Year 2018 and a 1.0% increase in budget spending is assumed in order to account for changes in load and consumption due to weather.

## Fire-Rescue Self-Contained Breathing Apparatus

In Fiscal Year 2018, the Fire-Rescue Department will undergo the complete replacement of 650 Self-Contained Breathing Apparatus (SCBA) and all related equipment, including air bottles, masks, mask voice amplifiers, integrated thermal vision equipment, escape packs with bottles, air carts and hoses, rapid intervention team packs and several bottle filling stations. SCBA are critical, lifesaving equipment used by firefighters and lifeguards to enter situations that are otherwise not survivable.

SCBA's provide breathing air to the firefighter when entering areas immediately dangerous to life and health. The current equipment has reached the end of its serviceable life, has become increasingly more expensive to maintain, and will no longer be supported by the manufacturer.

Based upon the bid award resulting from the completed RFP process for the SCBA, the anticipated total cost is \$7.1 million, resulting in an over budget impact of approximately \$160,000. The Fire-Rescue Department intends to present the bid award to the Public Safety and Livable Neighborhoods Committee [or Budget and Government Efficiency Committee] in late 2017 and subsequently to City Council in early 2018. All new equipment is anticipated to be delivered in Fiscal Year 2018 and placed into field service in late Fiscal Year 2018 or early Fiscal Year 2019.

## Fuel Costs Non-Discretionary Analysis

FY 2018 Fuel Expenditure Projections					
<i>Table 13</i>					<i>in millions</i>
Fund	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
General Fund	\$ 7.3	\$ 8.8	\$ 8.8	\$ (0.0)	-0.4%
Non-General Fund	2.9	2.9	2.7	0.2	5.6%
<b>Total</b>	<b>\$ 10.2</b>	<b>\$ 11.7</b>	<b>\$ 11.5</b>	<b>\$ 0.1</b>	<b>1.1%</b>

The Fleet Services Operating Fund is projecting a \$120,000 citywide savings in fuel expenditures by fiscal year-end. Savings are attributed to a 14.0% year-over-year reduction in gasoline and diesel consumption. However, these savings are offset by a 13.0% year-over-year increase in cost per gallon. The fuel projection increase is associated to Senate Bill 1, a newly approved fuel tax which began on November 1, 2017, and an assumed inflation rate of 4.0% during the fiscal year to allow for price fluctuations in the cost per gallon. The Fleet Operations Department will continue to monitor the fuel expenditures throughout the fiscal year and provide quarterly updates. The budget change in the General Fund above is attributed to an operational efficiency with the delivery of fuel to the Fire-Rescue Department with a net neutral impact to the General Fund.

## General Electric Lighting Upgrade and Installation

The City's outdoor lighting inventory is approximately 60,000 street lights of which 38,000 have been previously retrofitted. This outdoor lighting project includes the retrofit of 14,000 old lighting fixtures to Adaptive Control LED's. The Adaptive Control system provides data for enhanced asset management, real time energy, and an improved maintenance tool. In addition to the 14,000 lights being retrofitted, 3,200 sensors will be installed that have the ability to provide information on parking availability, parking enforcement, pedestrian, bicycle and vehicle counts, including path of travel, and weather information.

It is anticipated that the Request for Proposal (RFP) for Phase 1 of the project which identifies approximately 5,000 light fixtures to be retrofitted and the 3,200 sensors to be installed will be issued to the Multiple Award Construction Contract contractors in November 2017. Phase 1 construction is expected to begin in January 2018 and be completed by August 2018 with an estimated savings of \$690,000 at the beginning of the Fiscal Year 2019. The RFP for Phase 2, which identifies approximately 9,000 light fixtures to be retrofitted, is expected to be issued by the end of January 2018 and construction completed by December 2018. When the project is completed, the City anticipates \$2.8 million in energy savings annually.

## Hepatitis A Response

On August 31, 2017, the County of San Diego (County) Chief Public Health Officer issued a directive to the City outlining a number of actions required to respond to the ongoing Hepatitis A outbreak. Subsequently, on September 1, 2017, the County Chief Public Health Officer declared the spread of Hepatitis A in San Diego County as a threat to public health and a local health emergency. This declaration was ratified by the County Board of Supervisors on September 6, 2017. In direct response, the City took immediate action to address the public health threat and fully complied with the County directive by providing additional vaccination, sanitation, and education related services.

On October 9, 2017, the City Council ratified an agreement that was entered by way of an emergency contract for sanitation services in the right-of-way. Expenditures associated to this contract are estimated to be \$700,000 annually. These services will provide sanitation (bleaching) of the streets and sidewalks.

Expenditures associated with the Hepatitis A response such as sanitation services and the emergency shelter, were not anticipated in the Fiscal Year 2018 Adopted Budget. If necessary, the Mid-Year Report may include a recommendation to appropriate budget with the use of excess equity. The level of effort and associated funding beyond Fiscal Year 2018 is included in the Fiscal Year 2019-2023 Five-Year Financial Outlook.

## Homeless Initiatives

### Safe Campground at 20th and B

On October 2, 2017, the City approved an update to San Diego's emergency shelter declaration that allows the City to continue expediting efforts to reduce homelessness. One of the outcomes of this declaration was the Safe Campground at 20<sup>th</sup> and B other specific programs and associated funding are still being finalized.

### Safe Parking Zones

This program will provide a safe place for homeless individuals to sleep and access to critical assistance necessary to secure stable housing. The safe parking zones are estimated to cost \$340,000 annually and are associated with the expansion of the Safe Parking Program. These services are located at the Jewish Family Service's (JFS) Joan and Irwin Jacobs Campus at 8804 Balboa Avenue in Kearny Mesa and a Satellite site on Aero Drive in Kearny Mesa.

## Homeless Prevention and Diversion Program

The Fiscal Year 2018 Adopted Budget includes \$1.1 million for the San Diego Housing Commission's (SDHC) Homeless Prevention and Diversion Program. The transfer will be made during November 2017. The goal of the program is to stabilize participants' housing and prevent the cycle of emergency and interim shelter use by providing comprehensive, high-quality, and effective case management to promote client self-sufficiency. Reductions in shelter system entry and recidivism mitigate the traumatic effects of homelessness on individuals and families and the demand on the emergency and interim shelter system. The program specializes in and utilizes best practices including: housing first, harm reduction, trauma informed care, and motivational interviewing.

The SDHC Homeless Prevention and Diversion Program spending plan includes funding for prevention and diversion services. Participants receiving prevention services are provided with individualized assistance to maintain their current housing by utilizing temporary rental assistance. Services also include housing advice and mediation, credit repair and budgeting, employment assistance, and connection to mainstream public assistance benefits.

Participants receiving diversion services are provided with support to identify resources and options for immediate alternative housing arrangements utilizing housing search assistance, temporary rental assistance, temporary financial assistance, conflict mediation, and assistance to reunite homeless individuals with their support network.

## Horton Plaza Park Security

The Fiscal Year 2018 Adopted Budget includes \$150,000 in non-personnel expenditures for security services at Horton Plaza Park. The City of San Diego entered into a service agreement with Horton Plaza Services, Inc., on August 3, 2017 for security services at Horton Plaza Park. The service cost is to be paid partially by the City of San Diego and partially by Horton Plaza Services, Inc. The City's monthly allocation is payable directly to Horton Plaza Service, Inc. as a reimbursement described in the service agreement. The City's cost will not exceed \$150,000 by fiscal year-end. As this was a one-time addition to the budget, this additional service is scheduled to end on June 30, 2018.

## Housing Affordability Initiative

Housing SD includes several initiatives that help address affordable housing as well as market-rate affordable. Focusing the increased housing unit production in the Transportation Priority

Areas helps San Diego meet the targets in the Climate Action Plan for reducing vehicle miles traveled and increasing transit, bicycle, and pedestrian commuting. The Planning Department recently completed three Housing SD initiatives (Companion Units, CEQA Section 15183 Checklist/Guidelines and Affordable and Sustainable Expedite Program) and has identified an additional three initiatives to be completed in Fiscal Year 2018. Including, 11<sup>th</sup> Code Update, Affordable Housing Density Bonus update and Development Impact Fee (DIF) calculations.

### **Infrastructure Asset Management (IAM) Project**

During the first quarter of Fiscal Year 2018, the project team continued integration testing of the IAM solution, which began in April 2017. To most effectively roll out the system to departments and based on the current project status, such as the Geographic Information System (GIS) component, deployment is being proposed in two releases. For the first release, go live is planned for December 2017 for the Department of Information Technology/Wireless Technology and Public Works/Facilities with a non-GIS solution. The second release is scheduled for March 2018 in the remaining departments for which GIS is integral to their business process - Public Utilities, Public Works — Engineering and Capital Projects, and Transportation and Storm Water. To achieve this staggered deployment, an amendment to the agreement with Deloitte for systems integrator consulting services was presented to the Infrastructure Committee in October 2017 and approved by City Council on November 7, 2017.

As of the first quarter of Fiscal Year 2018, the project has expended \$2.0 million and encumbered \$6.7 million. The project is anticipated to fully expend its budget this fiscal year.

### **Litter and Graffiti Abatement Pilot Program**

In May 2017, the Environmental Services Department launched a pilot program for littering and graffiti abatement. The Fiscal Year 2018 budget includes \$800,000 in one-time resources for the continuation of this program. Expenditures for this first quarter total approximately \$240,000. This 12-month pilot program targets nine specific areas within the City of San Diego. These areas consist of Logan Heights, Paradise Hills, Ocean Beach, Point Loma, City Heights, Mission and Pacific Beaches, Webster and Mt. Hope, San Ysidro, and South Bay. The increased level of service is a proactive approach to address a high volume of abatements. The crews primarily consist of Urban Corps staff and also include City employees. The crews are assigned to perform litter abatements four to five times per week. In addition to abatements, crews will also notify Street Division's Graffiti Section via Get It Done or Public Works Dispatch of any areas of concern. The primary purpose of the program is to determine the effectiveness of proactively addressing areas of concern ahead of receiving requests for services. The pilot program is being monitored throughout the year. Staff is collecting data on hours and costs, tonnage, number/type of material collected, and graffiti sites reported. This data will help evaluate the effectiveness of the pilot program and also help identify as needed adjustments to the frequency of services and areas requiring abatement.

### **Parks and Recreation New Facilities**

#### **Cesar Solis Community Park**

The Fiscal Year 2018 Adopted Budget includes 2.00 Grounds Maintenance Worker IIs, 1.00 FTE Area Manager II and non-personnel expenditures to support the Cesar Solis Community Park, which is projected to open to the public in March 2018. Personnel recruitment for the Grounds Maintenance Worker II positions recently completed, and the Department anticipates conducting interviews in early January 2018. Both Ground Maintenance Worker IIs are expected to be filled by late January 2018. The Area Manager II was filled in early November

2017, and this position will assist with coordinating the operations and maintenance of the new park as it enters the final stages of construction.

#### **Park de la Cruz Skate Park**

The Fiscal Year 2018 Adopted Budget includes 0.50 Grounds Maintenance Worker II and non-personnel expenditures to support Park de la Cruz Skate Park, which is projected to open to the public in January 2018. Similar to Cesar Solis Community Park, personnel recruitment for the Grounds Maintenance Worker II positions recently completed, and the Department anticipates conducting interviews in early January 2018. The Department intends to hire the new Grounds Maintenance Worker for this park by late January 2018.

#### **Wightman Street Neighborhood Park**

The Fiscal Year 2018 Adopted Budget includes 0.20 Grounds Maintenance Worker II and non-personnel expenditures to support Wightman Street Neighborhood Park, which opened to the public in August 2017. An existing Grounds Maintenance Worker from a nearby park is maintaining the park through the remainder of the fiscal year. The Department will fill the 0.20 position for this park in Fiscal Year 2019, if the City Council approves additional budgetary requests for maintenance staff associated with planned new facilities currently under construction. This approach ensures that the Department hires full-time positions and avoids attempts to fill fractional positions. The Department will monitor staff workload to ensure the park is adequately maintained and will determine if additional support will become necessary.

#### **Southcrest Trails Neighborhood Park**

The Fiscal Year 2018 Adopted Budget includes 0.60 Grounds Maintenance Worker II and non-personnel expenditures to support Southcrest Trails Neighborhood Park, which is projected to open to the public in January 2018. The 0.60 FTE allocated will be combined with another partial FTE to create one full-time position to perform maintenance duties at this site. Personnel recruitment for the Grounds Maintenance Worker II positions recently completed, and the Department will conduct Grounds Maintenance Worker interviews in early January 2018. The Department expects to fill this position by late January 2018.

### **Parks Master Plan**

On September 19, 2017, the City Council approved the San Diego Parks Master Plan (PMP) Consultant Agreement for a citywide policy document that provides for a world-class public park system and guides park acquisition, design, development, and recreational programming. The Notice to Proceed was issued on October 9, 2017 and the PMP is anticipated to be completed in winter of Fiscal Year 2020. The total contract amount equates to \$1.4 million and is phase funded over three fiscal years. Year one funding of \$600,000 has already been approved in the Fiscal Year 2018 Adopted Budget.

### **Police Chief Recruitment Process**

The Chief Operating Officer's office along with the Human Resources Department has engaged a professional recruiting firm to begin solicitation for qualified candidates for the Chief of Police. The City held six community workshops with approximately 400 participants in different areas of the City. The workshops solicited input from interested residents on what qualities and characteristics they would like to see in the next Chief. They also provided input on priorities which they would like to see the next Chief focus upon. An online survey has been available on the City's website which requests the same input previously solicited at the workshops. Over 1,200 surveys have been completed.

Future expenses will be associated with travel expenses for qualified candidates and advertising of the job availability in various media.

### **Police Facilities Maintenance and Improvements**

The Fiscal Year 2018 Adopted Budget includes \$410,000 for facilities maintenance in the San Diego Police Department (SDPD). The SDPD projects to expend this budget by fiscal year-end. The Department will spend \$200,000 on lead abatement at the Police Range and \$200,000 for the Traffic Division Feasibility Study Phase II. The Police Range lead abatement is currently in the bid solicitation stage for a contractor. Bids are due early November, with a 90 working day project duration. Completion of this project will depend on contractor availability and the weather. The Police Traffic Division feasibility study is anticipated to be completed in early winter with a recommendation for design and construction and estimated expenses. The remainder of the funds will be used for other Police facility repairs and maintenance.

### **Police Officer Recruitment and Retention**

A total of 44 written exams for Police Recruit are being offered by City personnel. The tests include 19 written tests in San Diego County from downtown to South Bay primarily at colleges and universities. This testing will span from October 2017 through December 2017. The Recruiting Unit is also traveling to Ventura County, North Los Angeles, Sacramento, Fresno, and Phoenix (Arizona) during this time frame. In the first quarter, the Recruiting Unit has attended 68 events and anticipates to attend 60 additional events from October through December. These events will promote career opportunities and testing availability to interested applicants. These events are split among three areas: military bases, college campuses and community events. The Police Department continues to advertise in local community newspapers and social media websites.

The SDPD has lost 17 candidates to other agencies in the first quarter of Fiscal Year 2018, compared to six during the same time in Fiscal Year 2017. There are currently 15 recruits in the 112th Academy expected to graduate in November 2017. There are 30 recruits in the 113th Academy expected to graduate in February 2018. The goal is to have 43 recruits for each of the four academies in a year. The Department received \$4.0 million of one-time resources in Fiscal Year 2018 for uniform allowance allocation for officers and intends to spend all funds for this purpose.

### **Police Officer Recruitment and Retention Study and Marketing Plan**

The Fiscal Year 2018 Adopted Budget includes \$500,000 in expenditures to support a consultant to prepare a data driven Police Officer recruitment and retention study and marketing plan.

The Adopted Budget included \$150,000 for a Police Officer Recruitment and Retention Study; however, the Compensation Study executed by the Human Resources Department was able to expand its scope to include the recruitment and retention study. Associated savings may be proposed for use during the Mid-Year Report.

The Police Department in collaboration with the San Diego Police Foundation, is working on identifying a consultant that will provide a marketing/advertising strategy for use of the remaining \$350,000. An update to the implementation of the strategy will be provided during the Mid-Year Report.

On October 18, 2017, the City reached a tentative agreement with the San Diego Police Officers Association (POA). Pending City Council ratification in November 2017, this agreement will begin July 1, 2018. Further detail on the compensation increases are in the Fiscal Year 2019-2023 Five Year Financial Outlook.

## Pure Water

Pure Water San Diego is the City's phased, multi-year program to use proven water purification technology to produce a safe and sustainable high-quality water supply for San Diego. The Fiscal Year 2018 operating budget of \$12.3 million will support the expenditures needed for implementation of Phase I Pure Water projects. Fiscal year-to-date, approximately \$3.7 million has been expended for implementation of this project and is projected to be at budget by fiscal year end. In May 2017 the California Coastal Commission unanimously gave its approval for a modified permit for the Point Loma Wastewater Treatment Plant, which was subsequently approved by the U.S. Environmental Protection Agency.

Without the modified permit, converting the plant for secondary treatment capabilities would cost approximately \$2.0 billion. The City's commitment to reducing ocean discharges and implementing the Pure Water Program were factors in the Commission's decision to approve the modified permit. Going forward, the Department anticipates award of the construction management service contracts associated to water conveyance and the treatment plant valued at approximately \$120.0 million, advertisement of the first construction project for future award, and completion of the project specific environmental impact report. The first phase of the Pure Water program is expected to be completed by late 2021 and will provide 30 million gallons-per-day of the City's water supply needs.

## Regional Water Quality Control Board Penalty and Supplemental Environmental Projects

On July 18, 2016, the Regional Water Quality Control Board issued an Administrative Civil Liability Claim against the City's construction storm water management program. The initial fine was \$4.6 million and was subsequently reduced to \$3.2 million. This reduction was due to the City's successful efforts to explain all improvements made to the program since 2014.

As part of the settlement agreement that was adopted on August 9, 2017, the City paid half of the assessed penalty in the amount of \$1.6 million on September 7, 2017 and will use the remaining \$1.6 million towards four Supplemental Environmental Projects that will benefit local communities and have a significantly positive impact on water quality. The General Fund portion of this expense is \$60,000 with the remaining expense being allocated to the Development Services Fund and Engineering and Capital Projects Fund in the amount of \$2.3 million and \$840,000, respectively.

The City is currently in the process of initiating the Supplemental Environmental Projects. There are a total of four projects that will be phase-funded starting this fiscal year and continuing through Fiscal Year 2021. The four projects identified are Los Penasquitos Lagoon Inlet Restoration, San Diego River Restoration and Arundo Removal, Bioassessment Tools and Priorities for Action, and the Chollas Creek Restoration Opportunities Assessment.

## Stadium Updates

During the first quarter of Fiscal Year 2018, the Stadium was renamed to San Diego County Credit Union (SDCCU) Stadium. While the Stadium is anticipated to close in December 2018



(Fiscal Year 2019), ongoing operations of the stadium are continuing in Fiscal Year 2018. Revenues for Fiscal Year 2018 are projected to exceed budget due to higher concessions revenue in the 1st quarter of Fiscal Year 2018 and booking additional events. Savings are expected in Fiscal Year 2018 in supplies and capital expenditures categories as they will not be incurred at full capacity in anticipation of the closure. Maximization and efficiency of operations at the Stadium will continue through December 2018.

### Water Services Non-Discretionary

FY 2018 Water Services Projection					
<i>Table 14</i>					<i>in millions</i>
Fund	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
General Fund	\$ 7.8	\$ 7.8	\$ 10.1	\$ (2.3)	-29.7%
Non-General Fund	13.7	13.7	12.9	0.8	5.7%
<b>Total</b>	<b>\$ 21.4</b>	<b>\$ 21.4</b>	<b>\$ 23.0</b>	<b>\$ (1.5)</b>	<b>-7.1%</b>

The water services non-discretionary budget for Fiscal Year 2018 was developed in November 2016 using Fiscal Year 2016 actual consumption data. Actual Fiscal Year 2016 consumption data included water conservation requirements. In July 2016, water restrictions were lifted and subsequently, despite no use limitations, the volumetric water consumption on an aggregate basis for the Water Fund has remained flat. No significant increase in water consumption was projected during the development of the Fiscal Year 2018 Adopted Budget. After the development of the Fiscal Year 2018 non-discretionary budget, the Parks and Recreation Department began increasing water use in Fiscal Year 2017 to help address stressed vegetation and trees in various parks throughout the City. As a result, the non-discretionary water projection for Fiscal Year 2018 for Parks and Recreation estimates an over-budget expenditure in water services. FM will continue to work with Parks and Recreation to identify alternate budget savings to be reported in the Mid-Year Report.

The Parks and Recreation Department continues to educate City staff with notifications regarding irrigation scheduling, rain pauses and full irrigation shutdowns. Additionally, the Parks and Recreation Department will consider implementing further reductions to watering days, full irrigation shutdowns of all passive areas from December through April, and decommissioning all ornamental areas. The Department will continue to monitor water usage and implement these measures as necessary.



## RISK MANAGEMENT RESERVES

The Long-Term Disability, Public Liability, and Workers' Compensation Funds provide funding sources for certain claims made against the City. The City's Reserve Policy (CP 100-20) sets the required reserve level target for each fund as shown below in Table 15: FY 2018 Risk Management Reserves. All Risk Management reserves are based on the average value of the annual actuarial liability for the three most recent fiscal years. The reserve targets for the Long-Term Disability, Public Liability, and Workers' Compensation Funds are based on the Fiscal Year 2015, 2016 and 2017 actuarial valuations. Additional detail is included below.

FY 2018 Risk Management Reserves					
Table 15				in millions	
Description	Fund Name	Reserve Type	FY 2018 Target	Year-End Projection	
Risk Management	Long-Term Disability Fund	Liability Reserve	\$ 5.5	\$ 15.8	
	Public Liability Fund	Liability Reserve	32.6	36.7	
	Workers' Compensation Fund	Liability Reserve	30.0	37.0	

### LONG-TERM DISABILITY RESERVE

The Long-Term Disability (LTD) reserve provides non-industrially disabled City employees with income and flexible benefits coverage. The Fiscal Year 2018 reserve goal is \$5.5 million or 100.0% of the average actuarial liability for the three most recent fiscal years. The Long-Term Disability Fund Fiscal Year 2018 projected ending fund balance is \$15.8 million or 289.0% of the goal. It should be noted that the Fiscal Year 2018 Adopted Budget includes the use of \$2.1 million, of which \$1.4 million is the General Fund portion of fund balance in excess of the reserve goal for LTD operating expenses.

The City is developing a long-term death and disability benefit plan for employees hired on or after July 20, 2012. The use of this excess equity in the Long-Term Disability Fund is an option to fund the death and disability plan. The remaining excess equity will be used for LTD operating expenses in future fiscal years. No additional contributions to the Long-Term Disability Fund are anticipated in the FY 2019-2023 Five Year Financial Outlook.

### PUBLIC LIABILITY RESERVE

The Public Liability reserve is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, and errors and omissions. For Fiscal Year 2018, the City's Reserve Policy requires that the Public Liability Fund Reserve equal 47.0% of the average value of the annual actuarial liability for the three most recent years, or \$32.6 million. The projected ending fund balance of the Public Liability Fund Reserve is approximately \$36.7 million or 53.0% of the three year average of the annual actuarial liability, which exceeds the Fiscal Year 2018 Public Liability Fund Reserve. A portion of the remaining funds held in reserve in excess of the Fiscal Year 2018 policy target will be used to fund the policy goal increase of 50.0% in Fiscal Year 2019.

## WORKERS' COMPENSATION RESERVE

The Workers' Compensation reserve provides funding for medical and disability costs for injuries and illnesses occurring in the workplace. On February 21, 2017, amendments to the Reserve Policy were approved by City Council to reduce the Workers' Compensation Reserve target from 25.0% to 12.0% of the three-year average of outstanding actuarial liabilities. As a result, the Workers' Compensation Reserve Fund Fiscal Year 2018 policy goal is 12.0% of the most recent three year average of the annual actuarial liability, or \$30.0 million. This amount is approximately one year of operating cash for the Workers' Compensation program.

It should be noted that the Fiscal Year 2018 Adopted Budget for the General Fund includes the use of \$14.7 million of the excess Workers' Compensation reserves for the following:

- \$7.0 million to fully fund the General Fund Reserve to the Fiscal Year 2018 policy target level of 15.0%.
- \$4.6 million reduction in workers' compensation operating expenses.
- \$3.1 million to fully fund the Public Liability Fund Reserve to the Fiscal Year 2018 policy target level of 47.0%.

In Fiscal Year 2018 the Workers Compensation Reserve is projecting to transfer \$2.4 million of excess equity to non-General Funds; as a result, the projected ending fund balance of the Workers' Compensation Reserve is approximately \$37.0 million, or 15.0% of the three year average. The remaining excess Workers' Compensation reserves will be used to support workers' compensation plan to offset workers' compensation expenses through Fiscal Year 2020.

## CONCLUSION

---

Financial Management and City departments will continue to monitor programs and initiatives as discussed in this report along with ensuring conservative spending throughout the fiscal year and provide an update in the upcoming Fiscal Year 2018 Mid-Year and Year-End Budget Monitoring Reports.

The main items of focus included in this report include the major General Fund revenues, trending over budget by \$7.1 million as a result of increased property tax, Transient Occupancy tax revenues, Franchise Fees, and overtime expenditures which are projected over budget by \$1.7 million by fiscal year-end.

The General Fund ending fund balance (excess equity) is projected at \$17.9 million by fiscal year-end. However, this is based on budgeted revenues and expenditures and does not take into account any projected activity during the fiscal year. In addition, the Fiscal Year 2017 ending fund balance is contingent upon the completion of the General Fund audit and is subject to change.

The Mayor will recommend any necessary budget adjustments during the Fiscal Year 2018 Mid-Year and Year-End Budget Monitoring Reports, which could include the use of projected fund balance (excess equity) and/or the appropriation of additional revenues.

# ATTACHMENT

---

I. Charter 39 Supporting Schedules as of September 2017

# Financial Performance Report Fiscal Year 2018

As of September 30, 2017



**Finance Branch  
Office of the City Comptroller**

## Purpose, Scope and Content

Pursuant to Section 39 of the City Charter, this report is intended to serve as a summary of the financial activity of the City of San Diego for period 3 (as of September 30, 2017).

The report provides a variety of comparative financial metrics including current vs. prior fiscal year actual revenue and expenditure (“Actuals”) and current year Actuals vs. the Current Budget. These types of metrics, when analyzed in the aggregate, provide a basis to evaluate the current financial condition of the General Fund and other budgeted funds. Additionally, the intent of this report is to provide operating results as of September 30, 2017, and therefore, does not include forward looking statements or projections.

The information contained in this report should not be relied upon for making investment decisions or be considered a replacement for the City of San Diego’s Comprehensive Annual Financial Report (CAFR). The attached report contains **unaudited** information and was not prepared in accordance with Generally Accepted Accounting Principles (GAAP) for external financial reporting purposes. For additional information about the City’s financial reporting, please visit the internet at:

<http://www.sandiego.gov/comptroller/reports/index.shtml>.

<b>Table of Contents</b>	<b><u>Page #</u></b>
General Fund Summary	3
Schedule 1 - General Fund Revenue Status Report	4
Schedule 2 - General Fund Expenditure Status Report	5
Schedule 2a - Citywide Program Expenditure Status Report	7
Schedule 2b - Council Districts Expenditure Status Report	8
Schedule 3 - Other Budgeted Funds Revenue Status Report	9
Schedule 4 - Other Budgeted Funds Expenditure Status Report	11

**General Fund Summary**  
**As of Period 3, Ended September 30, 2017 (25% Completed)**  
**(Unaudited)**

	FY18 Adopted	FY18 Current Budget	FY18 Year-to-Date Actuals	FY18 % of Current Budget	FY17 Year-to-Date Actuals	Actuals FY18/FY17 Change	FY18/FY17 % Change
<b>Revenue</b>							
Property Taxes	\$ 534,621,331	\$ 534,621,331	\$ 9,995,583	1.9%	\$ 8,104,621	\$ 1,890,962	23.3%
Sales Taxes	275,307,632	275,307,632	25,991,760	9.4%	27,049,650	(1,057,890)	-3.9%
Transient Occupancy Taxes	121,054,914	121,054,914	25,884,798	21.4%	24,233,988	1,650,810	6.8%
Property Transfer Taxes	10,068,772	10,068,772	959,448	9.5%	900,676	58,772	6.5%
Licenses & Permits	21,663,270	21,663,270	3,367,666	15.5%	4,943,938	(1,576,272)	-31.9%
Fines & Forfeitures	31,851,640	31,851,640	5,346,501	16.8%	5,335,042	11,459	0.2%
Interest & Dividends	671,348	671,348	(361,549)	-53.9%	(458,250)	96,701	21.1%
Franchises & Other Local Taxes	75,087,223	75,087,223	806,831	1.1%	532,894	273,937	51.4%
Rents & Concessions	57,771,342	57,771,342	10,655,718	18.4%	12,606,002	(1,950,284)	-15.5%
Revenues from Other Agencies	4,483,013	4,483,013	669,934	14.9%	78,881	591,053	749.3%
Charges for Current Services	152,803,611	152,803,611	21,350,552	14.0%	18,344,750	3,005,802	16.4%
Other Revenue	4,575,137	4,575,137	746,688	16.3%	592,212	154,476	26.1%
Transfers	117,789,072	117,789,072	7,890,654	6.7%	7,351,601	539,053	7.3%
<b>Total General Fund Revenue<sup>1</sup></b>	<b>\$ 1,407,748,305</b>	<b>\$ 1,407,748,305</b>	<b>\$ 113,304,584</b>	<b>8.0%</b>	<b>\$ 109,616,005</b>	<b>\$ 3,688,579</b>	<b>3.4%</b>
<b>Expenditures</b>							
Personnel Services	\$ 547,056,400	\$ 547,063,208	\$ 142,556,071	26.1%	\$ 139,889,537	\$ 2,666,534	1.9%
<b>Total PE</b>	<b>547,056,400</b>	<b>547,063,208</b>	<b>142,556,071</b>	<b>26.1%</b>	<b>139,889,537</b>	<b>2,666,534</b>	<b>1.9%</b>
Fringe Benefits	438,365,705	438,365,706	106,527,277	24.3%	93,558,025	12,969,252	13.9%
Supplies	34,716,269	34,711,326	13,326,748	38.4%	14,384,732	(1,057,984)	-7.4%
Contracts	244,578,538	246,433,601	64,781,690	26.3%	60,928,684	3,853,006	6.3%
Information Technology	31,827,661	31,955,353	2,375,561	7.4%	2,645,016	(269,455)	-10.2%
Energy & Utilities	43,397,602	43,397,602	8,718,671	20.1%	8,962,624	(243,953)	-2.7%
Capital Expenditure	1,552,513	1,589,076	131,628	8.3%	117,791	13,837	11.7%
Debt	5,440,230	5,440,230	113,796	2.1%	113,796	-	0.0%
Other Expenditures	5,657,063	5,657,063	1,855,049	32.8%	1,839,326	15,723	0.9%
Transfers	81,231,677	79,210,493	9,393,137	11.9%	6,098,418	3,294,719	54.0%
<b>Total NPE</b>	<b>886,767,258</b>	<b>886,760,450</b>	<b>207,223,557</b>	<b>23.4%</b>	<b>188,648,412</b>	<b>18,575,145</b>	<b>9.8%</b>
<b>Total General Fund Expenditures<sup>1</sup></b>	<b>\$ 1,433,823,658</b>	<b>\$ 1,433,823,658</b>	<b>\$ 349,779,628</b>	<b>24.4%</b>	<b>\$ 328,537,949</b>	<b>\$ 21,241,679</b>	<b>6.5%</b>
<b>General Fund Encumbrances</b>			103,543,863		113,962,320	(10,418,457)	
<b>Net Impact</b>	<b>\$ (26,075,353)</b>	<b>\$ (26,075,353)</b>	<b>\$ (340,018,907)</b>		<b>\$ (332,884,264)</b>	<b>\$ (7,134,643)</b>	

<sup>1</sup> Includes adjustments made in future periods



**General Fund Revenue Status Report**  
**As of Period 3, Ended September 30, 2017 (25% Completed)**  
**(Unaudited)**

	FY18 Year-to-Date Revenue	FY18 Current Budget	FY18 % of Current Budget	FY17 Year-to-Date Revenue	FY18/FY17 Change	FY18/FY17 % Change
<b>Property Taxes</b>	\$ 9,995,583	\$ 534,621,331	1.9%	8,104,621	\$ 1,890,962	23.3%
<b>Sales Taxes</b>	25,991,760	275,307,632	9.4%	27,049,650	(1,057,890)	-3.9%
<b>Transient Occupancy Taxes</b>	25,884,798	121,054,914	21.4%	24,233,988	1,650,810	6.8%
<b>Property Transfer Taxes</b>	959,448	10,068,772	9.5%	900,676	58,772	6.5%
<b>Licenses &amp; Permits</b>						
Business Taxes	1,740,065	7,501,297	23.2%	1,680,372	59,693	3.6%
Rental Unit Taxes	404,858	7,459,502	5.4%	445,705	(40,847)	-9.2%
Alarm Permit Fees	121,167	425,000	28.5%	758,981	(637,814)	-84.0%
Application Fees	825	-	100.0%	725,534	(724,709)	-99.9%
Other Licenses & Permits	1,100,751	6,277,471	17.5%	1,333,346	(232,595)	-17.4%
<b>Total Licenses &amp; Permits</b>	3,367,666	21,663,270	15.5%	4,943,938	(1,576,272)	-31.9%
<b>Fines &amp; Forfeitures</b>						
Parking Citations	3,947,591	22,142,605	17.8%	3,700,590	247,001	6.7%
Municipal Court	719,527	5,527,700	13.0%	889,717	(170,190)	-19.1%
Other Fines & Forfeitures	679,383	4,181,335	16.2%	744,735	(65,352)	-8.8%
<b>Total Fines &amp; Forfeitures</b>	5,346,501	31,851,640	16.8%	5,335,042	11,459	0.2%
<b>Interest &amp; Dividends</b>	(361,549)	671,348	-53.9%	(458,250)	96,701	21.1%
<b>Franchises</b>						
SDG&E	-	44,531,915	0.0%	-	-	0.0%
CATV	-	15,999,308	0.0%	45,191	(45,191)	-100.0%
Refuse Collection	247,815	11,200,000	2.2%	118,761	129,054	108.7%
Other Franchises	559,016	3,356,000	16.7%	368,942	190,074	51.5%
<b>Total Franchises</b>	806,831	75,087,223	1.1%	532,894	273,937	51.4%
<b>Rents &amp; Concessions</b>						
Mission Bay	6,014,693	31,157,218	19.3%	8,120,243	(2,105,550)	-25.9%
Pueblo Lands	1,272,171	6,447,852	19.7%	1,232,877	39,294	3.2%
Other Rents and Concessions	3,368,854	20,166,272	16.7%	3,252,882	115,972	3.6%
<b>Total Rents &amp; Concessions</b>	10,655,718	57,771,342	18.4%	12,606,002	(1,950,284)	-15.5%
<b>Revenue from Other Agencies</b>	669,934	4,483,013	14.9%	78,881	591,053	749.3%
<b>Charges for Current Services</b>	21,350,552	152,803,611	14.0%	18,344,750	3,005,802	16.4%
<b>Other Revenue</b>	746,688	4,575,137	16.3%	592,212	154,476	26.1%
<b>Transfers</b>	7,890,654	117,789,072	6.7%	7,351,601	539,053	7.3%
<b>Total General Fund Revenue<sup>1</sup></b>	<b>\$ 113,304,584</b>	<b>\$ 1,407,748,305</b>	<b>8.0%</b>	<b>\$ 109,616,005</b>	<b>\$ 3,688,579</b>	<b>3.4%</b>

<sup>1</sup>Includes adjustments made in future periods

**General Fund Expenditure Status Report**  
**As of Period 3, Ended September 30, 2017 (25% Completed)**  
**(Unaudited)**

	<b>FY18</b>	<b>FY18</b>	<b>%</b>	<b>FY17</b>	<b>FY18/FY17</b>	<b>FY18/FY17</b>
	<b>Year-to-Date</b>	<b>Current</b>	<b>Consumed</b>	<b>Year-to-Date</b>	<b>Change</b>	<b>% Change</b>
	<b>Expenditure</b>	<b>Budget</b>		<b>Expenditure</b>		
<b>Mayor</b>						
Office of the Mayor	\$ 1,071,298	\$ 4,601,867	23.3%	\$ 1,031,115	\$ 40,183	3.9%
<b>Chief Operating Officer</b>						
Office of Chief Operating Officer	353,934	1,445,737	24.5%	268,477	85,457	31.8%
Communications	911,235	3,941,971	23.1%	814,801	96,434	11.8%
<b>Public Safety</b>						
Fire-Rescue	65,356,717	257,611,257	25.4%	61,776,726	3,579,991	5.8%
Police	116,263,853	469,048,214	24.8%	113,312,958	2,950,895	2.6%
Office of Homeland Security	544,593	2,604,719	20.9%	501,947	42,646	8.5%
<b>Office of the Chief Financial Officer</b>						
City Comptroller	2,945,072	12,275,241	24.0%	2,712,525	232,547	8.6%
City Treasurer	3,190,684	16,594,023	19.2%	2,813,065	377,619	13.4%
Citywide Program Expenditures	47,315,158	156,248,640	30.3%	41,871,112	5,444,046	13.0%
Debt Management	735,248	3,161,639	23.3%	622,520	112,728	18.1%
Financial Management	977,176	4,371,216	22.4%	997,750	(20,574)	-2.1%
Office of the Chief Financial Officer	131,977	618,939	21.3%	122,925	9,052	7.4%
Performance & Analytics	606,382	2,811,650	21.6%	401,651	204,731	51.0%
<b>Office of the Assistant COO</b>						
Office of the Assistant Chief Operating Officer	417,556	2,041,623	20.5%	428,771	(11,215)	-2.6%
<b>Infrastructure &amp; Public Works</b>						
Environmental Services	8,127,708	40,719,189	20.0%	8,488,137	(360,429)	-4.2%
Public Utilities	1,028,934	2,495,029	41.2%	728,446	300,488	41.3%
Public Works	161,636	991,637	16.3%	156,401	5,235	3.3%
Public Works - Contracting	519,507	2,339,773	22.2%	445,180	74,327	16.7%
Public Works - General Services	4,511,341	20,032,795	22.5%	4,078,352	432,989	10.6%
Transportation & Storm Water	24,481,793	122,235,293	20.0%	22,664,650	1,817,143	8.0%
<b>Internal Operations</b>						
Internal Operations	125,526	460,738	27.2%	102,497	23,029	22.5%
Department of Information Technology	3,977	482,500	0.8%	1,027	2,950	287.2%
Human Resources	1,331,329	5,598,569	23.8%	899,168	432,161	48.1%
Purchasing & Contracting	1,252,478	6,730,516	18.6%	1,251,979	499	0.0%
Real Estate Assets	1,256,803	7,996,671	15.7%	1,061,883	194,920	18.4%

Continued on Next Page

## Schedule 2 (cont.)

	<b>FY18 Year-to-Date Expenditure</b>	<b>FY18 Current Budget</b>	<b>% Consumed</b>	<b>FY17 Year-to-Date Expenditure</b>	<b>FY18/FY17 Change</b>	<b>FY18/FY17 % Change</b>
<b>Neighborhood Services</b>						
Neighborhood Services	241,128	1,055,177	22.9%	233,965	7,163	3.1%
Development Services	1,804,753	7,883,880	22.9%	1,930,770	(126,017)	-6.5%
Planning	1,997,115	10,099,339	19.8%	2,016,133	(19,018)	-0.9%
Economic Development	2,084,175	13,394,702	15.6%	1,104,282	979,893	88.7%
Library	12,107,792	54,196,358	22.3%	11,473,475	634,317	5.5%
Park & Recreation	27,093,068	109,505,948	24.7%	24,926,090	2,166,978	8.7%
<b>Non-Mayoral</b>						
City Attorney	12,872,761	54,278,909	23.7%	12,092,514	780,247	6.5%
City Auditor	902,900	3,989,063	22.6%	766,744	136,156	17.8%
City Clerk	1,308,071	5,684,824	23.0%	1,115,539	192,532	17.3%
Council Administration	564,124	2,628,315	21.5%	559,307	4,817	0.9%
City Council - District 1	237,155	1,198,814	19.8%	274,307	(37,152)	-13.5%
City Council - District 2	293,972	1,416,008	20.8%	258,988	34,984	13.5%
City Council - District 3	255,877	1,140,779	22.4%	263,316	(7,439)	-2.8%
City Council - District 4	259,856	1,309,125	19.8%	211,700	48,156	22.7%
City Council - District 5	236,059	1,208,517	19.5%	251,858	(15,799)	-6.3%
City Council - District 6	278,477	1,152,832	24.2%	225,923	52,554	23.3%
City Council - District 7	266,970	1,217,429	21.9%	245,440	21,530	8.8%
City Council - District 8	302,371	1,423,194	21.2%	252,246	50,125	19.9%
City Council - District 9	282,536	1,545,015	18.3%	226,962	55,574	24.5%
Ethics Commission	258,206	1,229,147	21.0%	211,651	46,555	22.0%
Office of the IBA	492,605	2,152,935	22.9%	448,582	44,023	9.8%
Personnel	2,017,742	8,653,902	23.3%	1,894,094	123,648	6.5%
<b>Total General Fund Expenditures<sup>1</sup></b>	<b>\$ 349,779,628</b>	<b>\$ 1,433,823,658</b>	<b>24.4%</b>	<b>\$ 328,537,949</b>	<b>\$ 21,241,679</b>	<b>6.5%</b>

<sup>1</sup> Includes adjustments made in future periods

**Citywide Program Expenditure Status Report**  
**As of Period 3, Ended September 30, 2017 (25% Completed)**  
**(Unaudited)**

	<b>FY18 Year-to-Date Expenditure</b>	<b>FY18 Current Budget</b>	<b>% Consumed</b>	<b>FY17 Year-to-Date Expenditure</b>	<b>FY18/FY17 Change</b>	<b>FY18/FY17 % Change</b>
<b>Citywide Program Expenditures</b>						
Animal Services	\$ -	\$ 10,503,418	0.0%	2,422,154	\$ (2,422,154)	-100.0%
Assessments To Public Property	-	673,467	0.0%	-	-	0.0%
Citywide Elections	413,481	6,500,000	6.4%	344,677	68,804	20.0%
Corporate Master Leases Rent	6,997,648	21,422,563	32.7%	3,712,738	3,284,910	88.5%
Deferred Capital Debt Service	3,584,038	17,513,391	20.5%	3,609,238	(25,200)	-0.7%
Engineering and Capital Projects	90,442	250,000	36.2%	11,364	79,078	695.9%
General Fund Reserve	-	17,356,375	0.0%	-	-	0.0%
Insurance	1,646,786	1,896,097	86.9%	1,564,447	82,339	5.3%
Memberships	274,570	735,000	37.4%	563,026	(288,456)	-51.2%
PL Claims Trans-Ins	12,400,000	12,400,000	100.0%	10,800,000	1,600,000	14.8%
Preservation of Benefits	126,510	1,500,000	8.4%	44,411	82,099	184.9%
Property Tax Administration	67,542	4,497,492	1.5%	26,929	40,613	150.8%
Public Liability Claims Xfer-Claims Fund	17,100,000	17,100,000	100.0%	14,400,000	2,700,000	18.8%
Public Liab Claims Xfer-Reserves	3,127,665	3,127,665	100.0%	2,800,000	327,665	11.7%
Public Use Leases	-	1,582,144	0.0%	-	-	0.0%
Special Consulting Services	33,533	3,045,000	1.1%	108,087	(74,554)	-69.0%
Supplemental COLA Benefit	1,452,943	1,489,219	97.6%	1,464,039	(11,096)	-0.8%
Transfer to Capital Improvement Program	-	5,213,942	0.0%	-	-	0.0%
Transfer to Park Improvement Funds	-	11,157,218	0.0%	-	-	0.0%
Transportation Subsidy	-	459,102	0.0%	-	-	0.0%
Transfer to Infrastructure Fund	-	17,826,547	0.0%	-	-	0.0%
<b>Total Citywide Program Expenditures<sup>1</sup></b>	<b>\$ 47,315,158</b>	<b>\$ 156,248,640</b>	<b>30.3%</b>	<b>\$ 41,871,110</b>	<b>\$ 5,444,048</b>	<b>13.0%</b>

<sup>1</sup> Includes adjustments made in future periods

**Council Districts Expenditure Status Report**  
**As of Period 3, Ended September 30, 2017 (25% Completed)**  
**(Unaudited)**

	<b>FY18</b>	<b>FY18</b>	<b>FY18</b>	<b>%</b>	<b>FY17</b>	<b>FY18/FY17</b>	<b>FY18/FY17</b>	
	<b>Year-to-Date</b>	<b>Adopted</b>	<b>Current</b>	<b>Budget</b>	<b>Year-to-Date</b>	<b>Change</b>	<b>% Change</b>	
	<b>Expenditure</b>	<b>Budget</b>	<b>Budget</b>	<b>Change</b>	<b>Expenditure</b>			
				<b>Consumed</b>				
Council District 1	\$ 237,155	\$ 1,173,814	\$ 1,173,814	\$ -	20.2%	\$ 274,307	\$ (37,152)	-13.5%
District 1 CPPS	-	25,000	25,000	-	-	-	-	-
<b>Total Council District 1</b>	<b>237,155</b>	<b>1,198,814</b>	<b>1,198,814</b>	<b>-</b>	<b>19.8%</b>	<b>274,307</b>	<b>(37,152)</b>	<b>-13.5%</b>
Council District 2	293,827	1,313,370	1,313,370	-	22.4%	255,616	38,211	14.9%
District 2 CPPS	145	104,638	102,638	(2,000)	0.1%	3,372	(3,227)	-95.7%
<b>Total Council District 2</b>	<b>293,972</b>	<b>1,418,008</b>	<b>1,416,008</b>	<b>(2,000)</b>	<b>20.8%</b>	<b>258,988</b>	<b>34,984</b>	<b>13.5%</b>
Council District 3	255,877	1,115,779	1,115,779	-	22.9%	263,448	(7,571)	-2.9%
District 3 CPPS	-	25,000	25,000	-	-	(132)	132	100.0%
<b>Total Council District 3</b>	<b>255,877</b>	<b>1,140,779</b>	<b>1,140,779</b>	<b>-</b>	<b>22.4%</b>	<b>263,316</b>	<b>(7,439)</b>	<b>-2.8%</b>
Council District 4	259,856	1,213,816	1,213,816	-	21.4%	211,701	48,155	22.7%
District 4 CPPS	-	101,509	95,309	(6,200)	-	-	-	-
<b>Total Council District 4</b>	<b>259,856</b>	<b>1,315,325</b>	<b>1,309,125</b>	<b>(6,200)</b>	<b>19.8%</b>	<b>211,701</b>	<b>48,155</b>	<b>22.7%</b>
Council District 5	236,059	1,126,344	1,126,344	-	21.0%	251,858	(15,799)	-6.3%
District 5 CPPS	-	82,173	82,173	-	-	-	-	-
<b>Total Council District 5</b>	<b>236,059</b>	<b>1,208,517</b>	<b>1,208,517</b>	<b>-</b>	<b>19.5%</b>	<b>251,858</b>	<b>(15,799)</b>	<b>-6.3%</b>
Council District 6	278,482	1,108,471	1,108,471	-	25.1%	238,422	40,060	16.8%
District 6 CPPS	(5)	46,820	44,361	(2,459)	0.0%	(12,499)	12,494	100.0%
<b>Total Council District 6</b>	<b>278,477</b>	<b>1,155,291</b>	<b>1,152,832</b>	<b>(2,459)</b>	<b>24.2%</b>	<b>225,923</b>	<b>52,554</b>	<b>23.3%</b>
Council District 7	266,970	1,148,487	1,148,487	-	23.2%	237,443	29,527	12.4%
District 7 CPPS	-	76,101	68,942	(7,159)	-	7,997	(7,997)	-100.0%
<b>Total Council District 7</b>	<b>266,970</b>	<b>1,224,588</b>	<b>1,217,429</b>	<b>(7,159)</b>	<b>21.9%</b>	<b>245,440</b>	<b>21,530</b>	<b>8.8%</b>
Council District 8	302,371	1,369,081	1,369,081	-	22.1%	264,046	38,325	14.5%
District 8 CPPS	-	54,113	54,113	-	-	(11,800)	11,800	100.0%
<b>Total Council District 8</b>	<b>302,371</b>	<b>1,423,194</b>	<b>1,423,194</b>	<b>-</b>	<b>21.2%</b>	<b>252,246</b>	<b>50,125</b>	<b>19.9%</b>
Council District 9	282,536	1,296,467	1,296,467	-	21.8%	228,122	54,414	23.9%
District 9 CPPS	-	248,548	248,548	-	-	(1,160)	1,160	100.0%
<b>Total Council District 9</b>	<b>282,536</b>	<b>1,545,015</b>	<b>1,545,015</b>	<b>-</b>	<b>18.3%</b>	<b>226,962</b>	<b>55,574</b>	<b>24.5%</b>
<b>Total Council Districts</b>	<b>\$ 2,413,273</b>	<b>\$ 11,629,531</b>	<b>\$ 11,611,713</b>	<b>\$ (17,818)</b>	<b>20.8%</b>	<b>\$ 2,210,741</b>	<b>\$ 202,532</b>	<b>9.2%</b>

**Other Budgeted Funds Revenue Status Report**  
**As of Period 3, Ended September 30, 2017 (25% Completed)**  
**(Unaudited)**

	FY18 Year-to-Date Revenue	FY18 Current Budget	FY18 % of Current Budget	FY17 Year-to-Date Revenue	FY18/FY17 Change	FY18/FY17 % Change
Airports Fund	\$ 635,919	\$ 5,371,548	11.8%	\$ 996,297	\$ (360,378)	-36.2%
Automated Refuse Container Fund	331,558	900,000	36.8%	309,543	22,015	7.1%
Central Stores Internal Service Fund	2,000,708	9,943,246	20.1%	1,928,050	72,658	3.8%
Concourse and Parking Garages Operating Fund	881,321	4,181,430	21.1%	899,469	(18,148)	-2.0%
Convention Center Complex Funds	1,871	13,003,993	0.0%	9,744,480	(9,742,609)	-100.0%
Development Services Fund	20,066,935	61,982,205	32.4%	20,118,310	(51,375)	-0.3%
Energy Conservation Program Fund	3,073,671	3,235,275	95.0%	121,026	2,952,645	2439.7%
Engineering and Capital Projects	19,297,324	95,314,239	20.2%	19,244,746	52,578	0.3%
Environmental Growth Fund 1/3	6,210	4,956,991	0.1%	2,232	3,978	178.2%
Environmental Growth Fund 2/3	(9,960)	9,920,981	-0.1%	(16,167)	6,207	38.4%
Facilities Financing Fund	530,890	2,908,283	18.3%	566,609	(35,719)	-6.3%
Fire/Emergency Medical Services Fund	2,776,721	12,344,106	22.5%	2,925,565	(148,844)	-5.1%
Fire and Lifeguard Facilities Fund	285	1,383,570	0.0%	90	195	216.7%
Fleet Services Funds	26,461,208	85,190,239	31.1%	19,323,066	7,138,142	36.9%
Gas Tax Fund	4,517,388	30,727,282	14.7%	5,512,300	(994,912)	-18.0%
General Plan Maintenance Fund	612,243	2,650,000	23.1%	-	612,243	100.0%
GIS Fund	54,135	2,283,550	2.4%	28,106	26,029	92.6%
Golf Course Fund	5,961,989	20,470,347	29.1%	4,251,808	1,710,181	40.2%
Information Technology Fund	60,897	11,202,127	0.5%	42,707	18,190	42.6%
Infrastructure Fund	-	17,826,547	0.0%	-	-	0.0%
Junior Lifeguard Program Fund	27,161	609,877	4.5%	9,129	18,032	197.5%
Los Penasquitos Canyon Preserve Fund	11,313	186,000	6.1%	10,514	799	7.6%
Maintenance Assessment District (MAD) Funds	357,982	23,989,750	1.5%	54,386	303,597	558.2%
Mission Bay/Balboa Park Improvement Fund	-	2,029,225	0.0%	303,300	(303,300)	-100.0%
Mission Bay Improvement Fund	58,397	7,252,192	0.8%	27,853	30,544	109.7%
New Convention Facility Fund	-	3,436,000	0.0%	2,222,048	(2,222,048)	-100.0%
OneSD Support Fund	234,321	25,990,774	0.9%	155,301	79,020	50.9%
Parking Meter Operations	2,930,393	10,767,852	27.2%	2,756,765	173,628	6.3%
PETCO Park Fund	579,421	16,618,304	3.5%	3,175,638	(2,596,217)	-81.8%
Prop 42 Replacement - Transportation Relief Fund	21,572	-	100.0%	1,314,238	(1,292,666)	-98.4%
Public Art Fund	767	795,426	0.1%	47,288	(46,521)	-98.4%
Public Safety Needs & Debt Service Fund	1,675,255	9,203,815	18.2%	1,551,109	124,146	8.0%
Publishing Services Internal Fund	709,824	3,660,657	19.4%	690,794	19,030	2.8%

Continued on Next Page

	<b>FY18 Year-to-Date Revenue</b>	<b>FY18 Current Budget</b>	<b>FY18 % of Current Budget</b>	<b>FY17 Year-to-Date Revenue</b>	<b>FY18/FY17 Change</b>	<b>FY18/FY17 % Change</b>
Recycling Fund	\$ 4,865,807	\$ 22,237,651	21.9%	\$ 3,218,802	\$ 1,647,005	51.2%
Refuse Disposal Fund	7,459,912	30,712,190	24.3%	7,701,765	(241,853)	-3.1%
Regional Park Improvements Fund	26,434	3,905,026	0.7%	10,769	15,665	145.5%
Risk Management Fund	2,331,481	10,529,309	22.1%	3,131,808	(800,327)	-25.6%
Road Maintenance & Rehabilitation	-	8,025,413	0.0%	-	-	0.0%
Seized and Forfeited Assets Funds	189,372	1,200,000	15.8%	288,276	(98,904)	-34.3%
Solid Waste Local Enforcement Agency Fund	327,577	786,417	41.7%	359,456	(31,879)	-8.9%
Stadium Operations Fund	1,332,501	13,844,638	9.6%	6,297,587	(4,965,086)	-78.8%
State COPS	4,888	2,140,000	0.2%	43,455	(38,567)	-88.8%
Storm Drain Fund	1,117,672	5,700,000	19.6%	1,113,569	4,103	0.4%
Successor Agency Admin & Project Fund	84,702	2,654,407	3.2%	-	84,702	100.0%
Transient Occupancy Tax Fund	23,042,853	114,374,588	20.1%	21,664,445	1,378,408	6.4%
TransNet Extension Funds	5,861,113	32,473,000	18.0%	4,038,409	1,822,704	45.1%
Trolley Extension Reserve Fund	396	1,058,250	0.0%	573	(177)	-30.9%
Underground Surcharge Fund	184,211	60,564,328	0.3%	52,960	131,251	247.8%
Wastewater Department Funds	84,221,697	391,779,388	21.5%	84,326,937	(105,240)	-0.1%
Water Department Funds	118,970,936	728,070,035	16.3%	115,366,097	3,604,839	3.1%
Wireless Communication Technology Fund	60,874	8,900,590	0.7%	93,747	(32,873)	-35.1%
Zoological Exhibits Maintenance Fund	388,404	13,187,804	2.9%	327,472	60,932	18.6%

**Other Budgeted Funds Expenditure Status Report**  
**As of Period 3, Ended September 30, 2017 (25% Completed)**  
**(Unaudited)**

	FY18 Year-to-Date Expenditures	FY18 Current Budget	%	FY17 Year-to-Date Expenditures	FY18/FY17 Change	FY18/FY17 % Change
			Consumed			
Airports Fund	\$ 870,186	\$ 5,722,739	15.2%	\$ 883,019	\$ (12,833)	-1.5%
Automated Refuse Container Fund	203,818	1,100,000	18.5%	173,624	30,194	17.4%
Central Stores Internal Service Fund	2,707,449	10,120,970	26.8%	2,314,440	393,009	17.0%
Concourse and Parking Garages Operating Fund	476,801	5,101,218	9.3%	431,677	45,124	10.5%
Convention Center Complex Funds	(178,702)	13,396,450	-1.3%	2,619,383	(2,798,085)	-106.8%
Development Services Fund	15,792,973	70,459,837	22.4%	14,775,822	1,017,151	6.9%
Energy Conservation Program Fund	776,078	3,879,906	20.0%	731,223	44,855	6.1%
Engineering and Capital Projects	20,190,326	95,307,769	21.2%	17,379,139	2,811,187	16.2%
Environmental Growth Fund 1/3	914,132	4,406,822	20.7%	879,454	34,678	3.9%
Environmental Growth Fund 2/3	-	10,303,909	0.0%	-	-	0.0%
Facilities Financing Fund	604,889	2,908,111	20.8%	604,791	98	0.0%
Fire/Emergency Medical Services Fund	1,186,859	12,319,815	9.6%	1,716,267	(529,408)	-30.8%
Fire and Lifeguard Facilities Fund	1,731	1,388,181	0.1%	464	1,267	273.1%
Fleet Services Funds	25,627,172	176,615,570	14.5%	14,579,151	11,048,021	75.8%
Gas Tax Fund	5,343,473	30,727,282	17.4%	4,600,645	742,828	16.1%
General Plan Maintenance Fund	559,523	2,650,000	21.1%	-	559,523	100.0%
GIS Fund	1,243,657	2,417,743	51.4%	331,237	912,420	275.5%
Golf Course Fund	3,431,831	18,229,824	18.8%	3,383,822	48,009	1.4%
Information Technology Fund	2,329,147	12,080,430	19.3%	2,595,353	(266,206)	-10.3%
Infrastructure Fund	729,691	6,440,002	11.3%	-	729,691	100.0%
Junior Lifeguard Program Fund	320,220	609,858	52.5%	371,622	(51,402)	-13.8%
Los Penasquitos Canyon Preserve Fund	62,827	262,146	24.0%	57,878	4,949	8.6%
Maintenance Assessment District (MAD) Funds	4,390,309	40,470,717	10.8%	3,575,572	814,737	22.8%
Mission Bay/ Balboa Park Improvement Fund	544,296	2,125,166	25.6%	559,703	(15,407)	-2.8%
New Convention Facility Fund	1,718,001	3,436,000	50.0%	1,718,001	-	0.0%
OneSD Support Fund	3,093,334	26,781,896	11.6%	3,197,004	(103,670)	-3.2%
Parking Meter Operations	572,260	10,313,775	5.5%	477,727	94,533	19.8%
PETCO Park Fund	12,584,651	16,761,105	75.1%	11,827,738	756,913	6.4%
Prop 42 Replacement - Transportation Relief Fund	1,401,958	4,588,287	30.6%	3,470,992	(2,069,034)	-59.6%
Public Art Fund	(14,430)	1,808,166	-0.8%	(9,803)	(4,627)	-47.2%
Public Safety Needs & Debt Service Fund	-	9,203,815	0.0%	-	-	0.0%
Publishing Services Internal Fund	702,880	3,660,565	19.2%	901,063	(198,183)	-22.0%

Continued on Next Page



Attachment I  
Schedule 4 (cont.)

	FY18 Year-to-Date Expenditures	FY18 Current Budget	%	FY17 Year-to-Date Expenditures	FY18/FY17 Change	FY18/FY17 % Change
			Consumed			
Recycling Fund	\$ 4,258,908	\$ 25,510,649	16.7%	\$ 5,069,406	\$ (810,498)	-16.0%
Refuse Disposal Fund	6,743,209	35,917,863	18.8%	5,419,632	1,323,577	24.4%
Risk Management Fund	2,445,077	11,007,266	22.2%	2,145,938	299,139	13.9%
Road Maintenance & Rehabilitation	-	8,025,413	0.0%	-	-	0.0%
Seized and Forfeited Assets Funds	188,651	1,739,562	10.8%	291,653	(103,001)	-35.3%
Solid Waste Local Enforcement Agency Fund	196,155	1,069,186	18.3%	172,487	23,668	13.7%
Stadium Operations Fund	4,421,664	23,861,280	18.5%	5,368,577	(946,913)	-17.6%
State COPS	-	2,140,000	0.0%	(12,610)	12,610	100.0%
Storm Drain Fund	1,599,471	5,700,000	28.1%	1,599,391	80	0.0%
Successor Agency Admin & Project Fund	84,702	2,654,407	3.2%	-	84,702	100.0%
Transient Occupancy Tax Fund	1,091,939	116,242,274	0.9%	19,746,932	(18,654,993)	-94.5%
TransNet Extension Funds	3,111,406	13,320,541	23.4%	3,326,656	(215,250)	-6.5%
Trolley Extension Reserve Fund	400	1,058,250	0.0%	400	-	0.0%
Underground Surcharge Fund	1,733,810	59,528,799	2.9%	1,128,293	605,517	53.7%
Wastewater Department Funds	40,021,015	352,184,224	11.4%	45,232,342	(5,211,327)	-11.5%
Water Department Funds	110,426,724	521,125,919	21.2%	112,297,603	(1,870,879)	-1.7%
Wireless Communication Technology Fund	1,920,133	9,112,444	21.1%	1,795,682	124,451	6.9%
Zoological Exhibits Maintenance Fund	-	13,187,804	0.0%	-	-	0.0%