

FISCAL YEAR
2021

The City of
SAN DIEGO

Citywide Budget Overview



— **ADOPTED BUDGET** —

MAYOR KEVIN L. FAULCONER

Citywide Budget Overview



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The City of San Diego's Fiscal Year 2021 Adopted Budget of \$4.0 billion is comprised of five operating fund types and the Capital Improvements Program (CIP):

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Enterprise Funds; and
- Internal Service Funds.

Table 1 shows the change in expenditures from Fiscal Year 2019 to Fiscal Year 2021 by fund type/program.

Table 1: Change in Total City Expenditures from Fiscal Years 2019 - 2021 by Fund Type/Program

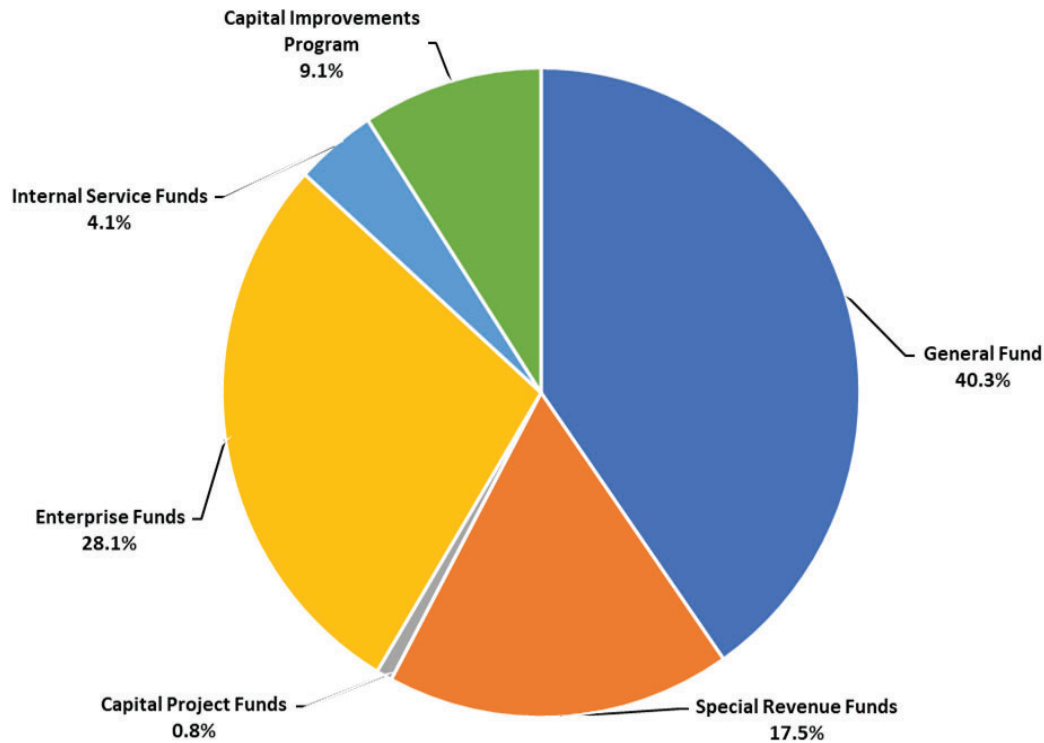
Fund Type	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	FY 2020 – FY 2021 Change	Percent Change
General Fund	\$ 1,462,585,343	\$ 1,589,984,689	\$ 1,620,936,801	\$ 30,952,112	1.9%
Special Revenue Funds	532,934,769	755,910,131	703,236,480	(52,673,651)	(7.0%)
Capital Project Funds	13,536,140	17,593,606	32,381,167	14,787,561	84.1%
Enterprise Funds	934,565,852	1,118,672,626	1,131,361,283	12,688,657	1.1%
Internal Service Funds	142,527,331	151,580,954	166,446,233	14,865,279	9.8%
Capital Improvements Program	582,193,928	710,812,155	367,484,544	(343,327,611)	(48.3%)
Total	\$ 3,668,343,363	\$ 4,344,554,161	\$ 4,021,846,508	\$ (322,707,653)	(7.4%)



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Figure 1 displays the Fiscal Year 2021 Adopted Expenditure Budget by Fund Type/Program.

Figure 1: Fiscal Year 2021 Adopted Expenditure Budget by Fund Type/Program



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

Table 2 presents the changes in revenues from Fiscal Year 2019 to Fiscal Year 2021 by fund type.

Table 2: Changes in Total City Revenue from Fiscal Years 2019 - 2021 by Fund Type

Fund Type	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	FY 2020 - FY 2021 Change	Percent Change
General Fund	\$ 1,491,627,879	\$ 1,549,226,498	\$ 1,620,936,801	\$ 71,710,303	4.6%
Special Revenue Funds	608,851,542	656,120,577	608,836,341	(47,284,236)	(7.2%)
Capital Project Funds	56,545,554	47,029,997	95,866,628	48,836,631	103.8%
Enterprise Funds	1,331,043,760	1,781,535,967	1,417,738,585	(363,797,382)	(20.4%)
Internal Service Funds	132,900,079	158,293,430	151,316,115	(6,977,315)	(4.4%)
Total¹	\$ 3,620,619,135	\$ 4,192,206,469	\$ 3,894,694,470	\$ (297,511,999)	(7.1%)

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

Expenditure Overview by Fund Type/Program

General Fund

Departments within the General Fund provide core community services such as public safety (including police/fire protection and life safety), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The City's Fiscal Year 2021 Adopted Budget reflects General Fund expenditures totaling \$1.62 billion, which is an increase of \$31.0 million or 1.9 percent from the Fiscal Year 2020 Adopted Budget. Details on the total net increase in the General Fund are described in the General Fund Expenditures section of this Volume.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The two largest special revenue funds are Engineering & Capital Projects and Underground Surcharge. The Fiscal Year 2021 Adopted Budget for Special Revenue Funds is \$703.2 million, representing a decrease of \$52.7 million or 7.0 percent from the Fiscal Year 2020 Adopted Budget. This net decrease is primarily due to a \$47.6 million decrease in the Transient Occupancy Tax (TOT) Fund primarily related to special events, marketing contract, and support for safety and maintenance of visitor related facilities.

Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall CIP, which can be supported by all fund types. The Fiscal Year 2021 Adopted Budget for Capital Project Funds is \$32.4 million, which is an increase of \$14.8 million or 84.1 percent from the Fiscal Year 2020 Adopted Budget. This increase is primarily due to non-personnel expenditures in the Capital Outlay Fund related to debt service payments for deferred capital bonds resulting from proceeds from the sale of the Mission Valley stadium site previously funded by the General Fund.

Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2021 Adopted Budget for Enterprise Funds is \$1.13 billion, representing an increase of \$12.7 million or 1.1 percent from the Fiscal Year 2020 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$7.7 million in the Water Utility Operating Fund primarily associated with bond principal payments;
- \$3.9 million in the Recycling Fund primarily for increases in non-personnel expenditures associated the City's Curbside Recycling Program;
- \$3.4 million in the Development Services Fund primarily for increases in rent and expenditures associated with the hosting and maintenance of the digital permitting software; and
- \$1.1 million in the Refuse Disposal Fund primarily associated with the purchase of heavy equipment at the Miramar Landfill.

Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal year 2021 Adopted Budget for Internal Service Funds totals \$166.4 million, which is an increase of \$14.9 million or 9.8 percent from the Fiscal Year 2020 Adopted Budget. This net increase is primarily due to \$21.8 million

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increase in the Fleet Operations Replacement Fund primarily to support one-time General Fund expenditures in Fiscal Year 2021. This addition is offset primarily by the following decreases:

- \$2.7 million in the Fleet Operations Operating Fund primarily to support auto parts and fuel cost fluctuations;
- \$2.7 million in the Central Stores Fund for reduced inventory requirements citywide;
- \$876,427 in the Risk Management Administration Fund due to reductions in personnel and non-personnel expenditures; and
- \$856,040 in the Publishing Services Fund to align services expenditures with expected service levels.

Capital Improvements Program

The CIP budget allocates available revenue to rehabilitate, restore, improve, enhance and increase the City's capital assets. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2021 Adopted CIP Budget appropriates a total of \$367.5 million above the \$1.73 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2021 Adopted CIP Budget is a decrease of \$343.3 million or 48.3 percent when compared to the Fiscal Year 2020 Adopted CIP Budget of \$710.8 million. This is primarily due to a decrease of funding needs in Public Utilities Department Enterprise Fund projects for Pure Water and water main replacements.



The CIP budget projects *anticipated funding* in the CIP project pages. For Fiscal Year 2021, a total of \$231.1 million in *anticipated funding* for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2021 Adopted Budget. *Anticipated funding* includes a variety of funding such as commercial paper, lease revenue bonds, revenue bonds and notes, donations, grants, developer funding, and Facilities Benefit Assessments. Not all anticipated funding materializes; however, as anticipated sources of funds are received, separate City Council actions will be brought forward to appropriate any *anticipated funding* during Fiscal Year 2021.

Citywide Reorganization/Restructuring

The Fiscal Year 2021 Adopted Budget reflects the reorganization (and/or restructuring) and the creation of City departments related to executive management strategies, City Council modifications, and department-initiated requests, from refining programs and processes, to comprehensive organizational improvements. Reorganizations are, but not limited to, the restructuring of departments and major divisions within a department and are intended to increase the overall efficiency and effectiveness of City operations. In turn, the result of these internal reorganizational practices can be the creation of City departments. The following provides an overview the Fiscal Year 2021 Adopted Budget limited to newly created departments that add to the City's organizational structure. Per Charter Section 26, all newly created departments included in the Adopted Budget must be approved by ordinance via a two-thirds vote from the City Council.

Cultural Affairs Department

The Cultural Affairs Department is a newly created department dedicated to the centralization of the City's engagement with the arts, culture and creative industries. This new department merges the Commission for Arts and Culture and Office of Special Events & Filming to position the new department as a consolidated resource for other City departments and the private creative economy. Through the restructure and

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repurpose of existing positions from the Commission for Arts and Culture, Office of Special Events and Filming, and the Office of the Mayor, this restructure is budget neutral.

General Services Branch

The General Services Branch is a newly created branch which currently oversees the Public Works Department, the Fleet Operations Department, and the 101 Ash Street project. Through the restructure of existing non-personnel expenditures and repurpose of existing positions, this restructure is budget neutral.

Homelessness Strategies Department

The Homelessness Strategies Department is a newly created department dedicated to the centralization of homelessness-related programs and initiatives. The establishment of the department will help the City expand and improve programs and services available for individuals experiencing homelessness, and support oversight over state grant funds. Through the repurpose of an existing position, transfer of existing programs, and the use of state and federal grant funds to reimburse the department for eligible staff costs, this restructure is budget neutral. The programs moved into the Homeless Strategies Department include: bridge shelters from the Citywide Program Expenditures Department; 6.00 FTE positions from the Neighborhood Services Branch that coordinate homeless programs and services; the homeless shelters and services programs, housing navigation center operations, and transfer to the San Diego Housing Commission from the Economic Development Department. This new Department will oversee citywide homelessness programs and acquire additional programmatic funding.

Mobility Department

The newly created Mobility Department is the proposed cornerstone of the Shared Mobility Program citywide. The Mobility Department will coordinate and assist with the implementation of all mobility programs and includes significant contributions of existing positions and resources from the Planning Department, Economic Development Department, and Neighborhood Services branch. The budgeted filled positions that are anticipated to be transferred from the Planning Department include 8.00 Planners. The Economic Development Department is contributing 3.00 FTE positions including 1.00 dedicated Program Manager for the Shared Mobility Device Program. In addition, the Office of ADA Compliance & Accessibility transferred with 3.00 FTE positions to support ADA-related mobility projects. Lastly, the department will be adding 3.00 FTE positions for fiscal and administrative support and they include: 1.00 Executive Director, 1.00 Program Manager, and 1.00 Senior Management Analyst.

Office of Race & Equity (ORE) and Community Equity Fund (CEF)

The Office of Race & Equity (ORE) and Community Equity Fund (CEF) will implement systemic change towards race equity by investment in our underserved communities through the cultivation of job opportunities and partnering with organizations that enable sustainable communities. The creation of the ORE and CEF are funded by a \$3,825,000 reduction to General Fund's citywide contracts, or 1.6 percent of the Fiscal Year 2021 Proposed Budget and is budget neutral. The reduction funds 3.00 FTE positions totaling \$524,752, associated non-personnel expenditures of \$300,000, and the transfer of \$3.0 million to the CEF to direct and manage the previously mentioned ORE mission statement.

Storm Water Department and Transportation Department

The Transportation & Storm Water (TSW) Department was formed in 2011 and merged the Storm Water Department with transportation-related functions from multiple departments. Since that time, storm water and transportation needs have grown significantly, making it necessary to reorganize them into stand-alone departments to better manage and plan for these critical functions. The newly created Storm Water Department is budget neutral due to the transfer of over 212.25 FTE positions primarily from the existing Storm Water Division and reductions in consulting services to support the addition of 1.00 Department Director. Additional expenditures associated with the new Storm Water Department will be offset by revenue from Community Parking District funds. Except for the transfer of the Storm Water Division, the

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Transportation Department remains largely unchanged. Significant budget adjustments for both departments are included later in the Adopted Budget.

Summary of Adjustments in the General Fund

The Fiscal Year 2021 Adopted Budget includes General Fund expenditures of \$1.62 billion to provide core community services, as well as funding for new critical expenditures primarily in response to the COVID-19 pandemic. These expenditures are primarily supported by major General Fund revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. These four major General Fund revenue sources account for \$1.06 billion or 65.7 percent of the revenue in the Fiscal Year 2021 Adopted Budget, with the remainder of revenues generated by a variety of sources. In total, the Fiscal Year 2021 Adopted Budget includes General Fund revenues of \$1.62 billion which are discussed in detail in the General Fund Revenues Section of this Volume. After incorporating all adjustments, the Fiscal Year 2021 Adopted Budget maintains a balanced and fiscally responsible budget.

The following sections provide a summary of select initiatives, budget reduction proposals, and other fiscal actions included in the Fiscal Year 2021 Adopted Budget for the General Fund. For a summary of all significant budget adjustments included in the General Fund, please refer to the General Fund Expenditures Section of this Volume.

COVID-19 State and Federal Relief Funds

State Funds

As part of the state's response to address the COVID-19 pandemic, the Governor declared a State of Emergency on March 4, 2020 and made additional resources available, formalized emergency actions underway across multiple state agencies and departments, and helped the State prepare for the spread of COVID-19.

On March 17, 2020, the State passed emergency legislation – SB 89 and SB 117 – which provided up to \$1 billion in funding for purposes related to the proclamation of a State of Emergency. Included within the emergency funding was an augmentation of \$150 million to assist local governments in protecting the health and safety of homeless populations. This funding was distributed by the California Business, Consumer Services, and Housing Agency according to the Homeless Housing, Assistance and Prevention Program (HHAP) formula. Of the \$7.1 million that was allocated to the greater San Diego region, the City received \$3.7 million. The City Council voted on April 7, 2020 to allocate its COVID-19 Emergency Homelessness allocation, along with those for the County of San Diego and the Regional Task Force on the Homeless, toward an emergency shelter operation at the Convention Center.

Federal Funds

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic. The CARES Act provided \$150 billion in payments to states and local governments from its Coronavirus Relief Fund (Fund) that may only be used to cover costs that: (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of the date of enactment of the CARES Act; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020. Furthermore, the CARES Act also provided additional allocations to Community Development Block Grant Program (CDBG), Emergency Solutions Grant Program (ESG), Housing Opportunities for Persons with AIDS Program (HOPWA). The funding allocation for these three programs was presented to City Council for approval on May 19, 2020.

Per federal guidelines, the requirement that expenditures be incurred “due to” the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency. The funds may not be used to cover shortfalls in government revenue, and communities receiving these

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payments are required to certify compliance with federal guidance regarding expenditures of CARES Act funds.

On May 4, 2020, the United States Department of the Treasury provided a frequently asked questions document to supplement Treasury's Coronavirus Relief Fund ("Fund") Guidance for State, Territorial, Local, and Tribal Governments. The document clarified key provisions in the legislation and provided guidance related to "payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency" and costs "not accounted for in the most recently approved budget if the cost is for a substantially different use from any expected use of funds". The document also stated that "the Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, governments may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise."

Based on federal guidance, data, input from departments, and review from the City's executive management team, the Adopted Budget includes the use of \$156.2 million in COVID-19 State and federal relief funds of which \$146.1 million will be used by the General Fund. This proposal is in addition to the \$112.1 million in funds that will be used in Fiscal Year 2020, for a total of \$268.3 million in COVID-19 State and federal relief funds. **Table 3** displays the Fiscal Year 2021 Adopted Budget uses of COVID-19 State and Federal Relief Funds.

Table 3: COVID-19 State and Federal Relief Funds Uses

COVID-19 State and Federal Relief Funds	FY 2021 Adopted Budget
General Fund	
Police Payroll, Staffing, and Supplies	\$ 42,187,134
Fire-Rescue Payroll Staffing, and Supplies	38,910,106
Operation Shelter to Home	29,996,579
Small Business Relief Fund	12,848,365
Parks and Recreation Staffing and Supplies	10,160,694
Environmental Services Staffing and Supplies	1,151,426
COVID-19 Rent Relief Fund	9,700,000
Library Staffing and Supplies	893,437
Economic Development Staffing and Supplies	209,449
Code Enforcement Staffing and Supplies	50,000
General Fund Total	\$ 146,107,190
Non-General Funds	
Information Technology Fund Expenditures	\$ 8,518,759
Public Utility Funds Staffing and Supplies	1,303,500
Emergency Medical Services Fund Staffing and Supplies	310,645
Non-General Funds Total	\$ 10,132,904
Total COVID-19 State and Federal Relief Funds	\$ 156,240,094

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Operation Shelter to Home

In April 2020, the City restructured its homeless shelter system to respond to the COVID-19 pandemic under “Operation Shelter to Home.” The effort moved more than 800 individuals experiencing homelessness who were living in City shelters into the San Diego Convention Center (Convention Center) to provide protective measures to prevent the spread of COVID-19, to allow for better physical distancing, and to allow service providers to consolidate resources. The Fiscal Year 2021 Adopted Budget for Operation Shelter to home is \$30.0 million and is discussed in further detail under the Homeless Programs and Services section below.

Small Business Relief Fund

To ensure the resiliency of local businesses and assist in job retention, the City established a Small Business Relief Fund (SBRF) to provide grants and forgivable or low- to zero-interest-rate loans to eligible small businesses for working capital. The goal of the SBRF is to help businesses retain employees and sustain continuity of business operations impacted by federal, California, San Diego County and local emergency declarations regarding COVID-19.

The City previously released approximately \$6.1 million in the SBRF funds and the demand for the funds was overwhelming, with 10,500 small businesses applying. The Adopted Budget prioritizes CARES Act funds for small business relief with an additional \$12.8 million in available funds to expand the SBRF. SBRF funds are estimated to be in excess of \$20.0 million. Financial assistance between \$2,500 and \$10,500 in grants will still be allocated to eligible small businesses on a first-come, first-served basis and 50 percent of the funding will be for areas that are in low to moderate income census tracts, Opportunity Zone, Promise Zone.

Funds awarded will be based on availability, program guidelines, and the submission of all required information and supporting documentation proving financial hardship related to COVID-19. Funds are being administered by the City of San Diego’s Economic Development Department.

COVID-19 Rent Relief Fund

The Fiscal Year 2021 Adopted Budget includes \$9.7 million in the General Fund to develop a COVID-19 Emergency Rental Assistance Program. This is in addition to \$5.4 million in CDBG-CV funds which were approved by the City Council in June, for a total of \$15.1 million, to create and operate the Emergency Rental Assistance Program. The program is anticipated to offer a maximum of \$4,000 to households living in a market rate unit with a San Diego address who have experienced a significant loss of income due to the COVID-19 pandemic and who had a gross household income less than or equal to 60.0 percent Area Median Income (AMI) prior to change in employment due to the pandemic. The program would also offer a maximum of \$2,000 to households living in eligible affordable units with a San Diego address who have also suffered a significant loss of income due to the COVID-19 pandemic. Prioritization is anticipated to be given to families with children and households with members age 62 and older.

Additional information regarding the other uses of COVID-19 State and federal relief funds are reflected in the General Fund Expenditures section of this Volume.

Homeless Programs and Services

The Fiscal Year 2021 Adopted Budget includes \$42.74 million in funding for homeless programs and services, with \$42.4 million budgeted in the General Fund and \$250,000 budgeted in the Low to Moderate Income Housing Asset Fund. Additionally, in May 2020, the City Council approved an item that included \$5.3 million in Community Development Block Grant (CDBG) funds for homelessness and housing related programs, services, and projects for Fiscal Year 2021. An additional \$2.2 million in Fiscal Year 2021 CDBG and \$3.2 in ESG-CV funds were allocated for Housing Recovery eligible activities, which may include the acquisition and rehabilitation of facilities for emergency and transitional shelter; however, specific programs, services, and projects were not identified at that time and are not included in **Tables 4 and 5** below. The City is also anticipated to leverage \$26.1 million from the State’s Homeless Emergency Aid

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Program (HEAP) and the State's Homeless Housing, Assistance and Prevention (HHAP) in Fiscal Year 2021 to address the immediate emergency needs of individuals and families experiencing homelessness or at imminent risk of homelessness. **Table 4** displays the Fiscal Year 2021 Adopted Budget for homeless programs and services by department and fund.

Table 4: Homeless Programs and Services by Department and Fund

General Fund	FY 2021 Adopted Budget
Homelessness Strategies Department	
Operation Shelter to Home	\$ 29,996,579
Homeless Shelters and Services Programs	6,294,758
Expansion of City Outreach Program	1,500,000
Coordination of City Homeless Programs and Services ¹	1,344,562
Housing Navigation Center Operations	300,000
Total Homelessness Strategies Department	\$ 39,435,899
Police Department	
Homeless Outreach Team (HOT)	2,969,030
Total Police Department	\$ 2,969,030
Total General Fund	\$ 42,404,929
Low to Moderate Income Housing Asset Fund	
Housing Navigation Center Operations	250,000
Total Low to Moderate Income Housing Asset Fund	\$ 250,000
Total Citywide Resources	\$ 42,654,929

Note: Table is not intended to capture all staff related costs.

¹ The General Fund is anticipated to be reimbursed \$648,269 by HEAP and HHAP grant funds for eligible expenses associated with the administration of the grant funds.

Operation Shelter to Home

The Fiscal Year 2021 Adopted Budget includes approximately \$30.0 million for Operation Shelter to Home. In the beginning of April, the City restructured its homeless shelter system to respond to the COVID-19 pandemic under Operation Shelter to Home. The effort included moving more than 800 individuals experiencing homelessness who were living in City shelters into the San Diego Convention Center (Convention Center) to provide protective measures to prevent the spread of COVID-19, to allow for better physical distancing, and to allow service providers to consolidate resources in light of staffing shortages. The restructure also included reducing the density of populations at other shelters and relocating some households into hotel rooms managed by the County and Regional Task Force on the Homeless. After the initial moves were completed, outreach teams began working to bring individuals living on the streets into the Convention Center to provide safe and healthy living conditions and to provide support to help find permanent housing. Case managers and housing navigators are focused on identifying the most appropriate exit strategy for shelter clients and working to end their cycle of homelessness, with the goal of ultimately reducing the number of individuals experiencing homelessness in San Diego. The \$30.0 million included in the Fiscal Year 2021 Adopted Budget is anticipated to be supported with CARES Act funding, and includes \$20.0 million for operations of Operation Shelter to Home through October and \$10.0 million to support successful exits from the Convention Center, to ensure that individuals have the opportunity to obtain shelter and housing when the City transitions the Convention Center back to its normal operations.

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Homeless Shelters and Services Program

The Fiscal Year 2021 Adopted Budget includes approximately \$6.3 million from the General Fund in the Homelessness Strategies Department, including \$2.2 million for the following three homeless programs and services:

- Year-Round Interim Housing Program
- Connections Housing/PATH Interim Bed Program
- Serial Inebriate Program (SIP)

The Housing Commission administers various homelessness programs through a Memorandum of Understanding with the City that was initially authorized by City Council on July 1, 2010. The \$2.2 million included in the Fiscal Year 2021 Adopted Budget includes a reduction of approximately \$60,000 from the amount budgeted in Fiscal Year 2020, primarily due to the transitional storage center located at 252 16th street being funded in Fiscal Year 2021 by state grant funding.

The Adopted Budget also includes \$4.1 million to help make neutral the loss of 200 beds from the transfer of the Midway district bridge shelter to Chula Vista. The need is to at least maintain and, if possible, increase shelter capacity in accordance with the recently approved Community Action Plan on Homelessness.

Expansion of City Outreach Program

The Fiscal Year 2021 Adopted Budget includes \$1.5 million to support the Person-Centered Unsheltered Outreach Program, which will expand collaborative outreach efforts between the City of San Diego and the San Diego Housing Commission already underway through various homeless services provider contracts. This program will help the City expand its outreach program, following recommendations from the Community Action Plan on Homelessness (Action Plan), the Regional Task Force on the Homeless' (RTFH) outreach protocol, and aligning these policies with the City's main outreach program objectives.

Coordination of Homeless Programs and Services

The Fiscal Year 2021 Adopted Budget includes \$1.3 million in the Homelessness Strategies Department for personnel and non-personnel expenditures associated with staff coordinating citywide homeless programs and services. In Fiscal Year 2021, the department added three positions to support the Chief of Homelessness Strategies in managing these efforts. The General Fund is anticipated to be reimbursed \$648,269 using HEAP and HHAP grant funds for the administration of the block grants.

Housing Navigation Center

The Housing Navigation Center opened in December 2019 and provides individuals and families experiencing homelessness with onsite intake, assessment, triage, and referrals for permanent housing opportunities. The Fiscal Year 2021 Adopted Budget includes \$550,000 for Housing Navigation Center operations, including \$300,000 from the General Fund and \$250,000 from the Low to Moderate Income Housing Asset Fund. A plan for ongoing Housing Navigation Center operations, and a proposal for use of \$1.0 million in CDBG funding is anticipated to return to City Council for consideration in early fall 2020.

Homeless Outreach Team

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

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individuals with the homelessness system of care in a way that avoids contact with the criminal justice system.

HOT's objective is to seek out and engage individuals, particularly chronically homeless persons, and, for those that are willing, connect them to supportive services and stable housing options. HOT works proactively to identify people in need from unsheltered environments. The team also responds to requests for outreach and assistance made by individuals experiencing homelessness and responds to referrals made by community members.

Working on behalf of the individuals, HOT serves as an advocate to help them access resources that meet their specific needs. They accomplish this through their partnerships with homeless service providers throughout the County. HOT leverages those relationships and brings these organizations together at regularly-scheduled outreach events, coordinating outreach teams from City-funded programs to bring resources to people in different areas of the City.

The Fiscal Year 2021 Adopted Budget includes \$3.0 million from the General Fund to support personnel and non-personnel costs.

Community Development Block Grant Funding

In Fiscal Year 2021, \$5.3 million in CDBG program entitlement allocations are anticipated to fund homeless programs, services, and projects, and the rehabilitation of multifamily housing.

Table 5 displays the Fiscal Year 2021 Adopted Budget related to CDBG entitlement allocations related to homeless and housing programs, services, and projects.

Table 5: Adopted CDBG Entitlement Allocations for Homeless Programs, Services, and Projects

Program, Service, and Project	Fiscal Year 2021
CDBG Entitlement Allocations	
Multifamily Rehabilitation AHRLF to the Housing Commission	\$ 4,000,000
Day Center for Homeless Adults	541,251
Connections Housing Interim Bed Program	303,575
Interim Housing for Homeless Adults	267,351
Program, Service, and Project	
Cortez Hill Family Center	205,902
Total CDBG Entitlement Allocations	\$ 5,318,078

Homeless Emergency Aid Program (HEAP) Funding

In September 2018, the State of California approved the City's application for \$14.1 million from the Homeless Emergency Aid Program (HEAP), and in December 2018, the City Council voted to accept, appropriate, and expend the block grant. The HEAP funding allows the City to address the immediate emergency needs of individuals experiencing homelessness and individuals at imminent risk of homelessness. This funding was required to be 50 percent contractually obligated by January 1, 2020 and must be fully expended by June 30, 2021. Between Fiscal Years 2019 and 2021, the City anticipates using HEAP funding for the following homeless programs and services, as amended by the City Council in June 2020: \$5.0 million for rental assistance or subsidies including: creation of a flexible spending pool for housing solutions, and expansion of landlord engagement and rapid re-housing efforts;

- \$5.0 million for services including the continuation and creation of new storage facilities and safe parking programs, 17th and Imperial Bridge Shelter operations, expansion of diversion and family reunification efforts, and the Prosecution and Law Enforcement Assisted Diversion Services

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- (PLEADS) program;
- \$2.7 million for capital improvements associated with the deconstruction and relocation of the Single Women and Families Bridge Shelter, and the construction of the 17th and Imperial Bridge Shelter location;
- At least \$705,521 for youth-serving homeless programs; and
- No more than \$705,521 for administrative costs such as grant administration, monitoring, and program coordination.

Homeless Housing, Assistance and Prevention (HHAP) Funding

The Homeless Housing, Assistance, and Prevention (HHAP) grant is a \$650 million one-time block grant that provides local jurisdictions in the State of California with funding to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. The State awarded the City of San Diego with \$22.5 million in HHAP grant funding, which must be fully expended by June 30, 2025. In June 2020, the City Council approved the use of the \$22.5 million as follows:

- \$15.8 million for operating subsidies and reserves, including the operations of three bridge shelters;
- \$2.4 million for outreach coordination, including transitional storage and coordination of the City's homeless outreach efforts;
- \$1.8 million for prevention and diversion, including the safe parking program, diversion, and PLEADS;
- \$954,000 for rapid rehousing efforts; and
- No more than \$1.6 million for administrative costs such as grant administration, monitoring, and program coordination over the life of the grant.

Clean SD

In May of 2017, the City began a pilot program for litter and graffiti abatements throughout the City called Clean SD. The program proactively addresses illegal dumping throughout the City and responds to public requests. The objective of Clean SD is to maintain the public right of way, keep City property clear of waste, and ensure that private property owners and other public agencies comply with the City's Municipal Code. The program utilizes City staff and non-profit contractors to conduct waste abatements associated with illegal encampments, remove illegal dumping and litter, and enforce applicable municipal codes.

The Fiscal Year 2021 Adopted Budget includes funding of \$7.5 million to support the Clean SD Program, including: \$3.2 million in the Environmental Services Department and \$3.6 million in the Police Department. Of the \$7.5 million added, \$6.5 million will be used to maintain service levels for items that were funded on a one-time basis in Fiscal Year 2020. An additional \$1.0 million will expand Clean SD efforts, with \$320,000 budgeted in the General Fund and \$720,000 budgeted in the Refuse Disposal Fund. **Table 6** displays the Fiscal Year 2021 Adopted Budget additions for Clean SD by fund and department.

In the Environmental Services Department, the additional funding increases contractual services to expand Clean SD services to include litter removal 24 hours per day, seven days per week, and waste abatements associated with illegal encampments on two shifts, seven days per week. Provisional staff, including two additional Code Compliance Officers and one Code Compliance Supervisor, will monitor contractor performance on litter removal activities.

The Police Department's Neighborhood Policing Division (NPD) is tasked with managing quality of life complaints in all City of San Diego neighborhoods and business districts. The Division is staffed with eight enforcement teams and three outreach teams that cover all seven days per week. Most of NPD staffing works the morning shift starting at 5:00 am, which creates a need for additional staffing in the afternoon and evening hours. To provide a consistent presence during off peak hours, NPD supplements its staffing

Citywide Budget Overview

with overtime. The shifts are assigned to areas where greater police services are needed. This allows the Police Department to be flexible and quickly adapt to a constantly changing environment within our neighborhoods and business districts.

The addition of \$3.6 million in funding for overtime staffing will allow NPD to dedicate one additional Sergeant and six additional Police Officers during the day and night shifts. The additional staffing will work in collaboration with ESD on the Clean SD program. NPD focuses the majority of their efforts on addressing homelessness through outreach, enforcement and ensuring that neighborhoods and business districts heavily impacted by homelessness are clean, safe and sanitary. NPD works hand-in-hand with ESD by reporting any areas where litter and trash need to be removed and sanitized. Additionally, NPD will provide as needed security for staff when conducting abatements of unattended property.

Table 6: Clean SD

General Fund	FY 2021 Adopted Budget
Environmental Services	
Litter Removal and Abatements Contractor	\$ 2,734,015
Compliance Positions	455,743
Environmental Services Total	\$ 3,189,758
Police Department	
Neighborhood Policing Overtime	3,600,873
Police Department Total	\$ 3,600,873
General Fund Total	\$ 6,790,631
Refuse Disposal Fund	
Environmental Services	
Vehicles to Support Abatement Activities	\$ 600,000
Utility Worker 2 Positions	\$ 118,354
Refuse Disposal Fund Total	\$ 718,354
Total Fiscal Year 2021 Additions	\$ 7,508,985

Infrastructure Fund (Charter Section 77.1)

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

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

- Major Revenues Increment – amount equal to 50.0 percent of the year over year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees for Fiscal Year 2018 through Fiscal Year 2022;
- Sales Tax Increment – an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the California Consumer Price Index (CCPI) for Fiscal Year 2018 through Fiscal Year 2043; and
- General Fund Pension Cost Reduction – any amount if pension costs for any fiscal year are less than the base year of Fiscal Year 2016 for Fiscal Year 2018 through Fiscal Year 2042.

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Based on the definitions in Charter Section 77.1, the only required deposit to the Infrastructure Fund for Fiscal Year 2021 is the Major Revenues Increment, unless the Mayor requests the suspension of section 77.1 for one fiscal year and two thirds of the City Council approves that suspension. During the Proposed Budget, the Mayor requested suspending the requirement of section 77.1 of the City Charter for one fiscal year to allow for the use for other general fund purposes in lieu of the transfer to the Infrastructure Fund. Subsequently, the City Council approved the waiver of the Major Revenues Increment portion of the Charter Section 77.1 and requested that the Fiscal Year 2019 reconciliation amount based on higher than anticipated revenues be transferred to the Infrastructure Fund. The Fiscal Year 2019 reconciliation amount is \$5.7 million.

The proposed uses for the \$5.7 million are as follows:

- \$3,300,000 for Sidewalk Repair and Reconstruction;
- \$1,363,000 for Installation of City Owned Street Lights;
- \$1,000,000 for Street Light Circuit Upgrades.

Vision Zero

In June 2015, Mayor Kevin Faulconer and Councilmembers joined Circulate San Diego, to announce the City's support for the Vision Zero campaign to eliminate all traffic fatalities and severe injuries in San Diego by 2025. Vision Zero is supported through the integration of the 3 E's of traffic safety: Engineering, Education, and Enforcement.

- Engineering – to develop and implement a data driven strategy that employs best practices for planning and design.
- Education – to develop and implement an array of educational strategies that will serve to inform bicyclists, pedestrians, drivers and regional stakeholders about the Vision Zero campaign in an effort to decrease severe injuries and fatalities across all modes of transportation.
- Enforcement – ensure the City of San Diego employs proven methods of traffic safety enforcement and proactively seeks opportunities to enhance existing techniques.

In Fiscal Year 2021 Adopted Budget, \$13.5 million will be allocated to promote the City's Vision Zero goals, including over \$4.7 million for bicycle facilities and \$2.5 million for the installation of new sidewalks. **Table 7** displays the allocation of funds to applicable Vision Zero projects.

Table 7: Vision Zero Projects

Vision Zero Project Type/Grouping	Project ID	FY 2021 Adopted Budget ¹
Bicycle Facilities		
Bike Counters Citywide	New	\$ 50,000
Bike Racks Citywide	New	50,000
Bike Striping Citywide	New	100,000
Coastal Rail Trail	S00951	4,500,000
Bicycle Facilities Total		\$ 4,700,000
Medians		
Median Installation	AIG00001	\$ 500,000
<i>Bacon Street Traffic Circles</i>	<i>New</i>	<i>50,000</i>
<i>Chatsworth Boulevard and Plumosa Drive Pedestrian Refuge Island</i>	<i>New</i>	<i>160,000</i>
<i>Foothill Boulevard and Loring Street Roundabout</i>	<i>New</i>	<i>70,000</i>
<i>Juniper Street and 6th Avenue Roundabout</i>	<i>New</i>	<i>100,000</i>
<i>Sixth Avenue and Nutmeg Pedestrian Refuge Island</i>	<i>B20089</i>	<i>60,000</i>

Citywide Budget Overview

Vision Zero Project Type/Grouping	Project ID	FY 2021 Adopted Budget ¹
<i>Sixth Avenue and Palm Street Pedestrian Refuge Island</i>	<i>B20090</i>	<i>60,000</i>
Medians Total		\$ 500,000
Roadway - Improvements		
Market St--47th St to Euclid Complete Street	S16061	2,000,000
University Avenue Complete Street Phase 1	S18001	625,000
Roadway - Improvements Total		\$ 2,625,000
Sidewalks		
New Walkways	AIK00001	\$ 2,500,000
<i>73rd Street and El Cajon Boulevard</i>	<i>B18017</i>	<i>420,000</i>
<i>Genesee Avenue and Chateau Drive to Sauk Avenue Sidewalk</i>	<i>B15168</i>	<i>2,000,000</i>
<i>Wightman Street and Ogden to Shiloh Road Sidewalk</i>	<i>B18039</i>	<i>80,000</i>
Sidewalks Total		\$ 2,500,000
Signals - Calming/Speed Abatement		
Traffic Calming	AIL00001²	\$ 500,000
<i>50th Street and El Cajon Boulevard HAWK</i>	<i>New</i>	<i>50,000</i>
<i>58th Street and el Cajon Boulevard HAWK</i>	<i>New</i>	<i>50,000</i>
<i>Altadena Avenue and El Cajon Boulevard HAWK</i>	<i>New</i>	<i>50,000</i>
<i>Electronic Speed Signs 2 locations</i>	<i>New</i>	<i>30,000</i>
<i>Kettner Boulevard & Palm Street Hybrid Beacon</i>	<i>B18046</i>	<i>200,000</i>
<i>Rectangular Rapid Flashing Beacons with Curb Ramps 12 locations</i>	<i>New</i>	<i>120,000</i>
Signals - Calming/Speed Abatement Total		\$ 500,000
Streetlights - Citywide		
Installation of City-Owned Streetlights	AIH00001	\$ 200,000
<i>Citywide Street Lights Group 1702</i>	<i>B17051</i>	<i>200,000</i>
Streetlights - Citywide Total		\$ 200,000
Traffic Signals		
Traffic Signals -- Citywide	AIL00004	\$ 1,000,000
<i>31st Street/National Ave</i>	<i>B17019</i>	<i>400,000</i>
<i>Division/Osborn</i>	<i>B15047</i>	<i>100,000</i>
<i>El Cajon Boulevard and Kansas Street</i>	<i>B19060</i>	<i>500,000</i>
Traffic Signals Modification	AIL00005	\$ 1,500,000
<i>Ash Street Signal Mods</i>	<i>B18069</i>	<i>600,000</i>
<i>Mid-City & Eastern Area</i>	<i>B17128</i>	<i>400,000</i>
<i>Signal Mods in Barrio Logan @ National & Sampson</i>	<i>B13010</i>	<i>100,000</i>
<i>Traffic Signal Upgrades Citywide FY14</i>	<i>B14048</i>	<i>400,000</i>
Traffic Signals Total		\$ 2,500,000
Total Vision Zero Project Type/Grouping		\$ 13,525,000

¹Parent projects are in **bold** and contain the sum of the *child* projects which are indented and *italicized*

²Does not include \$250,000 related to flood gates which are not part of Vision Zero Implementation of the Climate Action Plan

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Implementation of the Climate Action Plan

In December 2015, the City Council adopted the Climate Action Plan (CAP). The CAP set greenhouse gas (GHG) emissions reduction targets for 2020 (15.0 percent reduction) and 2035 (50.0 percent reduction) from a 2010 baseline. The CAP identifies goals and actions in the following five strategic areas to reach or exceed GHG targets and ensure the City is prepared for a changing climate:

- Energy & Water Efficient Buildings
- Clean & Renewable Energy
- Bicycling, Walking, Transit & Land Use
- Zero Waste
- Climate Resiliency

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

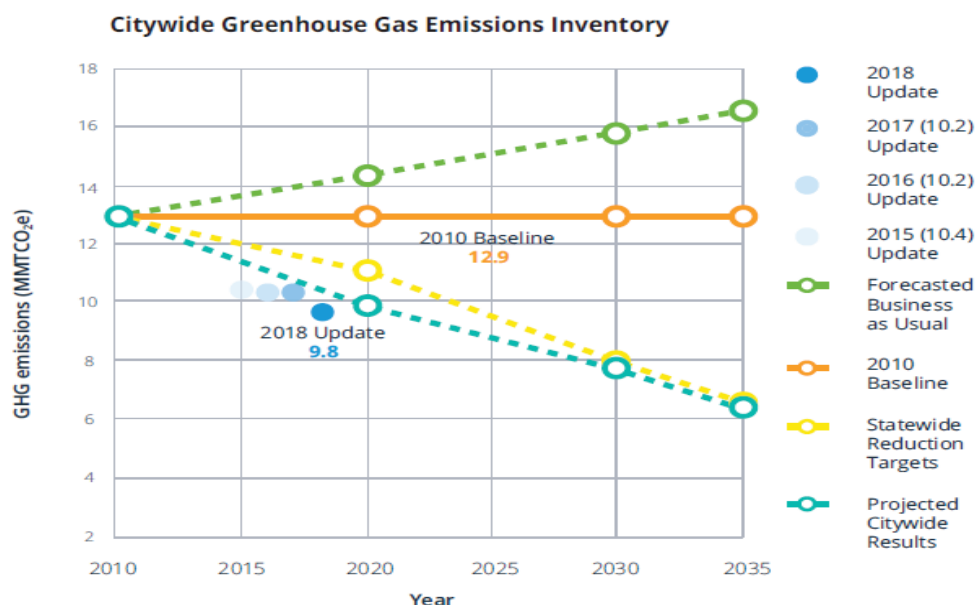
San Diego's CAP is considered a national model. The City is breaking new ground in policies, programs, and methodologies to implement the plan. As a national leader, techniques for implementing evolve and improve over time as processes are established, metrics are created or improved, and annual monitoring begins. The Fiscal Year 2021 Adopted Budget demonstrates that the City remains committed to keeping the economic, social, and environmental principles of sustainability at the forefront of decision-making.

Progress Towards Achieving Climate Action Plan Goals

Figure 2 shows the citywide GHG inventory. In 2018, total GHG emissions from San Diego were approximately 9.8 million metric tons CO₂e (MMT CO₂e), 24 percent below the 2010 baseline. Overall changes in emissions were primarily driven by two sectors: natural gas and water use. In 2018, natural gas emissions decreased by 12 percent. Less rain in 2017 and 2018 meant the City imported more water, which led to a 19 percent increase in emissions in the water category.

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Figure 2: Citywide Greenhouse Emissions Inventory and Projections



Summary of Climate Action Plan Adopted Budget

Table 8 is a summary of investments across City departments that support the five strategic areas of the CAP. The investment amounts represent new resources included in the Fiscal Year 2021 Adopted Budget. These new resources are added to existing CAP investment in the departments' base budgets (continuing appropriations). Budget constraints due to the ongoing COVID-19 crisis have heavily impacted new resources planned for CAP investment compared to previous years.

Table 8: Funding Across City Departments

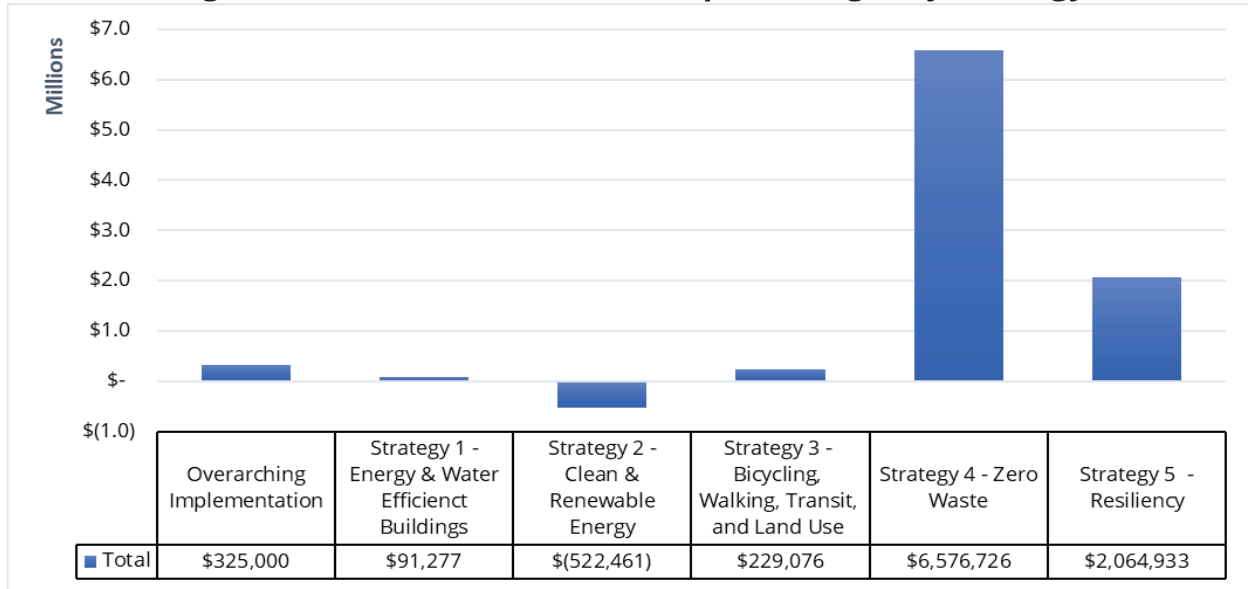
Climate Action Plan Fiscal Year 2021 Adopted Budget ¹			
Strategy	Direct	Indirect	Total
Overarching Implementation	\$250,000	\$75,000	\$325,000
Strategy 1 – Energy & Water Efficient Buildings	91,277	-	91,277
Strategy 2 - Clean & Renewable Energy	(472,461)	(50,000)	(522,461)
Strategy 3 - Bicycling, Walking, Transit, and Land Use	(446,106)	675,182	229,076
Strategy 4 - Zero Waste	1,878,275	4,698,451	6,576,726
Strategy 5 - Resiliency	399,372	1,665,561	2,064,933
Total	\$1,700,357	\$7,064,194	\$8,764,550

¹Table may not foot due to rounding

This budget analysis identifies both direct and indirect CAP efforts. Direct CAP efforts are explicitly identified as actions in the CAP (e.g. landfill gas capture) or directly support the CAP GHG reduction goals (e.g. increasing sidewalks or bikeways to increase walking or biking). Indirect CAP efforts are not explicitly referenced in the CAP or only partially support the CAP through climate change efforts (e.g. funding for the Pure Water Program, which supports climate resiliency through a diversified water supply and water results to help prepare or prevent periods of drought). **Figure 3** is a representation of these investments by each CAP strategy.

Citywide Budget Overview

Figure 3: Climate Action Plan Adopted Budget by Strategy



Budget Reduction Proposals

As part of the budget development process, General Fund departments were required to submit budget reduction proposals equating to 4.0 percent of the department's Fiscal Year 2020 Adopted Budget. Due to the impacts of the COVID-19 pandemic to the City's major General Fund revenues, General Fund departments were required to submit additional reductions. A total of \$41.8 million in budget reductions, including 150.77 FTE positions, are reflected in General Fund departments. As mentioned earlier, non-general funds that impact the General Fund were also required to submit budget reduction proposals. Although budget reductions that provided efficiency and minimized impacts to service levels were prioritized first, the loss of revenue projected as a result of the COVID-19 pandemic required that reductions with significant service level impacts also be taken to ensure the City maintains a balanced budget. **Table 9** provides the total for budget reduction proposals by department included in the Fiscal Year 2021 Adopted Budget.

Table 9: General Fund Budget Reduction by Department

Department	Budgeted FTE Positions	FY 2021 Adopted Budget
City Attorney	-	\$2,412,143
City Treasurer	10.00	991,949
Citywide Program Expenditures	-	8,553,437
Communications	1.00	193,213
Council Districts and Administration	-	578,680
Debt Management	3.00	371,277
Department of Finance	8.27	760,506
Development Services	-	283,978
Economic Development	5.00	1,109,317
Environmental Services	8.00	1,495,977
Ethics Commission	-	51,924
Fire-Rescue	2.33	965,983

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Department	Budgeted FTE Positions	FY 2021 Adopted Budget
Homelessness Strategies	-	420,106
Human Resources	2.00	316,091
Internal Operations	1.00	412,364
Library	-	195,000
Office of Boards and Commissions	1.00	123,383
Office of the Assistant COO	-	1,700
Office of the Chief Operating Officer	1.00	134,270
Office of the IBA	-	87,563
Office of the Mayor	2.00	364,150
Parks and Recreation	20.00	1,773,548
Performance & Analytics	-	220,593
Personnel	-	388,662
Planning	6.00	1,128,828
Police	25.00	6,721,498
Public Works & Utilities	-	84,195
Purchasing & Contracting	4.00	429,748
READ - Facilities Services	38.17	3,646,481
Real Estate Assets	6.00	874,206
Smart & Sustainable Communities	-	79,130
Storm Water	-	5,255,146
Transportation	7.00	1,348,960
Total	150.77	\$41,774,006

For additional information on General Fund budget reduction proposals, please refer to the General Fund Expenditures Section of this Volume.

Other Fiscal Actions

City staff strategically evaluated all available funding sources as part of the FY 2021 Adopted Budget to ensure those resources were deployed to maintain public safety and minimize impact to current service levels. In addition to the budget reduction proposals noted previously, the Fiscal Year 2021 Adopted Budget includes the following fiscal actions:

- Due to the sudden and sharp decline in revenue growth in Fiscal Year 2020 and Fiscal Year 2021, the Mayor requested and City Council approved to suspend the requirements of section 77.1 of the City Charter for one fiscal year to allow for the use of revenue growth for other general fund purposes in lieu of the transfer to the Infrastructure Fund;
- Delay the contribution of \$12.8 million to General Fund Reserves for Fiscal Year 2020 as discussed in the Third Quarter Budget Monitoring Report and the anticipated \$11.5 million for Fiscal Year 2021;
- Use of \$21.5 million in excess General Fund fleet replacement funds to provide a one-time transfer to General Fund and rate relief for anticipated vehicle replacement costs. The General Fund Fleet Replacement Fund utilizes the City's Equipment Vehicle Financing Program on all General Fund vehicles, except for Police black and white patrol vehicles and Police motorcycles. The transition from cash to debt financing in Fiscal Year 2020 and 2021 has reduced the need for cash on hand in the General Fund Fleet Replacement Fund resulting in excess and available fund balance. The

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available fund balance is being reduced to provide one-time relief to the General Fund;

- Use of \$14.5 million in anticipated Stadium sale proceeds that will be deposited in the Capital Outlay Fund for one-time General Fund deferred capital debt service in Fiscal Year 2021 in accordance with City Charter section 77, allowing sale proceeds to be used for capital financing costs;
- Delay the anticipated contribution of \$4.2 million to the Pension Payment Stabilization Reserve for Fiscal Year 2021;
- Reduction in anticipated Other Post-Employment Benefit contributions of approximately \$1.0 million in the General Fund based on an actuarial analysis of current cash and investments held in the retiree medical trust fund and projected payments pursuant to obligations under the Retiree Healthcare Memorandum of Understanding between the City and the Represented Employee Organizations;
- Increase to General Fund budgeted vacancy factor of \$2.3 million, or 5.9 percent, from the Fiscal Year 2020 Adopted Budget to address personnel savings associated with projected vacant or underfilled positions. **Table 14** displays the citywide budgeted vacancy factor from Fiscal Year 2019 to Fiscal Year 2021; and
- As discussed in the COVID-19 State and Federal Relief funds section the Adopted Budget uses \$146.1 million for "payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigation or responding to the COVID-19 public health emergency" and costs "not accounted for in the most recently approved budget if the cost is for a substantially different use from any expected use of funds".

Special Revenue and Internal Service Fund Budget Reduction Proposals

As part of the budget development process, non-general fund departments that impact the General Fund were required to submit budget reduction proposals. In addition, to these proposals, various Special Revenue funds and Internal Service funds were required to submit additional budget reductions as a result of COVID-19 impacts to revenue sources supporting these funds.

Central Stores Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of \$2.6 million and associated revenue of \$2.8 million to better align with the inventory directly purchased from vendors.

Energy Conservation Program Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of \$137,461 in the Energy Conservation Program Fund primarily due to Energy Consulting Services associated with rate and energy analysis, forecasting services, and regulatory engagement.

Engineering and Capital Projects Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of \$1.6 million in non-personnel expenditures associated with training, computer accessories, City services billed, miscellaneous equipment, and supplies.

Fleet Operating Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of \$2.4 million in non-personnel expenditures associated with revised projections for fuel costs and the replacement of diesel refuse packers with compressed natural gas vehicles.

Information Technology Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of 1.00 Information Systems Analyst III and expenditures of \$383,277 primarily related to a decrease in support and maintenance to various programs, restructure of the computer software contract, and leveraging other funding sources.

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New Convention Center Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of \$2.1 million associated with the TOT marketing contract.

OneSD Support Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of \$1.1 million in non-personnel expenditures associated with consulting services that support the following: implementation of Ariba Cloud Solution to replace Planet Bids, Enterprise Asset Management, Finance and Logistics module in SAP, Open Text Document Management System, and the SAP System.

Parking Meter Operations Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of 1.00 FTE Parking Meter Technician associated to with an increase in credit card utilization at parking meters which has reduced the need to manually collect coins citywide.

PETCO Park Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of \$2.1 million associated with a decrease in policing services related to a decrease in special events citywide

Public Safety Services and Debt Service

The Fiscal Year 2021 Adopted Budget includes the reduction of \$2.4 million associated with supporting public safety expenditures.

Publishing Services Fund

Risk Management Administration Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of 4.00 FTE positions and expenditures of \$1.0 million associated with support for Employee Benefits, Worker's Compensation, and Public Liability & Loss Recovery programs.

Stadium Operations Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of 2.00 FTE positions and \$13.3 million in expenditures and \$5.7 million in revenue primarily associated with the sale of the stadium site and the eventual closure of the facility.

Transient Occupancy Tax Fund - Cultural Affairs Department

The Fiscal Year 2021 Adopted Budget includes the reduction of 3.00 FTE positions and expenditures of \$47.6 million associated to the following:

- \$40.3 million in support for safety and maintenance of visitor-related facilities;
- \$6.4 million in support for the Arts, Culture, and Community Festivals; and
- \$1.0 million in support for Economic Development Programs.

TransNet Funds

The Fiscal Year 2021 Adopted Budget includes the reduction of \$1.5 million in the TransNet Extension Maintenance Fund and \$49,540 in the TransNet Administration and Debt Fund associated with TransNet reimbursable work

Wireless Communications Technology Fund

The Fiscal Year 2021 Adopted Budget includes the reduction of 2.00 FTE positions and expenditures of \$404,204 associated with the reduced installation and repair times of radios. Furthermore, this decrease may result in the deferment of Public Safety Radio Site Compliance Projects, and Public Safety Communication Infrastructure projects.

Citywide Budget Overview

Enterprise Fund Budget Reduction Proposals

As part of the budget development process, certain enterprise funds were required to submit budget reduction proposals. The Enterprise Funds budget reduction proposals are as follows:

Airports Fund

The Fiscal Year 2021 Adopted Budget includes a one-time expenditure reduction of \$240,059 in the Airports Fund associated with building maintenance contractual services.

Recycling Fund

The Fiscal Year 2021 Adopted Budget includes an expenditure reduction of \$550,000 in the Recycling Fund associated to various contracts, supplies, and vehicle purchases.

Refuse Disposal Fund

The Fiscal Year 2021 Adopted Budget includes an expenditure reduction of \$555,097 in the Refuse Disposal Fund associated with various supplies, and contracts associated with facilities and the Street Litter Collection Program.

Sewer Funds

The Fiscal Year 2021 Adopted Budget includes an expenditure reduction of \$2.5 million in the Metropolitan Sewer Utility and Municipal Sewer Revenue Funds. These budget reduction proposals include:

- \$1.7 million in contractual expenditures for professional engineering consultant services on an as-needed basis to provide condition assessment of wastewater facilities including large-diameter pipelines and perform pump assessments at the large Metro pump stations; and
- \$734,096 in contractual expenditures associated with the condition assessment of sewer mains.

Water Utility Operating Fund

The Fiscal Year 2021 Adopted Budget includes an expenditure reduction of \$311,612 in the Water Utility Operating Fund associated with financial review of Water and Wastewater Model of the existing cost of service study.

Citywide Personnel Expenditures

The Fiscal Year 2021 Adopted Budget includes a total of \$925.3 million in budgeted salaries and wages, and \$680.8 million for fringe expenditures or benefits, resulting in a total personnel budget of \$1.60 billion in personnel expenditures citywide.

Table 10 illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type.

Table 10: Fiscal Year 2021 Adopted Personnel Expenditures Budget

Fund Type ¹	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,640.02	\$ 647,941,345	\$ 491,872,563	\$ 1,139,813,908
Special Revenue Funds	1,076.06	85,708,594	52,895,434	138,604,028
Enterprise Funds	2,610.62	164,562,683	116,075,126	280,637,809
Internal Service Funds	337.23	21,416,852	16,326,336	37,743,188
Other Funds	63.00	5,662,699	3,594,447	9,257,146

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Total	11,726.93	\$	925,292,173	\$	680,763,906	\$	1,606,056,079
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¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Total City Personnel

The Fiscal Year 2021 Adopted Budget includes a total of 11,726.93 FTE positions with 7,640.02 or 65.1 percent of these positions budgeted within the General Fund. While overall FTE positions are decreasing, there are some departments and programs adding FTE positions. A summary of FTE changes is summarized below.

Table 11 presents the change in positions based within job classifications from Fiscal Year 2020 to Fiscal Year 2021.

Table 11: Total City FTE Position Changes Fiscal Year 2020 - 2021

Fund Type	FY 2020 Adopted Budget	Additions	Reductions	Reorganizations	FY 2021 Adopted Budget	FY 2020 - FY 2021 Change	Percent Change
General Fund	7,727.86	72.48	(158.17)	(2.15)	7,640.02	(87.83)	-1.1 %
Special Revenue Funds ¹	1,075.37	9.52	(7.83)	(1.00)	1,076.06	0.68	0.1 %
Enterprise Funds	2,607.46	0.38	(0.37)	3.15	2,610.62	3.16	0.1 %
Internal Service Funds	346.73	0.50	(10.00)	-	337.23	(9.50)	-2.7 %
Other Funds ²	63.00	-	-	-	63.00	0.00	0.0 %
Total	11,820.42	82.88	(176.37)	-	11,726.93	(93.49)	-0.8 %

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

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

For details on all position changes, refer to Attachment A - Fiscal Year 2021 Changes in Full-time Equivalent (FTE) Positions in the Appendix

Salaries and Wages

The Fiscal Year 2021 Adopted Budget includes \$925.3 million in budgeted salaries and wages, with \$647.9 million or 70.0 percent budgeted in the General Fund.

Table 12 represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, the Municipal Employees Association (MEA), represents 34.2 percent of General Fund positions and 44.6 percent of all City positions.

Table 13 displays the Fiscal Year 2021 Adopted Budget for salaries and wages by fund type.

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Table 12: Fiscal Year 2021 Adopted FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Labor Group Total
MEA	2,616.62	875.89	1,561.65	134.23	37.00	5,225.39
AFSCME LOCAL 127	1,004.04	41.00	874.52	157.25	-	2,076.81
POA	2,031.23	-	-	-	-	2,031.23
IAFF LOCAL 145	1,035.67	8.00	-	-	-	1,043.67
Unclassified / Unrepresented	465.60	100.17	100.76	28.75	19.00	714.28
Classified / Unrepresented	150.64	51.00	73.69	17.00	7.00	299.33
Teamsters Local 911	163.00	-	-	-	-	163.00
DCAA	162.23	-	-	-	-	162.23
Elected Officials	11.00	-	-	-	-	11.00
Fund Total	7,640.02	1,076.06	2,610.62	337.23	63.00	11,726.93

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

Table 13: Fiscal Year 2021 Adopted Budgeted Salaries and Wages

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 596,535,919	\$ 87,320,217	\$ 166,909,031	\$ 21,977,900	\$ 5,676,970	\$ 878,420,037
Vacancy Factor	(40,246,108)	(8,292,935)	(17,455,553)	(1,235,964)	-	(67,230,560)
Salary Savings	(2,022,548)	(373,842)	(761,985)	(44,445)	(16,649)	(3,219,469)
Vacation Pay In Lieu	5,176,638	866,329	1,130,767	176,419	-	7,350,153
Termination Pay/Annual Leave	1,788,803	93,981	446,460	24,037	-	2,353,281
Hourly Wages	15,334,985	351,688	1,477,947	8,842	2,378	17,175,840
Overtime	71,373,656	5,743,156	12,809,119	516,960	-	90,442,891
Total	\$ 647,941,345	\$ 85,708,594	\$ 164,555,786	\$ 21,423,749	\$ 5,662,699	\$ 925,292,173

¹ Other Funds includes San Diego City Employees' Retirement System (SDCERS) FTE positions

Vacancy Factor

Vacancy factor is used as a budgeting tool to allocate resources that are projected to remain unspent to other priority needs. As part of the development of the Fiscal Year 2021 Adopted Budget, the City estimates an amount of personnel savings or vacancy savings by department that is attributed to the following: normal attrition, extended leaves of absence, under-filled positions, and newly hired employees that may start at a lower salary than the salary of the prior incumbent. Savings from vacant reimbursable positions have been excluded from the estimated vacancy factor as the City does not realize savings due to offsetting revenue for these unfilled positions. These estimates will require that departments monitor Fiscal Year 2021 personnel expenditures against available allocated appropriations, however, this does not prohibit

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departments from filling any budgeted positions. The Fiscal Year 2021 vacancy factor is \$67.2 million, representing an increase of \$14.1 million or 26.5 percent from the Fiscal Year 2020 Adopted Budget.

Table 14 displays the budgeted vacancy factor from Fiscal Year 2019 through Fiscal Year 2021.

Table 14: Budgeted Vacancy Factor Fiscal Year 2019 – 2021

Departments/Funds	FY 2019 Adopted Budget	FY 2020 Adopted Budget	FY 2021 Adopted Budget
City Attorney	\$ 603,241	\$ 2,489,386	\$ 603,242
City Auditor	-	-	91,333
City Clerk	39,084	40,373	36,941
City Council	-	64,803	85,852
City Treasurer	265,548	276,872	710,696
Communications	44,950	85,849	119,745
Debt Management	-	57,691	126,672
Department of Finance	189,005	-	67,829
Development Services	179,540	326,226	339,123
Economic Development	120,152	128,940	547,445
Environmental Services	355,877	498,444	639,941
Fire-Rescue	3,873,144	6,616,559	9,789,879
Human Resources	55,843	57,691	115,398
Library	566,134	587,508	363,704
Office of Homeland Security	43,983	-	194,636
Parks and Recreation	696,569	1,407,745	1,461,631
Performance & Analytics	-	85,849	117,229
Personnel	37,236	-	33,613
Planning	254,469	545,318	599,098
Police	23,248,651	21,248,895	20,419,506
Purchasing & Contracting	414,987	535,820	708,364
READ-Facilities Services	313,049	857,936	596,234
Real Estate Assets	117,165	57,691	255,611
Storm Water	-	-	451,754
Transportation	1,790,712	2,026,413	1,770,632
Total General Fund	\$ 33,209,339	\$ 37,996,009	\$ 40,246,108
Airports Fund	\$ 32,810	\$ 43,068	\$ 117,229
Central Stores Fund	-	-	57,090
Development Services Fund	2,987,202	1,326,664	2,998,384
Engineering & Capital Projects Fund	4,212,166	5,323,300	7,435,254
Facilities Financing Fund	-	-	69,950
Fire/Emergency Medical Services Transport Program Fund	-	-	47,986
Fleet Operations Operating Fund	134,400	229,518	810,557
GIS Fund	-	-	133,058
Golf Course Fund	63,084	56,187	169,143
Information Technology Fund	144,431	85,849	306,696
Metropolitan Sewer Utility Fund	1,290,991	2,085,092	3,451,825

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Departments/Funds	FY 2019 Adopted Budget	FY 2020 Adopted Budget	FY 2021 Adopted Budget
Municipal Sewer Revenue Fund	1,179,582	1,955,768	3,378,643
OneSD Support Fund	-	-	171,704
Recycling Fund	307,275	431,956	705,912
Refuse Disposal Fund	396,154	345,953	539,355
Risk Management Administration Fund	115,639	149,782	368,317
Underground Surcharge Fund	119,550	123,504	33,613
Water Utility Operating Fund	2,553,972	2,906,138	6,095,062
Wireless Communications Technology Fund	109,624	101,760	94,674
Total Non-General Fund	\$ 13,646,880	\$ 15,164,539	\$ 26,984,452
Total	\$ 46,856,219	\$ 53,160,548	\$ 67,230,560

Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with labor unions, City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$479.6 million or 70.5 percent of budgeted fringe allocations in Fiscal Year 2021. The remaining budgeted fringe allocations are variable fringe costs that are dependent on payroll activity, such as reductions or additions in staff, and salary increases or decreases. **Table 15** displays the citywide fringe allocation which totals \$680.8 million for Fiscal Year 2021, of which \$491.9 million or 72.3 percent is budgeted in the General Fund.

Table 15: Fiscal Year 2021 Annual Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Fringe Totals
Retirement ADC	\$ 277,709,202	\$ 25,845,149	\$ 53,411,825	\$ 6,911,415	\$ 1,720,588	\$ 365,598,179
Flexible Benefits	90,316,671	12,214,570	28,648,688	4,097,090	805,232	136,082,251
Retiree Health/Other Post-Employment Benefits	42,982,514	5,869,270	14,151,857	1,971,282	396,459	65,371,382
Supplemental Pension Savings Plan	23,809,360	5,299,733	10,313,066	1,434,932	398,300	41,255,391
Workers' Compensation	29,324,584	399,973	2,997,419	981,895	22,121	33,725,992
Risk Management Administration	7,233,181	987,694	2,381,538	331,732	66,717	11,000,862
Medicare	9,094,656	1,134,212	2,129,697	298,438	79,983	12,736,986

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Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Fringe Totals
Employee Offset Savings	5,960,045	408,939	603,934	88,866	48,283	7,110,067
Retirement DROP	1,606,914	194,877	453,476	72,631	16,546	2,344,444
Unemployment Insurance	822,843	113,416	224,111	31,139	8,704	1,200,213
Retiree Medical Trust	943,898	106,904	171,000	24,861	7,638	1,254,301
Retirement 401 Plan	214,132	65,146	83,305	11,891	4,269	378,743
Long-Term Disability	1,854,563	255,551	505,210	70,164	19,607	2,705,095
Fund Type Totals	\$ 491,872,563	\$ 52,895,434	\$ 116,075,126	\$ 16,326,336	\$ 3,594,447	\$ 680,763,906

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

City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2021 Adopted Budget is \$365.6 million and its components are described in further detail below:

- The City's pension payment for Fiscal Year 2021 as of June 30, 2019 is \$365.6 million, an increase of \$15.1 million from the Fiscal Year 2020 Adopted Budget; approximately \$277.7 million or 76.0 percent of the ADC is budgeted in the General Fund. The significant change which led to the increase in the pension payment was the liability experience loss, driven largely by salary increases for POA members, increased the ADC by \$18.2, million and a net asset experience loss which increased the ADC by \$0.6 million. Offsetting these increases is a reduction of \$3.8 million in the ADC that had been anticipated based on the prior year's actuarial valuation and is the result of the continued phase-in of investment experience from prior years and no changes in assumptions.
- \$1.5 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits. Note this figure is not reflected in **Table 15**.
- \$1.7 million has been budgeted citywide (\$1.3 million in the General Fund via the Citywide Program Expenditures Department) to fund the pay-go costs for the supplemental cost of living adjustment (COLA) benefit. The supplemental COLA benefit was established by San Diego Ordinance O-18608, adopted on January 11, 1999, to increase the monthly retirement allotment for retirees who retired before July 1, 1982 with at least ten years of service credit and whose benefits had fallen below 75 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from the previous fiscal year to fund this benefit. However, this reserve was depleted in Fiscal Year 2015. As a result, Ordinance O-20282 was adopted on July 23, 2013 and the City funds the supplemental COLA benefit annually. Note this figure is not reflected in **Table 15**.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2021 Adopted Budget for Flexible Benefits is \$136.1 million, representing an increase of \$7.0 million from the Fiscal Year 2020 Adopted Budget. This increase is primarily the result of the agreements accepted by the City and five of the six REOs in which flexible benefit tiered plans for employees and their families were

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increased while also limiting the cash-back options to existing employees who waive or select employee only coverage.

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

Retiree Healthcare/Other Post Employment Benefits

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its labor organizations and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements discuss the City's annual OPEB budget and in Fiscal year 2021 the budget is \$65.4 million for retiree health care benefits. If the retiree health defined contribution and pay-as-you-go actuals exceed \$65.4 million, then the excess will be withdrawn from the City's CalPERS Employer Retiree Benefit Trust (CERBT) account.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In 1982, the City opted out of Social Security and established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must contribute a mandatory 3 percent. Employees hired on or before July 1, 1986 can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2021 Adopted Budget for SPSP is \$15.0 million.

General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2021 Adopted Budget for the City's contribution match is \$378,743 based on 524.50 FTE general members.



New hires with offers of employment made on or after July 20, 2012, with no prior City service, are placed in the SPSP-H Plan, which is being used as an Interim Defined Contribution Retirement Plan for benefited employees. Eligible new hires who are non-safety employees are required to contribute 9.2 percent of compensation to the plan, which is matched by a 9.2 percent employer contribution. For safety employees, the mandatory employee and matching employer contributions is 11.0 percent of compensation. The Fiscal Year 2021 Adopted Budget for the City's Interim Defined Contribution Retirement Plan is \$25.2 million, which represents an increase of \$1.9 million over the Fiscal Year 2020 Adopted Budget. This increase is primarily due to the assumption that vacant and new positions being added to the budget will be filled by employees in the Interim Defined Contribution Retirement Plan. Additionally, the Fiscal Year 2021 Adopted Budget includes \$1.1 million in the SPSP-H account for hourly employees. **Table 15** reflects a total budgeted amount of \$41.3 million which includes SPSP, SPSP-H and hourly SPSP-H contributions.

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Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related injuries or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City. The workers' compensation contribution in the Fiscal Year 2021 Adopted Budget is \$33.7 million. The increase of approximately \$2.4 million from the Fiscal Year 2020 Adopted Budget is due to the use of excess fund balance above reserves for rate relief in Fiscal Year 2020. As a result, the pay-go contribution in Fiscal Year 2021 is approximately \$2.2 million and a contribution to the Worker's Compensation Reserve of \$0.2 million to maintain the 12 percent reserve target per the Reserve Policy.

Risk Management Administration

The Risk Management Administration (RMA) rate was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Safety and Environmental Health Services, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2021 Adopted Budget for Risk Management Administration is \$11.0 million.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime or other employee special pays. The Fiscal Year 2021 Adopted Budget for Medicare is \$12.7 million.

Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution; in exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension UAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS Fund. The Fiscal Year 2021 Adopted Budget includes Employee Offset Savings of \$7.1 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$7.1 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary which is currently \$77.0 million. The Fiscal Year 2021 Adopted Budget for Retirement DROP contributions is \$2.3 million.

Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2021 Adopted Budget for Unemployment Insurance is \$1.2 million.

Retiree Medical Trust (RMT)

The Fiscal Year 2021 Adopted Budget for retiree health trust contributions is \$1.3 million. General members hired on or after July 1, 2009 must contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2021 Adopted Budget for the City's contribution match to general members is \$635,024. In addition, \$619,277 is included in the Fiscal Year 2021 Adopted Budget for contributions to the Southern California Firefighters Benefit Trust for each active International Association of Firefighters (IAFF) Local 145 member.

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Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2021 Adopted Budget is \$2.7 million. This contribution funds the pay-go requirements for the LTD Fund; the reserve goal for the LTD Fund has been met.

Proposition B Status

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter. As a result, all employees hired on or after July 20, 2012, other than sworn police officers, are no longer eligible to participate in the City's defined benefit plan and are only eligible to participate in a defined contribution plan (subject to appellate court ruling as discussed below).

In December 2015, the Public Employment Relations Board (PERB) issued a decision (the "PERB Order") in an Unfair Practice Charge (UPC) filed by certain City's labor unions (Unions) ruling that the City had violated the Meyers-Milias-Brown Act (MMBA) when it failed to meet and confer with the Unions over the language of Proposition B prior to placing it on the June 2012 ballot.



Between January 2016 and March 2019, the matter was adjudicated at both the California Appellate Court and California Supreme Court levels. The California Supreme Court ultimately upheld PERB's determination of an MMBA violation, and remanded the matter back to the Court of Appeal for further proceedings to determine the appropriate judicial remedy. The City sought review with the United States Supreme Court, however, it was denied.

On March 25, 2019, the Court of Appeal affirmed the PERB Order with the following modifications (the "Modified PERB Order"): (1) The City must meet and confer with the Unions over the effects of Proposition B. (2) For the time period that ends with the completion of the bargaining process (including the exhaustion of impasse measures, if an impasse occurs), the City must pay the affected current and former employees represented by the Unions the difference, plus seven percent annual interest, between the compensation (including retirement benefits) the employees would have received prior to when Proposition B took effect and the compensation those employees received after Proposition B took effect (the "Make-Whole Provision"); and (3) The City must meet and confer at the Unions' request and is precluded from placing a charter amendment on the ballot that is advanced by the City that affects employee pension benefits and/or other negotiable subjects until the bargaining process is complete.

The Unions requested that the Court of Appeal invalidate Proposition B, however, the court declined to do so concluding that the question of Proposition B's validity would be more appropriately decided in a separate quo warranto proceeding. On June 25, 2019, the Unions served the California Attorney General with an Application for Leave to Sue in quo warranto. The Attorney General granted the Unions leave to sue and on September 27, 2019, the Unions filed their complaint in Superior Court. Depending on the nature of the Proposition B proponents' opposition and potential appeals, it could take until 2024 before there is final resolution of Proposition B's validity if the quo warranto action is ultimately reviewed by the California Supreme Court. Currently, the Unions and the City have a motion for summary judgment hearing scheduled for December 18, 2020.

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Neither PERB nor the Appellate Court clearly defined how the value of the benefits under the Make-Whole Provision should be calculated; meaning the ultimate cost to the City, if any, will likely be the subject of negotiations between the City and the Unions. The City's preliminary analysis and work performed by SDCERS' actuary has provided a preliminary understanding of what disparity exists between the benefits provided under Proposition B versus what employees would have otherwise received under the City's defined benefit plan. That preliminary analysis identified several assumptions that would be the subject of negotiations between the City and Unions including, but not limited to, the investment rate of return, the discount rate, and how interest earnings are calculated. Any one of these assumptions could significantly alter the estimated one-time and ongoing costs to the City and such costs could be material. A further consideration in implementing any compensatory remedy is compliance with federal tax laws and regulations, which may also restrict the remedies available through labor negotiations. Accordingly, it would not be meaningful or informative for the City to provide any such preliminary cost estimates at this time. The Fiscal Year 2021 Adopted Budget does not include any potential costs associated with implementation of the remedy.

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