



Adopted Budget Fiscal Year 2022

Volume 1 City Budget Overview

MAYOR TODD GLORIA



The City of
SAN DIEGO

Citywide Budget Overview



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The City of San Diego's Fiscal Year 2022 Adopted Budget of \$4.6 billion is comprised of five operating fund types and the Capital Improvements Program (CIP):

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

Table 1 shows the change in expenditures from Fiscal Year 2020 to Fiscal Year 2022 by fund type/program.

Table 1: Change in Total City Expenditures from Fiscal Years 2020 - 2022 by Fund Type/Program

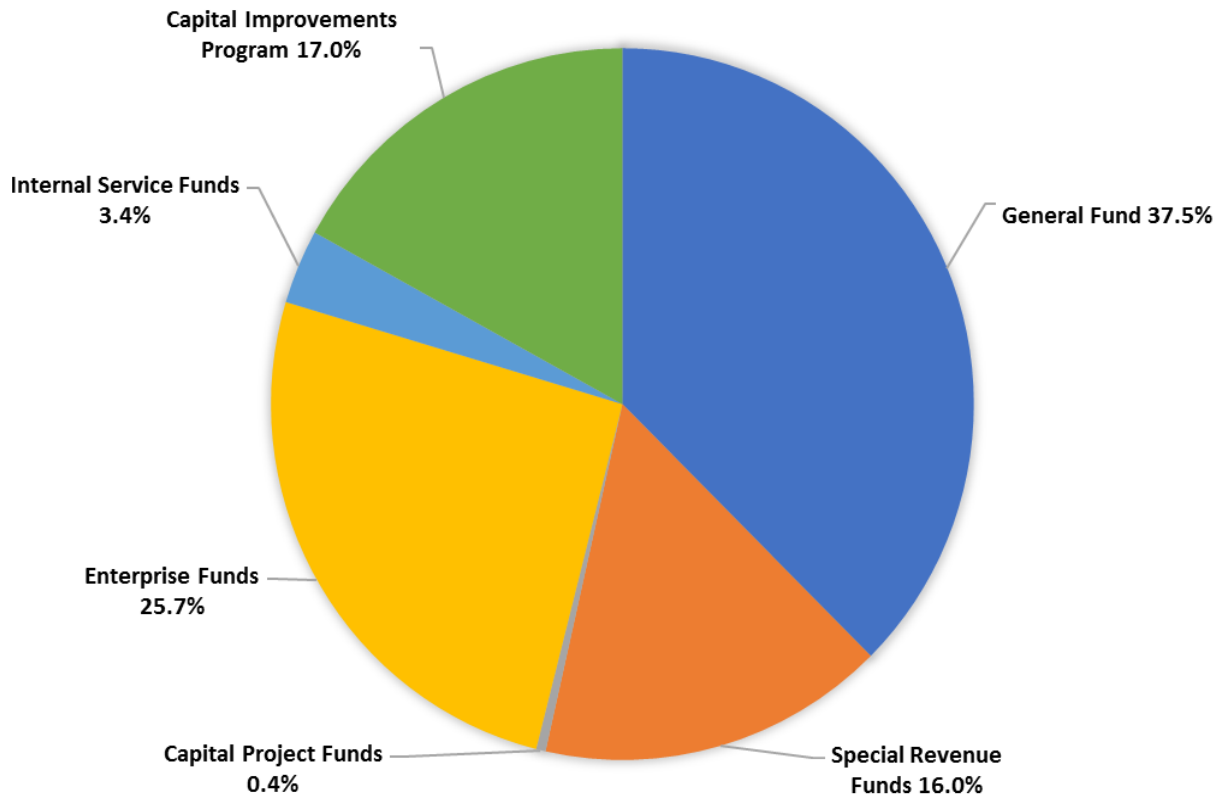
Fund Type	FY 2020 Actual	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2021 – FY 2022 Change	Percent Change
General Fund	\$ 1,574,983,937	\$ 1,620,936,801	\$ 1,743,548,431	\$ 122,611,630	7.6%
Special Revenue Funds	622,399,452	703,236,480	743,868,631	40,632,151	5.8%
Capital Project Funds	18,772,046	32,381,167	20,214,832	(12,166,335)	(37.6%)
Enterprise Funds	1,024,510,425	1,131,361,283	1,193,721,659	62,360,376	5.5%
Internal Service Funds	130,529,965	166,446,233	157,094,652	(9,351,581)	(5.6%)
Capital Improvements Program	583,999,644	367,484,544	789,525,641	422,041,097	114.8%
Total	\$ 3,955,195,469	\$ 4,021,846,508	\$ 4,647,973,846	\$ 626,127,338	15.6%



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Figure 1 displays the Fiscal Year 2022 Adopted Expenditure Budget by Fund Type/Program.

Figure 1: Fiscal Year 2022 Adopted Expenditure Budget by Fund Type/Program



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

Table 2 presents the changes in revenues from Fiscal Year 2020 to Fiscal Year 2022 by fund type.

Table 2: Changes in Total City Revenue from Fiscal Years 2020 - 2022 by Fund Type

Fund Type	FY 2020 Actual	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2021 - FY 2022 Change	Percent Change
General Fund	\$ 1,538,501,109	\$ 1,620,936,801	\$ 1,743,548,431	\$ 122,611,630	7.6%
Special Revenue Funds	614,854,297	608,836,341	676,774,167	67,937,826	11.2%
Capital Project Funds	47,584,337	95,866,628	48,701,068	(47,165,560)	(49.2%)
Enterprise Funds	1,361,333,691	1,417,738,585	1,811,491,157	393,752,572	27.8%
Internal Service Funds	133,358,801	151,316,115	154,012,076	2,695,961	1.8%
Total¹	\$ 3,695,632,235	\$ 3,894,694,470	\$ 4,434,526,899	\$ 539,832,429	13.9%

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

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Expenditure Overview by Fund Type/Program

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 2022 Adopted Budget reflects General Fund expenditures totaling \$1.74 billion, which is an increase of \$122.6 million or 7.6 percent from the Fiscal Year 2021 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 the Engineering & Capital Projects Fund and Underground Surcharge Fund. The Fiscal Year 2022 Adopted Budget for Special Revenue Funds is \$743.9 million, representing an increase of \$40.6 million or 5.8 percent from the Fiscal Year 2021 Adopted Budget. This net increase is primarily due to citywide compensation increases, information technology expenditures in the Engineering & Capital Projects Fund, and an increase in projected gas tax proceed supported expenditures in the Road Maintenance and Rehabilitation Fund.

Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall CIP, which can be supported by all fund types. The Fiscal Year 2022 Adopted Budget for Capital Project Funds is \$20.2 million, which is a decrease of \$12.2 million or 37.6 percent from the Fiscal Year 2021 Adopted Budget. This decrease is primarily due to a reduction in the Capital Outlay Fund related to debt service payments for deferred capital bonds funded on a one-time basis in Fiscal Year 2021.

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 2022 Adopted Budget for Enterprise Funds is \$1.19 billion, representing an increase of \$62.4 million or 5.5 percent from the Fiscal Year 2021 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$30.7 million in the Water Utility Operating Fund primarily associated with bond principal payments supporting operations, preventative maintenance, purchase of water, dam support, Pure Water pilot operations and water treatment plant chemical safety;
- \$16.5 million in the Sewer Fund primarily associated with maintenance at various facilities, energy program, erosion monitoring, and hauling and disposal of biosolids;
- \$3.4 million in the Airports Fund primarily for maintenance and repair of the new Gibbs Drive and Aero Drive facilities;
- \$8.3 million in the Development Services Fund primarily associated with citywide compensation increases, 5G support and the restructure of the Urban Planning, and Review Program from the General Fund into the Enterprise Fund; and
- \$2.3 million in the Refuse Disposal Fund primarily associated with the lease of heavy equipment at the Miramar Landfill.

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Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal year 2022 Adopted Budget for Internal Service Funds totals \$157.1 million, which is a decrease of \$9.4 million or 5.6 percent from the Fiscal Year 2021 Adopted Budget. This net decrease is primarily due to reductions in the Fleet Operations Replacement Fund associated with a one-time transfer of fund balance to the General Fund in Fiscal Year 2021.

Capital Improvements Program

The CIP budget allocates available revenue to rehabilitate, restore, improve, enhance and increase the City's capital assets. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), General Fund Infrastructure and Climate Equity, and developer fees. The Fiscal Year 2022 Adopted CIP Budget appropriates a total of \$789.5 million above the \$1.67 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2022 Adopted CIP Budget is an increase of \$422.0 million or 114.8 percent when compared to the Fiscal Year 2021 Adopted CIP Budget of \$367.5 million. This is primarily due to an increase of funding needs in Public Utilities Department Enterprise Fund projects for Pure Water.



The CIP budget projects anticipated funding in the CIP project pages. For Fiscal Year 2022, a total of \$257.4 million in funding for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2022 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 2022.

Citywide Reorganization/Restructuring

The Fiscal Year 2022 Adopted Budget reflects the reorganization (and/or restructuring) and the creation of City departments related to executive management strategies and department-initiated requests. The reorganizations are intended to refine programs and processes and provide comprehensive organizational improvements. Reorganizations are, but not limited to, the restructuring of departments and major divisions and program 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 result in the creation of City departments. The following provides an overview of the Fiscal Year 2022 Adopted Budget reorganizations and restructuring to the City's organizational structure. Subsequent to the adoption of the Fiscal Year 2022 budget, additional organizational structure name changes were made but were not implemented in the adopted budget process and not reflected in this budget document. These restructures will be addressed and implemented in the Fiscal Year 2023 budget process. Per Charter Section 26, all newly created departments included in the Adopted Budget must be approved by ordinance via a two-thirds vote from the City Council.

Compliance Department

The Compliance Department is a newly-created Department that will focus on citywide facilitation and response to internal and external audits, and coordinate compliance with local, state and federal regulations related to labor, wages, health and safety, and environmental issues. The Department will align existing City programs to create an Office of Labor Standards Enforcement to uplift health and safety labor

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standards, effectively enforce labor laws and protect workers and citizens by combining oversight of the Minimum Wage and Earned Sick Days Program, Prevailing Wage, Living Wage Program, and Labor Compliance Programs. The Department will also play a central coordinating role in the City's Enterprise Risk Management efforts. This restructure reflects the consolidation of existing non-personnel expenditures and positions into this new Department and nearly budget neutral. The consolidation of existing positions and resources include: 4.00 FTE positions from the Purchasing and Contracting department Living Wage program and Administrative Hearings programs; 4.00 FTE positions from the City Treasurer Minimum Wage Compliance program; 7.00 FTE positions from the Risk Management Safety & Environmental program; and 1.00 FTE position associated with the implementation of the Surveillance Ordinance.

Facilities Services

The Facilities Services Division provides a range of services including citywide facilities maintenance and repair, for all Asset Owning Departments including the General Fund. This restructure will transfer the oversight of 174.50 FTE positions and \$23.6 million in expenditures and associated revenue from the Real Estate Assets Department to the Fleet Operations Department.

Homelessness Strategies Department

The Homelessness Strategies Department is a newly created department that oversees and develops homelessness related programs and services. The department plans, develops, and oversees a comprehensive network of citywide programs that provide immediate assistance and long-term solutions to meet the needs of those experiencing homelessness, serves as the City's liaison to agencies with a role in homelessness services to provide coordination and alignment of goals and funding, and ensures that the City's homelessness policies are properly reflected in the operations of, and carried out by, various City departments whose work impacts homelessness, among other duties.

Office of Emergency Services

The Fiscal Year 2022 Adopted Budget renames the Office of Homeland Security to the Office of Emergency Services. This restructure includes the addition of 1.00 Executive Director to provide additional oversight and support for the operations of the Office of Emergency Services.

Office of the Chief Operating Officer

The Fiscal Year 2022 Adopted Budget eliminates 1.00 Assistant Chief Operating Officer position, 1.00 Deputy Chief Operating Officer, and consolidates the remaining Deputy Chief Operating Officers and support staff into the Office of the Chief Operating Officer. Additionally, the Adopted Budget reflects the transfer of direct oversight of the Office of Emergency Services from the Police Department to Chief Operating Officer.

Office of the Commission on Police Practices

The newly created Office of the Commission on Police Practices has been created due to the passage of Measure B which amended the City's Charter to replace the Community Review Board on Police Practices. The Office of the Commission on Police Practices will be appointed by the City Council to conduct investigations, and subpoena witnesses and documents related to deaths resulting from police interactions and complaints made against police officers. The creation of the Office of the Commission on Police Practices is partially funded by the transfer of 1.00 Executive Director and non-personnel expenditures from the Community Review Board on Police Practices. The remainder of the department is funded by the addition of 13.00 FTE positions and non-personnel expenditures to support the operations and compliance with Measure B requirements.

Office of Child and Youth Success

The Office of Child and Youth Success has been created within the Office of the Chief Operating Officer, for the coordination of existing youth and family services that are currently spread across various City

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Departments (such as Parks and Recreation, Library, etc.), developing programs to increase childcare access and availability, and other collaborative efforts with school districts, community based organizations, and other regional partners. Initial funding for the new office includes the addition non-personnel expenditures and 1.00 Executive Director position.

Purchasing and Contracting

In an effort to create synergies and efficiencies, the procurement team within the Contracts Division of the public Works Department will report to the Purchasing & Contracting Department effective July 1, 2021. The centralization of contracting within the City allows for consistency and standardization within the City's procurement processes. The procurement team within the Contracts Division of Public Works is reflected in the Engineering and Capital Projects Department in the Fiscal Year 2022 Adopted Budget and is anticipated to be consolidated into the Purchasing & Contracting Department during Fiscal Year 2022.

Special Events & Filming Program

The Special Events & Filming program provides a portfolio of services designed to support San Diego neighborhoods, as well as the City's special events, filming, business, and tourism industries in order to generate local jobs, hundreds of millions of dollars in economic impact, and extensive worldwide media exposure for the San Diego region each year. The Special Events and Filming program has been restructured to no longer operate within the Department of Cultural Affairs. This restructure is budget neutral. The transfer includes 6.00 FTE positions, non-personnel expenditures, and associated revenues from the Department of Cultural Affairs to the Special Events and Filming program.

Urban Planning Review Program

The Urban Planning Review program, is responsible for the planning, permitting, and parking programs in downtown San Diego. This restructure will transfer 8.00 FTE positions, non-personnel expenditures, and associated revenue from the General Fund to the Development Services Fund. The planning and permitting functions include the operation and management of the downtown Community Plan implementation studies, jobs, and consultant agreements, as well as the provision of development entitlement services, including the review of new project designs and discretionary property use permits.

Fiscal Year 2022 General Fund Adopted Budget

The Fiscal Year 2022 General Fund Adopted Budget is a reflection of a multi-year analysis that funds critical expenditures in Fiscal Year 2022 and addresses the projected revenue shortfalls in Fiscal Year 2021, Fiscal Year 2022, and in future fiscal years. The multi-year analysis reflects updated information to projected revenue shortfalls included the Fiscal Year 2021 Year-End Budget Monitoring Report and the Fiscal Year 2022-2026 Five-Year Financial Outlook. The multi-year analysis also includes a comprehensive review of critical expenditure requests and proposed reductions submitted by each department in Fiscal Year 2022, as well as the recommended allocation of the Coronavirus State and Local Fiscal Recovery Funds included in the American Rescue Plan Act (ARP), and other resources and mitigation actions to help address the projected revenue shortfalls in Fiscal Year 2021, Fiscal Year 2022, and in future fiscal years. While the revenue shortfalls for Fiscal Year 2021 and Fiscal Year 2022 in the General Fund are projected to be addressed in this Adopted Budget, there is an ongoing need to reach a structurally balanced budget where expenditures are supported with ongoing revenue. Currently, to achieve a balanced budget in future fiscal years it will require further mitigations such as use of reserves, additional budget reductions, or identification of new revenue sources. The following sections provide additional details considered in the Fiscal Year 2022 General Fund Adopted Budget.

Fiscal Year 2021 General Fund Budget

The Fiscal Year 2021 Mid-Year Budget Monitoring Report (Mid-Year Report) was released on January 29, 2021 and reflected a projected General Fund revenue shortfall of \$85.4 million at year-end. Since the

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release of the Mid-Year Report, the Department of Finance issued a memorandum to City Council on March 22, 2021 to provide updated projections for the four major General Fund revenues to include an additional month of receipts received by the City. The update included a total increase of \$8.5 million; property tax revenue increased by \$1.2 million, sales tax revenue increased by \$0.2 million, transient occupancy tax revenue increased by \$0.1 million, and franchise fees increased by \$7.0 million.

On February 10, 2021, the Chief Operating Officer issued a memorandum to Department Directors, titled Fiscal Year 2021 Financial Actions For COVID-19. This memorandum provided direction for Fiscal year 2021 regarding the hiring process for General Fund positions, restrictions on overtime and limits to non-personnel expenditures, safety, and critical operations. As result of these directives, the Department of Finance is preliminary projecting savings of approximately \$6.0 million by year-end. On June 15, the Chief Operating Officer issued a memorandum to Department Directors, suspending the request-to-fill process, in order to fill vacancies and achieve the service levels proposed in the Fiscal Year 2022 budget.

Additionally, since the release of the Mid-Year Report, the Department of Finance performed an analysis on anticipated accruals in payroll expenses. A change in methodology was made to better reflect the impact of the annual payment of the Actuarial Determined Contribution (pension payment) and other fixed fringe accounts. This change results in anticipated one-time savings of \$5.3 million when compared to personnel expenditure projections assumed in the Mid-Year Report.

As a result of the major revenue update, newly anticipated current year savings, and the \$14.5 million of unassigned fund balance in excess of reserves reported in the Mid-Year Report, the revised revenue shortfall for Fiscal Year 2021 was estimated at \$51.1 million as of March 2021.

On May 18, 2021, the Fiscal Year 2021 Third Quarter Budget Monitoring Report (Third Quarter Report) was released and reflected an updated General Fund revenue shortfall of \$52.2 million at year-end. The projected revenue shortfall is projected to be offset with the use of \$14.5 million in Fiscal Year 2020 unassigned fund balance and \$37.7 million in American Rescue Plan Act (ARP) funds.

Fiscal Year 2022-2026 Five -Year Financial Outlook

In November 2020, the Fiscal Year 2022-2026 Five-Year Financial Outlook (Outlook) was released with a projected revenue shortfall of \$124.1 million in Fiscal Year 2022, as displayed in **Table 3**.

Table 3: Fiscal Year 2022-2026 Five-Year Financial Outlook

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Baseline Revenues	\$ 1,545.2	\$ 1,609.5	\$ 1,685.1	\$ 1,747.4	\$ 1,802.8
Baseline Expenditures	1,669.3	1,716.2	1,769.3	1,775.2	1,796.9
Baseline Revenue (Shortfall)/Surplus	\$ (124.1)	\$ (106.7)	\$ (84.2)	\$ (27.8)	\$ 5.9

The Outlook reflected a baseline revenue shortfall in Fiscal Year 2022 primarily due to the use of one-time funding sources to fund on-going baseline expenditures to balance the Fiscal Year 2021 Adopted Budget, including \$146.0 million of one-time COVID-19 State and Federal Relief Funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act legislation. Additionally, the Outlook assumed the beginning of an economic recovery in Fiscal Year 2022 and reaching pre-recession levels by Fiscal Year 2025. This assumption was primarily dependent upon a vaccine becoming widely available to the public in summer/fall 2021 and group travel to begin to increase in the spring of 2021. Since then, the Fiscal Year

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2022 Adopted Budget has been developed and reflects updated baseline revenues and expenditures for Fiscal Year 2022 which result in a new shortfall of \$105.6 million, as shown in **Table 4**.

Table 4: Updated Fiscal Year 2022-2026 Five-Year Financial Outlook¹

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Baseline Revenues	\$ 1,547.7	\$ 1,643.4	\$ 1,722.5	\$ 1,789.9	\$ 1,844.7
Baseline Expenditures	1,653.3	1,709.3	1,762.5	1,768.4	1,790.0
Baseline Revenue (Shortfall)/Surplus	\$ (105.6)	\$ (66.0)	\$ (40.0)	\$ 21.6	\$ 54.6

¹Please note that any new programmatic changes from the baseline such as new revenue sources (including ARP funds) and expenditures or services are not included in this table.

The updated projections reflect a positive overall impact due to acceleration of the vaccine distribution, a decrease in COVID-19 infection rates, direct fiscal stimulus to families as a result of the passing of the American Rescue Plan Act (ARP) and a gradual lessening of federal and state restrictions. The key updates to the assumptions include the timeline for vaccine being widely available was moved up to “by summer 2021”, the resumption of group travel was delayed to the fall/winter months and maintains some restrictions and limited attendance for mega events, and the recovery in regards to sales tax revenue was accelerated. For Fiscal Year 2022, these changes reflect a net increase of \$2.5 million in revenue and a net decrease of \$8.7 million in expenditures. The primary changes to baseline revenues reflect an increase of \$20.4 million in the sales tax projection, \$7.2 million in Property Tax, \$7.0 million in Franchise Fees which are offset by a decrease of \$10.0 million in transient occupancy tax revenue and \$22.1 million in other departmental revenues associated with the continued impact from the COVID-19 pandemic. The primary changes to Fiscal Year 2022 baseline expenditures reflect a decrease of \$15.9 million primarily due to updated non-discretionary, debt, the movement of storm drain expenditures out of the General Fund, and personnel costs since the publication of the Outlook. However, the overall variance in the Fiscal Year 2022 baseline budget from the Outlook is relatively minor, with a 0.16 percent variance in baseline revenues and 0.95 percent variance in baseline expenditures. Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume.

Due to the changes in the economic environment and receipt of new data, the analysis also included an update to Fiscal Year 2023 through Fiscal Year 2026 to incorporate revenue revisions to the four major General Fund revenues, as well as cannabis business tax revenue. Baseline expenditures for these years reflect no baseline assumption changes. Thus, the changes in the overall baseline shortfalls are due to updates made to baseline revenues in Fiscal Year 2022. As displayed in **Table 5**, the shortfalls have improved each year due to the updates further described below.

Table 5: Changes in Five-Year Outlook Shortfall/Surplus

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Outlook Baseline Revenue (Shortfall)/Surplus	\$ (124.1)	\$ (106.7)	\$ (84.2)	\$ (27.8)	\$ 5.9
Change from Outlook to Updated Outlook	18.4	40.7	44.2	49.3	48.7
Updated Baseline Revenue (Shortfall)/Surplus	\$ (105.6)	\$ (66.0)	\$ (40.0)	\$ 21.5	\$ 54.6

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The change in property tax revenue resulted in an increase of \$12.1 million in Fiscal Year 2023 with slightly higher increases through Fiscal Year 2026. This is primarily due to a return to pre-pandemic collection rates and positive trends in home sales and prices. When the Adopted Budget was being finalized, the City received an updated forecast from the City's sales tax consultant which reflected a positive growth in sales tax revenue over the outlook period due to a boost from the American Rescue Plan Act and an accelerated economic recovery. Sales tax increased by \$24.4 million in Fiscal Year 2023 with slightly higher increases per year through Fiscal Year 2026. Although the economy is expected to experience a quicker recovery than anticipated, San Diego Tourism Marketing District and Tourism Economics anticipate a slower recovery in the tourism industry. The updated Outlook for TOT revenues reflect a decrease of \$5.7 million in Fiscal Year 2023, with the remaining years of the Outlook reflecting similar decreases per year with the incorporation of the projected impact from the new Short-Term Residential Occupancy (STRO) ordinance. The changes in franchise fees is a result of the San Diego Gas & Electric statement received on February 25, 2021, which provided an updated base amount to which growth was applied. This resulted in an increase to Fiscal Year 2023 of \$7.1 million with slightly higher increases per year through Fiscal Year 2026. In addition to updates to major revenues, a revision to the cannabis business tax projection resulted in an increase of \$1.5 million in Fiscal Year 2023 and continued increase per year due to an updated trend analysis. A full update to the Five-Year Financial Outlook for Fiscal Year 2023-2027 will be released in early November 2021 following the standard timeline.

To summarize, the baseline shortfall for Fiscal Year 2022 is \$105.6 million. In addition to balancing the immediate baseline revenue shortfall, the multi-year analysis required planning for a structural revenue shortfall projected through Fiscal Year 2024. The baseline revenue shortfall for Fiscal Year 2023 and 2024 will require additional resources and other budget mitigations reflected in the following sections, in addition to funding received from the American Rescue Plan Act.

Fiscal Year 2022 Critical Expenditures

In addition to solving the baseline revenue shortfall, the Fiscal Year 2022 Adopted Budget also required balancing the need for new services and to maintain current services. New services include the Back to Work SD initiative, homelessness funding to support our most vulnerable communities, infrastructure funding for the "sexy" streets initiative in communities of concern, funding for public power feasibility study, and the creation of the Climate Equity Fund to help underserved communities effectively respond to impacts of climate change. Notable additions to maintain current services include funding for compensation increases with the City's Recognized Employee Organizations and for unrepresented employees, funding for the continuation of COVID-19 sanitation and supplies, funding for positions filled in prior fiscal years, but not yet added in the annual budget, and funding to maintain operational and capital support of the Convention Center. Program summaries for the Back to Work SD, Complete Streets, Clean SD, Organics Collection Program mandated by State Bill 1383, Homeless programs and services, Climate Action Plan, and Vision Zero are included in the following sections.

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

Back to Work SD

The Fiscal Year 2022 Adopted Budget includes \$14.2 million in one-time funding for programs to get San Diegans back to work through a variety of initiatives. These initiatives are discussed in further detail below, **Table 6** breaks down the funding for each program.

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Table 6: Back to Work SD

Back to Work SD	FY 2022 Adopted Budget
General Fund	
Small Business Aid	\$ 11,000,000
Small Business Loans	10,000,000
Technical Assistance for Street Vendors	250,000
Restoration of Small Business Enhancement Program	750,000
Youth Programming	\$ 3,169,925
No Shots Fired	250,000
SDAccess4all Initiative	510,000
Connect2 Careers	750,000
Summer Youth Recreation Programming	400,000
Youth Diversion Programming	500,000
Summer Youth Environmental/ Recreation Corps Program	250,000
Library Summer Camp	509,925
General Fund Total	\$ 14,169,925

Small Business Aid

The Fiscal Year 2022 Adopted Budget includes \$11.0 million in the Economic Development Department for Small Business loans and support. The \$10.0 million in Small Business loans will provide forgivable loans to qualified businesses and nonprofits that COVID-19 has negatively impacted. The San Diego Foundation will manage the program to ensure equity and partner with the Small Development Corporation to assist with business needs. The San Diego Foundation will contribute an additional \$2.0 million to match the City's investment to nonprofits to increase the fund to \$12.0 million. The San Diego Foundation will work with ethnic chambers in the region to provide outreach. Most awards will range from \$5,000-\$25,000. The City's commitment will include \$2.0 million for black, indigenous, and other people of color, BIPOC-owned small businesses, \$2.0 million to non-profits most impacted by the pandemic, and \$6.0 million for small businesses in the hardest-hit industries, including but not limited to:

- i. Personal Health: Gyms & fitness, personal services, beauty, massage, training, physical therapy, chiropractic, etc.
- ii. Eating and Drinking Establishments: Restaurants, cafes, breweries & bars, etc.
- iii. Tourism, Leisure, and Entertainment: Hotels, Tours, Service industry, Entertainment venues/big events, film industry, etc.
- iv. Arts and Creative Economy: theaters, museums, art exhibition showrooms, dance recital halls, gig economy, etc.

The Fiscal Year 2022 Adopted Budget includes \$750,000 in the Economic Development Department for the restoration and Enhancement of the Small Business Enhancement Program with a focus on communities of concern. Funding for businesses may include a micro-district grant program for businesses in communities of concern and Business Improvement District support for increasing focus on businesses and driving increased flexibility when they need it most.

The Fiscal Year 2022 Adopted Budget includes \$250,000 in the Economic Development Department to assist street vendors with the City's permitting and application process. In order to comply with State Bill 946, the

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Mayor will be proposing new regulations governing sidewalk vending will be established. This funding will be used to: educate and provide outreach to vendors about the City's pending sidewalk vending ordinance; provide technical assistance to vendors; fund permit fee waivers; and provide grants to vendors for capital needs such as new pushcarts, equipment, and technology.

Youth Programming

The Fiscal Year 2022 Adopted Budget includes \$250,000 in the Police Department associated with the No Shots Fired Intervention and Prevention Program. This program will seek to mitigate violence with the use of strategic partnerships with faith leaders, community-based organizations, the San Diego Police Department (SDPD), the Commission on Gang Prevention and Intervention, and the Community Assistance Support Tea (CAST).

The Fiscal Year 2022 Adopted Budget includes \$510,000 in the Department of Information Technology for the SD Access 4 All initiative that will continue to expand internet access at City libraries and parks, by providing: outdoor community computer labs at 10 libraries, 900 cellular Wi-Fi hotspots for patrons to check out for home use, and 255 Wi-Fi hotspots on San Diego streets.

The Fiscal Year 2022 Adopted Budget includes \$400,000 in the Parks and Recreation Department for Summer Youth Recreation Programming. Funding will support equitable access to recreational opportunities at 16 recreation centers, 3 additional park venues, and 5 aquatic locations located in communities of concern. This funding leverages coordination, planning, and philanthropic contributions from the San Diego Parks Foundation and Price Philanthropies, and \$750,000 in federal relief funds from the County of San Diego.

The Fiscal Year 2022 Adopted Budget includes \$250,000 in the Parks and Recreation Department for Summer Youth Environmental/Recreation Corps Program. This will fund community organizations supporting youth employment and scholarship opportunities that prioritize opportunity youth.

The Fiscal Year 2022 Adopted Budget includes \$750,000 in the Economic Development Department associated to Connect2Careers. The San Diego Workforce Partnership will work directly with young adults ages 16-24 who are not working and not in school, to develop and support their career goals through work-readiness training, case management, job coaching and paid work experiences

The Fiscal Year 2022 Adopted Budget includes 4.43 FTE positions and \$500,000 in non-personnel expenditures in the Library Department associated with the Library Summer Learning Camp Enhancement. This program will help prevent the summer slide and enrich summer learning with a blend of core academic learning and hands-on activities that explore science, technology, arts and literacy, through meaningful interactions that prepare students for school. The City is planning a series of these, focused on STEAM and Kindergarten Readiness.

Climate Equity Fund

The Fiscal Year 2022 Adopted Budget includes \$7.0 million in funding for the Climate Equity Fund (CEF) contribution to be used for City infrastructure project within underserved communities to help these communities effectively respond to the impacts of climate change, **Table 7** breaks down the funding for each program. In order to be eligible to receive CEF funding, projects must have an impact on reducing greenhouse gas emissions, enhancing safety in the public right-of-way, relieving congestion, or achieve other climate equity concerns and be located in a disadvantaged community located within an area that scores between 0 and 60 on the Climate Equity Index. In accordance with the City Council resolution the minimum annual allocation to CEF eligible projects is:

- One percent of the total annual revenue received through Transnet;
- One percent of the total annual received through Gas Tax; and
- 10 percent of the total General Fund revenue received through the annual gas and electric

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franchise fees.

The allocation to specific projects is shown in the Capital Improvements Program Volume III of the Adopted Budget.

Table 7: Climate Equity Fund

Project	FY 2022 Adopted Budget
Berardini Field GDP / P22006	\$ 400,000
Bicycle Facilities / AIA00001	90,000
Boston Ave Linear Park GDP / P22005	400,000
Chollas Creek Oak Park Trail / S20012	900,000
Cypress Dr Cultural Corridor / P22002	800,000
Emerald Hills Park GDP / P20003	1,000,000
Installation of City Owned Street Lights / AIH00001	450,000
Southwest Neighborhood Park / P18010	1,000,000
Traffic Signals - Citywide / AIL00004	750,000
Traffic Signals Modification / AIL00005	375,178
University Avenue Complete Street Phase1 / S18001	800,000
Total	\$ 6,965,178

Employee Compensation

The Fiscal Year 2022 Adopted Budget includes an increase of \$39.2 million in citywide employee compensation of which \$22.1 million resides in the General Fund and \$17.1 million in the Non-General Funds. This funding will support agreements with the City's six Recognized Employee Organizations and for unrepresented employees. These increases reflect an ongoing effort to make progress in the alignment of the City's employee compensation with the current employment market. Additional information on increases in employee compensation are included in the Salaries and Wages section of this Volume.

Homeless Programs and Services

The Fiscal Year 2022 Adopted Budget includes \$21.8 million in funding for homeless programs and services, with \$21.6 million budgeted in the General Fund and \$250,000 budgeted in the Low to Moderate Income Housing Asset Fund. In April 2021, the City Council approved an item that included \$2.3 million in Community Development Block Grant (CDBG) funding for homelessness related programs and services, as shown on **Table 9** below. The City is also anticipated to leverage \$24.5 million from the State's Homeless Housing, Assistance and Prevention (HHAP) in Fiscal Year 2022 to address the immediate emergency needs of individuals and families experiencing homelessness or at imminent risk of homelessness. HHAP funding was made in two rounds between Fiscal Year 2020 and Fiscal Year 2021. **Table 8** displays the Fiscal Year 2022 Adopted Budget for homeless programs and services by department and fund.

Table 8: Homeless Programs and Services by Department and Fund

General Fund	FY 2022 Adopted Budget
Homelessness Strategies Department	
Homeless Shelters and Services Programs	\$ 15,943,964
Coordination of City Homeless Programs and Services ¹	1,827,860
Homelessness Response Center	300,000
Total Homelessness Strategies Department	\$ 18,071,824

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Police Department	
Homeless Outreach Team (HOT)	3,512,101
Total Police Department	\$ 3,512,101
Total General Fund	\$ 21,583,925
Low to Moderate Income Housing Asset Fund	
Homelessness Response Center	250,000
Total Low to Moderate Income Housing Asset Fund	\$ 250,000
Total Citywide Resources	\$ 21,833,925

Note: Table is not intended to capture all staff related costs outside of Homelessness Strategies Department and Police Department HOT. All grant funds such as HHAP are excluded but are discussed in the write-up below.

¹ The General Fund is anticipated to be reimbursed \$500,000 by HHAP grant funds for eligible expenses associated with the administration of the grant funds.

Homeless Shelters and Services Program

The Fiscal Year 2022 Adopted Budget includes approximately \$15.9 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 Adopted Budget also includes \$3.8 million to maintain shelter capacity in accordance with the Community Action Plan on Homelessness and \$10.0 million in one-time non-personnel expenditures associated with homeless programs and services focused on crisis intervention and housing investment opportunities. The programs for this funding include:

- \$1.4 million to expand substance use disorder (SUD) interventions and invest in detoxification beds. Of this amount \$250,000 will be used to review resource utilization and capacity of SIP and PLEADS and supplement programs with successful exits to support clients. The remaining amount will be used to create approximately 65 beds with adequate social distancing for short term stays to help individuals manage their withdrawals with substance abuse;
- \$6.3 million to add up to 300 interim shelter beds at new sites to address the need for additional beds as identified in the Community Action Plan on Homelessness and support outreach and crisis management initiatives;
- \$1.0 million to staff the PATH Coordinated Street Outreach program in order to expand the outreach program from 17.00 FTEs to approximately 28.00 FTEs. This program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services; When combined with grant funding, this brings the total funding for Person-Centered Unsheltered Outreach to a total of \$2.5 million for Fiscal Year 2022. This is in line with 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;
- \$1.0 million for Rapid Rehousing programs to serve an additional 100 households. This program will help individuals and families experiencing homelessness to quickly obtain and maintain permanent housing through a tailored package of assistance that can include rental assistance and case management; and
- \$300,000 to support the Homelessness Program for Engaged Educational Resources (PEER) course,

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a first-of-its kind collaboration between SDHC and San Diego City College. This course will provide specialized education, training and job placement assistance to develop the workforce needed for programs and services that help San Diegans who are experiencing homelessness.

To continue the City of San Diego's progress in addressing homelessness through a broad spectrum of housing solutions that meet each individual's unique needs, the proposed initiatives will be paired with federal and state investments in Project Homekey, housing production, emergency vouchers and rental assistance as part of a multifaceted approach to expand housing options for vulnerable San Diegans experiencing unsheltered homelessness.

Coordination of Homeless Programs and Services

The Fiscal Year 2022 Adopted Budget includes \$1.8 million in the Homelessness Strategies Department for personnel and non-personnel expenditures associated with staff coordinating citywide homeless programs and services. The Fiscal Year 2022 Adopted Budget includes the addition of three positions, one Deputy Director and two Program Managers, to support the department. These positions are designed to expand capacity in key strategic areas, to increase the City's in-house expertise on homelessness policies, strategies, and solutions, and to implement stronger internal and external partnerships and coordination, and are in line with the findings and recommendations from the City's homelessness consultant.

Additionally, the General Fund is anticipated to be reimbursed \$160,929 from HHAP grant funds for the administration of the block grants.

Homelessness Response Center

The Homelessness Response Center is operated and administered by the Housing Commission. The program's objective is to provide system navigation services to identify and meet the needs of individuals experiencing homelessness during each stage in their pathway toward housing. The Fiscal Year 2022 Adopted Budget includes \$550,000 for the Homelessness Response Center operations, including \$300,000 from the General Fund and \$250,000 from the Low to Moderate Income Housing Asset Fund. Additionally, Council approved \$1.0 million in CDBG funding for the Homelessness Response Center operations.

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

The Fiscal Year 2022 Adopted Budget includes \$3.6 million from the General Fund to support personnel and non-personnel costs.

Community Development Block Grant (CDBG) Funding

In Fiscal Year 2022, \$2.3 million in CDBG program allocations are anticipated to fund homeless programs, services, and projects.

Table 9 displays the Fiscal Year 2022 CDBG allocations related to homeless and housing programs, services, and projects.

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Table 9: CDBG Allocations for Homeless Programs, Services, and Projects

Program, Service, and Project	Fiscal Year 2022
Homelessness Response Center	\$ 1,000,000
CDBG Allocations (CP 700-02 Set-Aside)	\$ 1,318,078
Day Center for Homeless Adults	541,251
Connections Housing Interim Bed Program	303,575
Interim Housing for Homeless Adults	267,351
Emergency Shelter for Families	205,902
Total CDBG Entitlement Allocations	\$ 2,318,078

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 in HHAP funding.

In Fiscal Year 2021, \$3.1 million in HHAP-1 is projected to be spent, leaving \$19.4 million remaining for the life of the award. In Fiscal Year 2022 it is anticipated there will be \$15.2 million in projected expenses, as follows:

- \$11.9 million for operating subsidies and reserves, including the operations of three bridge shelters;
- \$125,000 for the coordination of outreach activities
- \$355,000 in youth focused services in addition to \$899,000 for youth focused shelter activities included in the \$11.9 million above;
- \$660,000 for prevention and diversion, including the safe parking program, diversion, and Prosecution and Law Enforcement Assisted Diversion Services (PLEADS);
- \$954,000 for rapid rehousing efforts; and
- \$1.1 million for administrative costs such as grant administration, monitoring, and program coordination over the life of the grant.

Staff expects to expend the remainder of the HHAP-1 funding in Fiscal Year 2023

In November 2020, the State announced the availability of \$300 million in a second round of HHAP funding (HHAP-2). The State awarded the City of San Diego with \$10.6 million in HHAP-2 grant funding, which must be fully expended by June 30, 2026. In June 2021, the City Council approved the use of the \$10.6 million in HHAP-2 funding as follows:

- \$5.9 million for operating subsidies and reserves, including the operation of the temporary bridge shelters, transitional storage facilities, and safe parking program;
- \$1.5 million for coordinated street outreach;
- \$1.7 million for prevention and diversion, including the flexible housing spending pool, family reunification, and PLEADS;
- \$410,000 for rapid rehousing efforts;
- \$333,000 for delivery of permanent housing (Landlord Engagement); and
- \$744,000 for administrative costs such as grant administration, monitoring, and program coordination

Staff expects to expend \$9.3 million of HHAP-2 funding in Fiscal Year 2022 and the remaining \$1.3 million in Fiscal Year 2023.

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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.

Based on the definitions in Charter Section 77.1, the amount of \$18.6 million is required to be deposited into the Infrastructure Fund for Fiscal Year 2022 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. As part to of the Adopted Budget the City Council approved the waiver of Charter Section 77.1.

“Sexy” Streets #ForAllofUs Initiative

Each neighborhood in San Diego deserves Sexy Streets, which means slurry seal to maintain good roads, overlays for roads that need new paving, and reconstruction of roads that need a complete makeover. Sexy Streets #ForAllofUs is a down payment in our communities of concern, a nearly \$40 million total investment in historically underserved neighborhoods that haven't seen quality road repairs for years. This includes \$10 million in one-time funding from the Fiscal Year 2022 Budget and nearly \$30 million in financing funded in this budget. Funding will go toward paving longstanding decrepit roads with new overlay and road reconstruction in communities of concern. Along with investing in our roads, Sexy Streets #ForAllofUs will also bundle opportunities for Complete Streets to include traffic calming and congestion improvements, new sidewalk connections, necessary sidewalk repairs, streetlights, new and upgraded bicycle infrastructure, and investments in our stormwater system. This investment will be prioritized based on critical transit and multimodal routes and is an essential step toward righting historic wrongs in our most marginalized and underinvested communities while improving sustainable infrastructure needed to meet our Climate Action Plan goals.

Organics Collection – State Bill 1383

In September 2016, Governor Brown signed into law State Bill 1383 (SB 1383) establishing methane emissions reduction targets in a statewide effort to reduce emissions of Short-lived Climate Pollutants. SB 1383 establishes targets of a 50.0 percent reduction in the level of the statewide disposal of organic waste from 2020, with a 75.0 percent reduction by 2025. SB 1383 requires the City to have an adopted ordinance and enforcement mechanism by January 1, 2022. In addition, the City must implement the following:

- Citywide organics collection;
- Establish an edible food recovery program;
- Procurement of recovered organic waste products;
- Tracking and reporting of metrics to California's Department of Resources Recycling and Recovery;
- Conduct education and outreach; and
- Starting in 2024, conduct escalating enforcement

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Full implementation of SB 1383 requirements will be phased over several years and will include upgrading facilities, additional vehicles, contracts, equipment, software and supplies, and the addition of approximately 100 positions. The Fiscal Year 2022 Adopted Budget reflects funding of \$8.1 million, including \$7.4 million in the General Fund and \$754,400 in the Recycling Fund. Funding will be used for food waste education and outreach, vehicle routing software, equipment and outfitting for new positions, and the addition of 53.00 FTE positions. The majority of the 53 positions will start in the last month of Fiscal Year 2022 with the budgeted costs prorated to the reflect that assumption.

Table 10 displays the Fiscal Year 2022 Adopted Budget additions for SB 1383 by fund.

Table 10: SB 1383

General Fund	FY 2022 Adopted Budget
Environmental Services	
53.00 FTE Positions	\$ 493,023
Contracts, Equipment, Software and Supplies	\$ 1,465,200
Facility Upgrades	5,421,600
General Fund Total	\$ 7,379,823
Recycling Fund	
Environmental Services	
Software	\$ 240,000
Facility Upgrades	514,400
Recycling Fund Total	\$ 754,400
Total Fiscal Year 2022 Additions	\$ 8,134,223

Vision Zero

In June 2015, the City announced its 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.

In the Fiscal Year 2022 Adopted Budget, \$28.1 million will be allocated to promote the City's Vision Zero goals, including \$11.9 million for bicycle facilities, \$4.5 million for new sidewalk installations, \$6.2 million for traffic signals, \$2.0 million for Medians, and \$2.2 million for new streetlights. **Table 11** displays the allocation of funds to applicable Vision Zero projects.

Table 11: Vision Zero Projects

Vision Zero Project Type/Grouping	Project ID	FY 2022 Adopted Budget ¹
Bicycle Facilities		
Bike Counters Citywide	New	\$ 50,000
Bike Racks Citywide	New	50,000
Bike Striping Citywide	New	100,000
Safe & Sustainable Transportation All Ages & Abilities Team (STAT)	New	1,100,000
Coastal Rail Trail	S00951	6,000,000
Bicycle Facilities	AIA00001	\$ 4,621,565

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Vision Zero Project Type/Grouping	Project ID	FY 2022 Adopted Budget ¹
47th Street @ SR94/Craigie/Market Street Bike Lane	New	90,000
Downtown Complete Street - Phase 3	B19144	4,531,565
Bicycle Facilities Total		\$ 11,921,565
Medians		
Median Installation	AIG00001	\$ 2,000,000
Foothill Boulevard and Loring Street Roundabout	B18008	2,000,000
Medians Total		\$ 2,000,000
Sidewalks		
New Walkways	AIK00001	\$ 4,500,000
54th-Market to Santa Margarita Sidewalk	B18158	400,000
73rd Street and El Cajon Boulevard to Saranac Street	B18017	420,000
ADA Mid-City MS TSW-1	B18054	1,000,000
Genesee Avenue and Chateau Drive to Sauk Avenue Sidewalk	B15168	2,000,000
Howard Ave-Village Pine to Iris Sidewalk	B18019	600,000
Wightman Street and Ogden to Shiloh Road Sidewalk	B18039	80,000
Sidewalks Total		\$ 4,500,000
Signals - Calming/Speed Abatement		
Barrio Logan Traffic Calming Truck Route	P22003	\$ 100,000
Traffic Calming	AIL00001	\$ 475,000
El Cajon BI-Highland-58th Improv	B17003	275,000
India Street at West Palm Street Hybrid Beacon	B17100	110,000
Kettner Boulevard & Palm Street Hybrid Beacon	B18046	20,000
Rectangular Rapid Flashing Beacons Group 2201	New	70,000
Signals - Calming/Speed Abatement Total		\$ 575,000
Streetlights - Citywide		
Installation of City-Owned Streetlights	AIH00001	\$ 2,150,000
Castle Neighborhood New Street Lights	B19080	100,000
Citywide Street Lights - FY19	B19052	50,000
Citywide Street Lights 1950	B19125	1,000,000
New Street Lights (TBD)	New	950,000
Reo Drive New Street Lights	B19079	50,000
Streetlights - Citywide Total		\$ 2,150,000
Traffic Signals		
Install T/S Interconnect Systems	AIL00002	\$ 641,619
Pacific Beach TS Interconnect Upgrade	B15065	
Traffic Signals -- Citywide	AIL00004	\$ 3,223,000
31st Street and Market School Traffic Signal	B15014	400,000
31st Street and National Avenue Traffic Signal	B17019	500,000
47th Street and Solola Avenue Traffic Signal	B20141	150,000
Division Street and Osbourn Street Traffic Signal	B15047	73,000

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Vision Zero Project Type/Grouping	Project ID	FY 2022 Adopted Budget ¹
Division Street and Valencia Parkway Traffic Signal	B15008	180,000
El Cajon Boulevard and Kansas Street Traffic Signal	B19060	530,000
Linda Vista & Comstock Intersection Upgrade	New	750,000
Mississippi Street and El Cajon Boulevard	B20140	340,000
Torrey Pines Road Pedestrian Hybrid Beacon	B20146	300,000
Traffic Signals Modification	AIL00005	\$ 2,293,097
Ash Street Signal Mods	B18069	190,000
Black Mountain Road and Park Village FY13 APS	B13207	10,000
Downtown Audibles 4th Av & E; B St & Front St	B18162	160,000
Lead Pedestrian Intervals - Imperial Avenue	New	375,178
Pacific Hwy & Palm St Signal Mod	B13008	125,000
Rosecrans St @ Byron/Shelter Island TS	B21101	197,919
Traffic Signal Mods Grp 19-01	B19069	400,000
Traffic Signal Mods Grp 19-02	B19071	200,000
Traffic Signal Mods Grp 20-01	B20075	400,000
Washington Street and Front Street Signal Modification	New	235,000
Traffic Signals Total		\$ 6,157,716
University Avenue Complete Street Phase ¹	S18001	800,000
Total Vision Zero Project Type/Grouping		\$ 28,104,281

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

Mobility Action Plan

The Fiscal Year 2022 Adopted Budget includes \$120,000 to develop a Smart Mobility Plan that will identify the most effective and trans-formative mobility improvements with the goal of helping the City achieve the State's greenhouse gases (GHG) reduction targets. The Smart Mobility Plan will help the City create a more balanced, multi-modal transportation network for access of all ages and abilities, while minimizing environmental and neighborhood impacts. The plan will include outreach with targeted strategies to ensure equitable engagement of the City stakeholders. Additionally, the plan will assist the City's capital project prioritization process by: aligning it with the long-range mobility planning process; to meet climate and equity goals; and create a healthier, safer, and more sustainable transportation network and City.

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

Moving forward, the City will update its Climate Action Plan to include aggressive new goals and strategies. The City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, encourage

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the use of alternative modes of transportation, and will have all City facilities use 100 percent clean energy through San Diego Community Power.

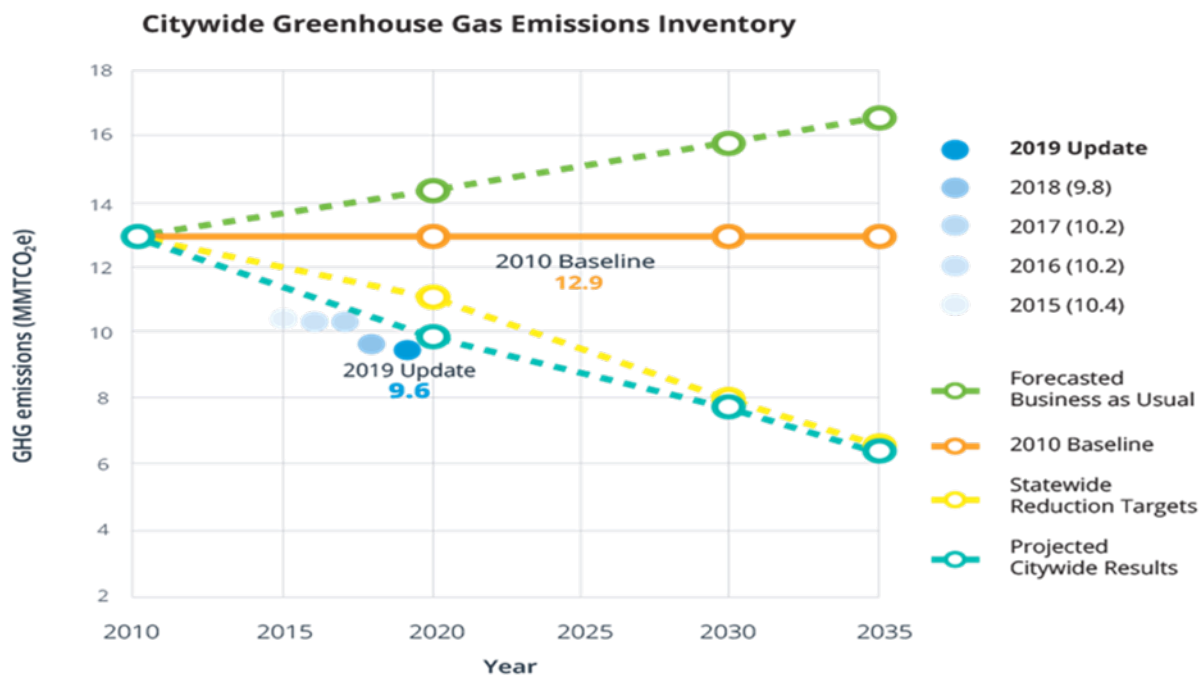
Principles of sustainability and projects that reduce GHG emissions or improve the economic, social, or environmental sustainability of the City are woven throughout many departments and functions within City operations. However, the City budget is structured by functional departments and not by sector 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 2022 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. The total GHG emissions from San Diego in 2019 were approximately 9.6 million metric tons CO₂e (MMT CO₂e), a 25 percent decrease in emissions from 2010. Decreases in GHG emissions from electricity consumption, transportation, solid waste and water use offset some increase seen from natural gas consumption and wastewater production year-over-year.

Figure 2: Citywide Greenhouse Emissions Inventory and Projections



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Summary of Climate Action Plan Adopted Budget

Table 12 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 2022 Adopted Budget. These new resources are added to existing CAP investment in the departments' base budgets (continuing appropriations). The large increase in indirect spending for the Resiliency strategy is due to new expenditures for the Pure Water project.

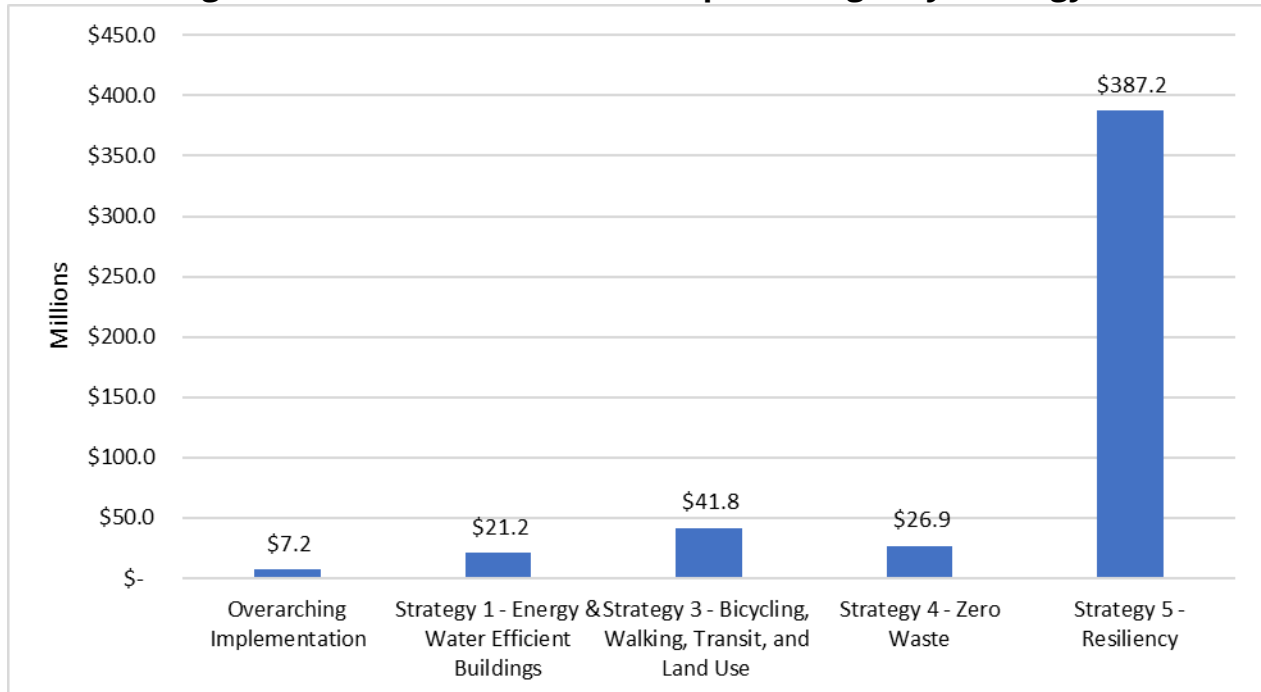
Table 12: Funding Across City Departments

Climate Action Plan Fiscal Year 2022 Adopted Budget ¹			
Strategy	Direct	Indirect	Total
Overarching Implementation	\$6,965,178	\$250,000	\$7,215,178
Strategy 1 - Energy & Water Efficient Buildings	17,296,154	3,921,540	21,217,694
Strategy 2 - Clean & Renewable Energy	-	-	-
Strategy 3 - Bicycling, Walking, Transit, and Land Use	41,742,810	7,880	41,750,690
Strategy 4 - Zero Waste	22,125,576	4,738,935	26,864,510
Strategy 5 - Resiliency	7,682,819	379,544,906	387,227,725
Total	\$95,812,537	\$388,463,261	\$484,275,797

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.

Figure 3: Climate Action Plan Adopted Budget by Strategy



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Mitigation Actions

City staff completed a comprehensive review to develop mitigation actions to address the baseline revenue shortfall and fund the critical expenditures mentioned above. The Fiscal Year 2022 Adopted Budget includes the following mitigation actions.

Budget Reduction Proposals

As part of the budget development process, General Fund departments were required to submit budget reduction proposals of the department's Fiscal Year 2021 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 for the Fiscal Year 2022 Adopted Budget. A total of \$8.9 million in budget reductions, including 2.00 FTE positions, are reflected in General Fund departments. It should be noted that from Fiscal Year 2018 through Fiscal Year 2021 more than \$87.4 million in budget reductions have been accepted in the General Fund. Although budget reductions that provided efficiencies and minimized impacts to service levels were prioritized, other ongoing reductions with service level impacts were also made in order to maintain a balanced budget. **Table 13** provides the total for budget reduction proposals by department included in the Fiscal Year 2022 Adopted Budget.

Table 13: General Fund Budget Reduction by Department

Department	Budgeted FTE Positions	FY 2022 Adopted Budget
City Attorney	-	\$1,135
City Clerk	-	618
City Treasurer	-	1,007
Citywide Program Expenditures	-	63,771
Communications	-	193
Council Districts and Administration	-	386
Department of Information Technology	-	206,030
Development Services	-	819,662
Economic Development	-	200,000
Environmental Services	-	878,702
Facilities Services	-	5,951
Fire-Rescue	-	735
Library	-	386
Mobility	-	325,000
Office of the Chief Operating Officer	2.00	805,917
Parks & Recreation	-	69,132
Personnel	-	744
Planning	-	611,175
Police	-	4,061,090
Public Utilities	-	218,191
Purchasing & Contracting	-	3,893
Real Estate Assets	-	772
Stormwater	-	40,619
Transportation	-	545,177

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Total	2.00	\$8,860,286
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For additional information on General Fund budget reduction proposals, please refer to the General Fund Expenditures Section of this Volume.

One-Time Revenue Resources

City staff strategically evaluated all available funding sources as part of the FY 2022 Adopted Budget to ensure all resources were deployed to minimize impacts to service levels. In keeping, with best practices the City has a policy of supporting ongoing expenditures with ongoing revenues. However, given the sharp decline in ongoing revenues associated with the COVID-19 pandemic, the City used a significant amount of one-time resources to balance the Adopted Budget to maintain core services. In addition to the budget reduction proposals noted previously, the Fiscal Year 2022 Adopted Budget includes the following one-time mitigation actions:

- Due to the continued impact of the pandemic and gradual recovery in revenue for Fiscal Year 2022, the Mayor requested and the City Council approved the suspension of the requirements of section 77.1 of the City Charter for one fiscal year to allow for the use of approximately \$18.6 million for other general fund purposes in lieu of the transfer to the Infrastructure Fund;
- Use of \$7.9 million from the Pension Payment Stabilization Reserve that is projected to be available in Fiscal Year 2022 for increases in the annual pension payment or Actuarially Determined Contribution (ADC). The Pension Payment Stabilization Reserve is maintained to mitigate service delivery risk due to increases in the ADC as calculated in the most recent Actuarial Valuation Report produced by the San Diego City Employees' Retirement System's actuary. The most recent Actuarial Valuation Report reflects an annual increase of \$49.3 million citywide, of which the majority is in the General Fund;
- Use of \$4.5 million in fund balances from various non-general funds. These funds include the Emergency Medical Services Fund, Stadium Operating Fund, Public Safety and Debt Service Fund, and Environmental Growth Funds; and
- Use of \$9.0 million associated with a class action settlement associated with compensatory damages and relief for chemicals that caused environmental impairment.

The American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 (ARP) was passed on March 11, 2021, which, based on current estimates, allocated \$306.1 million in Coronavirus State and Local Fiscal Recovery Funds to the City. An update from the United States Department of Treasury was received in May 2021 indicating that the total allotment to the City of San Diego would decrease by \$6.5 million to a total of \$299.7 million. The American Rescue Plan Act provides additional relief to address the continued impact of COVID-19 and aid to states and local governments for direct and flexible relief. The bill expands on the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) that was enacted on December 27, 2020 and provides economic state and local aid. The Fiscal Year 2022 Adopted Budget includes \$149.3 million in Coronavirus State and Local Fiscal Recovery Funds, while the remaining funds are planned to cover current and future fiscal year expenditures. In accordance with the ARP Act language, funds may be used to:

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

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The funds cannot be used for offsetting tax cuts or for pension liabilities, contributions to reserve funds, or debt service. On June 21, 2021, the United States Department of the Treasury issued formal responses to Frequently Asked Questions (FAQ) and updated the FAQs with additional guidance as of July 19, 2021. The Interim Final Rule and FAQs provide the guidelines and requirements for the use of the Coronavirus State and Local Fiscal Recovery Funds, in which the City will ensure that the funds allocated continue to adhere to federal guidelines. The document includes clarification on the definition of “general revenue”, the formula for calculating the total reduction in revenue, specific revenues that should be excluded or included in the calculation, reporting requirements in relation to the eligible use of reduction in revenue, and that fund can only be used for expenditures incurred after March 3, 2021. The funds will be provided to the City in two tranches: The first tranche was deposited within 60 days of ARP Act, March 11, 2021; and, the second tranche will be provided no sooner than one year after the first deposit was made. The ARP Act allows funds provided by this legislation to be used through December 31, 2024.

The Fiscal Year 2022 Adopted Budget will use Coronavirus State and Local Fiscal Recovery Funds as general revenue replacement for lost revenue resulting from the COVID-19 pandemic. These additional funds in the General Fund will allow the City to use unrestricted General Fund revenue to maintain current services and add critical expenditures in response to the negative economic impacts in our communities from the COVID-19 pandemic.

To substantiate the use of these funds for revenue replacement, it is important to demonstrate the extent of revenue reduction when compared to the most recent full fiscal year prior to the COVID-19 emergency. The ARP Act guidelines allowed for a growth adjustment of 4.1 percent from the baseline year revenue (Fiscal Year 2019) or the City’s average annual revenue growth rate in the three fiscal years prior to the pandemic. In accordance with the terms of the ARP Act, the revenue loss from the COVID-19 pandemic has resulted in projected revenue loss of \$412.0 million in general revenues from Calendar Year 2020 through Calendar Year 2021, as compared to Fiscal Year 2019 levels. The guidelines allow for the extent of reduction in revenue to be calculated from the total of four calendar years from 2020 to 2023. As demonstrated by the \$412.0 million revenue loss estimate based on only two of the four eligible years, this substantiates that the total amount of revenue loss to the City is greater than the City’s total allocation of ARP Act funds, \$299.7 million, as displayed in **Table 14**. Please note that this revenue loss calculation has been prepared solely to demonstrate that all ARP funds received by the City should be eligible to be used as revenue replacement for government services.

Table 14: Sales Tax and TOT Revenue Loss

	Calendar Year 2019 Baseline	Calendar Year 2020	Calendar Year 2021
Adjusted Revenue	\$ 1,491.0	\$ 1,583.4	\$ 1,649.0
Actual/Estimated Revenue	-	1,403.7	1,416.8
Total Annual Revenue Loss from Baseline		\$ (179.8)	\$ (232.2)
Total Revenue Loss from Baseline		\$ (179.8)	\$ (412.0)

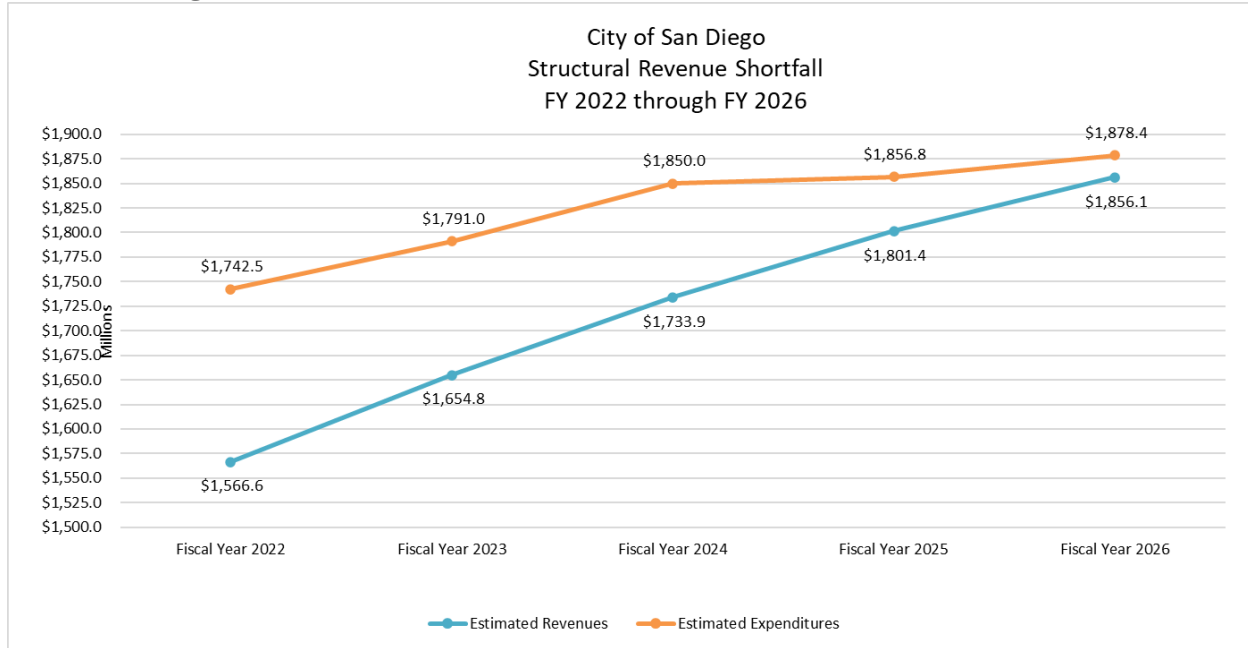
As mentioned earlier, the Fiscal Year 2022 Adopted Budget reflects a multi-year analysis and proposes the use of the Coronavirus State and Local Fiscal Recovery Funds from Fiscal Year 2021 through Fiscal Year 2023. The City plans to use \$37.7 million in Fiscal Year 2021 to address the projected revenue shortfall outline earlier in this section, \$149.3 million in Fiscal Year 2022 to address the baseline revenue shortfall and critical expenditure additions, and \$112.7 million in Fiscal Year 2023 in order to maintain the proposed services in Fiscal Year 2022. This multi-year proposal allows the City to minimize budget reductions in the near term. However, this means the City will rely on these on-time revenues to support baseline

Citywide Budget Overview

expenditures through Fiscal Year 2023. Unless the City can identify other resources or mitigation actions to achieve a balanced budget in future years it will require further mitigations such as use of reserves, additional budget reductions, or identification of new revenue sources.

As reflected in **Figure 4**, the City is estimating a structural revenue shortfall over the next five years. The figure also reflects a trend that ongoing revenues are not expected to exceed expenditures until Fiscal Year 2027.

Figure 4: Fiscal Year 2022-2026 Structural Revenue Shortfall



Citywide Personnel Expenditures

The Fiscal Year 2022 Adopted Budget includes a total of \$978.6 million in budgeted salaries and wages, and \$741.4 million for fringe expenditures or benefits, resulting in a total personnel budget of \$1.72 billion in personnel expenditures citywide. **Table 15** illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type.

Table 15: Fiscal Year 2022 Adopted Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,731.03	\$ 680,856,051	\$ 533,375,609	\$ 1,214,231,660
Special Revenue Funds	1,074.51	87,506,610	57,993,748	145,500,358
Enterprise Funds	2,747.69	182,651,906	129,295,686	311,947,592
Internal Service Funds	339.48	22,373,974	17,048,377	39,422,351
Other Funds ¹	51.00	5,228,707	3,725,972	8,954,679
Total	11,943.71	\$ 978,617,248	\$ 741,439,392	\$ 1,720,056,640

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

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Table 16 presents the change in positions based within job classifications from Fiscal Year 2021 to Fiscal Year 2022.

Table 16: Total City FTE Position Changes Fiscal Year 2021 - 2022

Fund Type	FY 2021 Adopted Budget	Additions	Reductions	Reorganizations	FY 2022 Adopted Budget	FY 2021 - FY 2022 Change	Percent Change
General Fund	7,640.02	177.55	(85.54)	(1.00)	7,731.03	91.01	1.2 %
Special Revenue Funds	1,076.06	-	(1.55)	-	1,074.51	(1.55)	-0.1 %
Enterprise Funds	2,610.62	141.01	(11.94)	8.00	2,747.69	137.07	5.3 %
Internal Service Funds	337.23	10.25	(1.00)	(7.00)	339.48	2.25	0.7 %
Other Funds	63.00	-	(12.00)	-	51.00	(12.00)	-19.0 %
Total	11,726.93	328.81	(112.03)	0.00	11,943.71	216.78	1.8 %

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 2022 Changes in Full-time Equivalent (FTE) Positions in the Appendix.

Salaries and Wages

The Fiscal Year 2022 Adopted Budget includes \$978.6 million in budgeted salaries and wages, with \$680.9 million or 69.6 percent budgeted in the General Fund. **Table 17** 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 33.6 percent of General Fund positions and 44.5 percent of all City positions.

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Table 17: Fiscal Year 2022 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	2,635.53	875.51	1,647.11	130.23	29.00	5,317.38
AFSCME LOCAL 127	1,047.26	41.00	921.00	160.25	-	2,169.51
POA	2,031.23	-	-	-	-	2,031.23
IAFF LOCAL 145	1,037.00	8.00	-	-	-	1,045.00
Unclassified / Unrepresented	487.14	100.00	103.89	30.00	18.00	739.03
Classified / Unrepresented	150.64	50.00	75.69	19.00	4.00	299.33
Teamsters Local 911	166.00	-	-	-	-	166.00
DCAA	165.23	-	-	-	-	165.23
Elected Officials	11.00	-	-	-	-	11.00
Fund Total	7,731.03	1,074.51	2,747.69	339.48	51.00	11,943.71

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

Table 18 displays the Fiscal Year 2022 Adopted Budget for salaries and wages by fund type.

Table 18: Fiscal Year 2022 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	\$ 623,678,844	\$ 93,648,854	\$ 187,862,306	\$ 22,952,248	\$ 5,212,934	\$ 933,355,186
Salary Savings	(1,996,275)	(295,255)	(679,668)	(43,646)	(8,380)	(3,023,224)
Vacation Pay In Lieu	6,861,564	1,320,441	1,349,617	198,330	-	9,729,952
Termination Pay/Annual Leave	2,278,589	205,350	593,745	28,146	21,775	3,127,605
Hourly Wages	13,272,521	364,831	1,164,974	29,316	2,378	14,834,020
Overtime	67,834,863	1,108,178	12,709,119	513,560	-	82,165,720
Other Personnel Expenditures	(31,074,055)	(8,845,789)	(20,348,187)	(1,303,980)	-	(61,572,011)
Total	\$ 680,856,051	\$ 87,506,610	\$ 182,651,906	\$ 22,373,974	\$ 5,228,707	\$ 978,617,248

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

At the time the Fiscal Year 2022 budget was adopted, negotiations had been completed with the Municipal Employees Association (MEA), American Federation of State, County, and Municipal Employees (Local 127), and the Deputy City Attorneys Association (DCAA) while negotiations with the remaining three REOs was still ongoing. The MOUs with MEA, Local 127, and DCAA provide for a 4.0 percent general wage increase on July 1, 2021 with an additional 2.0 percent general wage increase effective January 1, 2022 for members of DCAA. Additionally, the budget also includes special wage adjustments to select job classifications. The Fiscal Year 2022 Adopted Budget includes a total of \$39.2 million in salary increases, of which \$27.1 million

Citywide Budget Overview

is for the negotiated salary increases with these three REOs and \$12.1 million is associated with estimated employee compensation for employees not represented by the three REOs that had reached agreement with the City at the time the budget was adopted.

Subsequent to the adoption of the Fiscal Year 2022 budget, agreements have been reached with San Diego Police Officers Association (POA) and International Association of Firefighters (Local 145). The MOU with POA provides for a 3.2 percent general wage increase on July 1, 2021, restructured Flexible Benefit to limit cash back and increase tiers, increased annual leave caps for certain members based on their hire date, and a Police Management Incentive Pay. The MOU with Local 145 provides for a 2.5 percent general wage increase on July 1, 2021 with an additional increase of 5.0 percent or 1.0 percent for select classifications on January 1, 2022. Additionally, a number of new Special Assignment Pays were implemented or modified with effective dates of July 1, 2021 or January 1, 2022. Negotiations with Teamsters (Local 911) providing a 2.5 percent wage increase, restructured Flexible Benefit and new special pays, are still ongoing with the goal of reaching agreement in Fiscal Year 2022 so the City can continue the process of aligning employee salaries with the current employment market.

Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings (previously referred to as 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 2022 Adopted Budget, the City estimates an amount of personnel savings by department that is attributed to the following: vacancies, normal attrition, leaves of absence, under-filled positions, delays in the creation/filling of positions, time-dependent add-ons, unplanned termination pay and overtime, and variances in all personnel salary groups due to unforeseen circumstances. These estimates will require that departments monitor Fiscal Year 2022 personnel expenditures against available allocated appropriations, however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2022 Budgeted Personnel Expenditures is \$66.4 million, representing a decrease of \$0.9 million or 1.3 percent from the Fiscal Year 2021 Adopted Budget. Budgeted Personnel Expenditure Savings is included in **Table 18** within the Other Personnel Expenditures category along with other miscellaneous adjusting entries. **Table 19** displays the budgeted personnel expenditure savings from Fiscal Year 2020 through Fiscal Year 2022.

Table 19: Budgeted Personnel Expenditure Savings
Fiscal Year 2020 – 2022

Departments/Funds	FY 2020 Adopted Budget	FY 2021 Adopted Budget	FY 2022 Adopted Budget
City Attorney	\$ 2,489,386	\$ 603,242	\$ 1,407,245
City Auditor	-	91,333	94,986
City Clerk	40,373	36,941	101,995
City Council	64,803	85,852	67,395
City Treasurer	276,872	710,696	432,063
Communications	85,849	119,745	120,144
Compliance	-	-	65,869
Debt Management	57,691	126,672	60,007
Department of Finance	-	67,829	70,542
Development Services	326,226	339,123	383,269
Economic Development	128,940	547,445	265,101
Environmental Services	498,444	639,941	490,983
Facilities Services	857,936	596,234	546,780

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Departments/Funds	FY 2020 Adopted Budget	FY 2021 Adopted Budget	FY 2022 Adopted Budget
Fire-Rescue	6,616,559	9,789,879	6,656,512
Homelessness Strategies	-	-	89,286
Human Resources	57,691	115,398	89,286
Library	587,508	363,704	918,572
Mobility	-	-	211,410
Office of Emergency Services	-	194,636	74,090
Office of the Commission on Police Practices	-	-	24,696
Parks & Recreation	1,407,745	1,461,631	1,758,247
Performance & Analytics	85,849	117,229	121,918
Personnel	-	33,613	39,998
Planning	545,318	599,098	411,440
Police	21,248,895	20,419,506	17,790,832
Purchasing & Contracting	535,820	708,364	945,929
Real Estate Assets	57,691	255,611	-
Stormwater	-	451,754	832,408
Transportation	2,026,413	1,770,632	1,793,346
Total General Fund	\$ 37,996,009	\$ 40,246,108	\$ 35,864,349
Airports Fund	\$ 43,068	\$ 117,229	\$ 79,498
Central Stores Fund	-	57,090	76,945
Development Services Fund	1,326,664	2,998,384	3,892,147
Engineering & Capital Projects Fund	5,323,300	7,435,254	8,006,052
Facilities Financing Fund	-	69,950	138,617
Fire/Emergency Medical Services Transport Program Fund	-	47,986	47,986
Fleet Operations Operating Fund	229,518	810,557	1,078,726
GIS Fund	-	133,058	89,286
Golf Course Fund	56,187	169,143	200,832
Information Technology Fund	85,849	306,696	211,204
Metropolitan Sewer Utility Fund	2,085,092	3,451,825	4,068,373
Municipal Sewer Revenue Fund	1,955,768	3,378,643	3,539,558
OneSD Support Fund	-	171,704	211,204
Recycling Fund	431,956	705,912	440,359
Refuse Disposal Fund	345,953	539,355	528,652
Risk Management Administration Fund	149,782	368,317	148,309
Underground Surcharge Fund	123,504	33,613	67,437
Water Utility Operating Fund	2,906,138	6,095,062	7,598,768
Wireless Communications Technology Fund	101,760	94,674	74,003
Total Non-General Fund	\$ 15,164,539	\$ 26,984,452	\$ 30,497,956
Total	\$ 53,160,548	\$ 67,230,560	\$ 66,362,305

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Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with recognized employee organizations, City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$531.1 million or 71.6 percent of budgeted fringe allocations in Fiscal Year 2022. 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 20** displays the citywide fringe allocation which totals \$741.4 million for Fiscal Year 2022, of which \$533.4 million or 71.9 percent is budgeted in the General Fund.

Table 20: Fiscal Year 2022 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	\$ 314,487,233	\$ 29,932,567	\$ 60,823,555	\$ 7,760,288	\$ 2,069,083	\$ 415,072,726
Flexible Benefits	91,612,978	12,540,008	31,092,091	4,327,651	727,959	140,300,687
Retiree Health/Other Post-Employment Benefits	42,908,862	5,697,748	14,593,688	1,914,406	312,681	65,427,385
-	25,932,677	5,850,468	11,845,096	1,549,902	350,287	45,528,430
Workers' Compensation	29,913,498	560,550	3,745,645	550,241	29,532	34,799,466
Risk Management Administration	7,425,745	987,260	2,525,990	331,298	54,111	11,324,404
Medicare	9,497,631	1,222,025	2,390,498	310,663	73,295	13,494,112
Employee Offset Savings	5,527,711	393,601	576,883	85,142	49,435	6,632,772
Retirement DROP	1,812,902	181,107	498,815	63,483	20,447	2,576,754
Unemployment Insurance	811,009	115,413	238,589	30,695	7,583	1,203,289
Retiree Medical Trust	1,000,140	124,518	217,538	29,096	6,205	1,377,497
Retirement 401 Plan	217,346	71,622	91,709	11,072	4,518	396,267
Long-Term Disability	2,227,877	316,861	655,589	84,440	20,836	3,305,603
Fund Type Totals	\$ 533,375,609	\$ 57,993,748	\$ 129,295,868	\$ 17,048,377	\$ 3,725,972	\$ 741,439,392

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

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City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2022 Adopted Budget is \$418.3 million and its components are described in further detail below:

- The City's pension payment for Fiscal Year 2022 as of June 30 is \$414.9 million, which differs from the Fiscal Year 2022 budget on **Table 20** of \$415.1 million. The difference of \$0.2 million between the budgeted and the actual payment was associated with position modifications after the May Revision. The \$414.9 million reflects an increase of \$49.3 million from the Fiscal Year 2021 Adopted Budget; approximately \$314.5 million or 75.8 percent of the ADC is budgeted in the General Fund. The significant change was primarily due to the following: \$30.9 million increase in the pension payment was associated to changes in demographic assumptions; \$6.9 million associated to the liability experience loss driven largely by salary increases higher than those assumed; and a \$12.3 million increase due to a net asset experience resulting from actual investments coming in lower than assumed. Offsetting these increases is a reduction of \$0.8 million in the ADC that had been anticipated based on the prior year's actuarial valuation.
- \$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 20**.
- \$1.9 million has been budgeted citywide of which \$1.5 million is in the General Fund via the Citywide Program Expenditures Department. This is 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 75.0 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 20**.

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 2022 Adopted Budget for Flexible Benefits is \$140.3 million, representing an increase of \$4.2 million from the Fiscal Year 2021 Adopted Budget of which \$1.4 million is associated with increased flexible benefit tiers agreed to by the City and Local 127; the remaining increase in Flexible Benefits is due to position additions/reductions and changes in coverage selections of employees.

Through the Flexible Benefits Plan, the City currently offers healthcare coverage to all of its 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 (OPEB)

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its recognized employee organizations and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements discuss the City's annual OPEB budget and in Fiscal Year 2022 the budget is \$65.4 million for retiree health care benefits. If

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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 2022 Adopted Budget for SPSP is \$14.7 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 2022 Adopted Budget for the City's contribution match is \$396,267 based on 519.50 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 2022 Adopted Budget for the City's Interim Defined Contribution Retirement Plan is \$29.9 million, which represents an increase of \$4.7 million over the Fiscal Year 2021 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 2022 Adopted Budget includes \$883,064 in the SPSP-H account for hourly employees. **Table 20** reflects a total budgeted amount of \$45.5 million which includes SPSP, SPSP-H and hourly SPSP-H contributions.

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 2022 Adopted Budget is \$34.8 million with no contributions to the reserves. The increase of approximately \$1.1 million from the Fiscal Year 2021 Adopted Budget is due to an increase in projected pay-go requirements.

Risk Management Administration

The Risk Management Administration (RMA) rate was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2022 Adopted Budget for Risk Management Administration is \$11.3 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 2022 Adopted Budget for Medicare is \$13.5 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

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pension UAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS Fund. The Fiscal Year 2022 Adopted Budget includes Employee Offset Savings of \$6.6 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$6.6 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2022 Adopted Budget for Retirement DROP contributions is \$2.6 million or 3.05 percent of the current DROP participants' salary of \$84.5 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 2022 Adopted Budget for Unemployment Insurance is \$1.2 million.

Retiree Medical Trust (RMT)

The Fiscal Year 2022 Adopted Budget for retiree health trust contributions is \$1.4 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 2022 Adopted Budget for the City's contribution match to general members is \$764,547. In addition, \$612,950 is included in the Fiscal Year 2022 Adopted Budget for contributions to the Southern California Firefighters Benefit Trust for each active International Association of Firefighters (IAFF) Local 145 member.

Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2022 Adopted Budget is \$3.3 million. This contribution funds the pay-go requirements for the LTD Fund; there are no reserve contributions to the LTD Fund in Fiscal Year 2022.

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 ("Charter"). While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the City's defined benefit plan. Instead, those employees were only eligible to participate in a defined contribution plan ("SPSP-H Plan"). In early 2021, the California Superior Court invalidated Proposition B in a *quo warranto* proceeding. The City must now comply with the Court's order to strike the Proposition B provisions from the Charter and conform the San Diego Municipal Code ("Municipal Code") and any related enactments accordingly.



The City must also comply with a directive from the California Court of Appeal related to a ruling of the Public Employment Relations Board (PERB). The PERB case was separate but related to the *quo warranto*

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case that was brought forward by four of the City's six Recognized Employee Organizations ("REOs"). PERB had ruled that the City had violated the Meyers-Milias-Brown Act when it failed to meet and confer with the REOs over the language of Proposition B prior to placing it on the June 2012 ballot and that the City must make whole the affected employees.

On March 25, 2019, the Court of Appeal affirmed the PERB ruling with certain modifications as follows:

1. The City must meet and confer with the REOs 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 REOs the difference, plus seven percent annual interest, between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the "Make-Whole Provision"); and
3. The City must meet and confer at the REOs' 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.

Neither PERB, the Appellate Court, nor Trial Court in the *quo warranto* action clearly defined how the value of the benefits under the Make-Whole Provision should be calculated; meaning the ultimate cost to the City is the subject of negotiations between the City and the REOs.

On June 22, 2021 the City Council approved amendments to both the Municipal Code and the SPSP-H Plan so that most employees hired after July 9, 2021, will be placed into the San Diego City Employees' Retirement System ("SDCERS"), thereby limiting the number of employees subject to the Make-Whole Provision. This action applies to all newly hired employees except those represented by the Police Officers Association ("POA"), so it does not affect the current pension benefits for sworn police officers (who are already participating in SDCERS) or new police recruits (who will continue to be placed into the SPSP-H Plan until they become sworn officers), subject to further negotiations with the POA.

On June 11, 2021 SDCERS' actuary ("Actuary") completed a preliminary analysis using data for the time-period July 20, 2012 through March 5, 2021 regarding eligible employees who were actively employed with the City as of March 5. The analysis excluded affected employees who no longer work for the City, as well as sworn police officers and police recruits. Based on the Actuary's preliminary analysis, the City estimates the net cost to the City under the Make-Whole Provision could be up to \$77.5 million, which amount, or a portion thereof could possibly be amortized as part of the annual Actuarially Determined Contribution, if approved by the SDCERS Board. This estimate assumes that all eligible employees join SDCERS based on their hire dates, though the City is exploring the ability to offer other options, such as the potential to join the pension system prospectively only, or to stay in the defined contribution plan. Approximately \$46.1 million, or about 60% of the estimated net cost to the City, would be paid from the City's General Fund. These cost estimates are not included in the Fiscal Year 2022 Adopted Budget.

It is important to note that the cost estimates above are based on a preliminary actuarial analysis requested by the City and include several actuarial and financial assumptions that could be the subject of negotiations between the City and the REOs including, but not limited to, the investment rate of return, the discount rate, interest earnings, and how each of the separate cost components and the corresponding offsets are calculated and applied. The estimate above is also likely to change based on the performance of the financial market through the end of negotiations with the REOs and its impact on SPSP-H balances. Any one of these assumptions could significantly alter the Make-Whole Provision costs to the City and such costs

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could be material. The City and the REOs will also need to negotiate how the 7% interest under the Make-Whole Provision will be calculated. 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. The preliminary estimate provided above excludes any Make-Whole Provision costs associated with affected employees who have since left the City, as well as any potential costs associated with negotiations with the POA.

Once the City reaches agreement with the REOs, eligible employees are largely expected to join SDCERS. General members will likely receive the existing hybrid retirement plan that includes joining an existing tier of the 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. Safety members will likely only receive a defined benefit retirement plan. The retirement plan tiers available to eligible employees will be those that were in effect prior to July 20, 2012. The Actuary also estimated the ongoing normal costs for these employees after they join SDCERS. Had the affected employees been members of SDCERS for all of Fiscal Year 2022, for example, the estimated normal cost for the City for the full fiscal year would be approximately \$33.2 million, which would be mostly offset by the suspension of the City's contribution to the SPSP-H Plan, estimated at approximately \$29.9 million. Approximately 60% of the net financial impact (\$3.3 million for Fiscal Year 2022) would be paid from the City's General Fund. The Fiscal Year 2022 Adopted Budget does not include an allocation for this net financial impact.

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