

# ADOPTED Budget

FISCAL YEAR **2023**

## VOLUME 1

### Citywide Budget Overview



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# Citywide Budget Overview

## Citywide Budget Overview

The City of San Diego's Fiscal Year 2023 Adopted Budget of \$5.07 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

**Table 1** shows the change in expenditures from Fiscal Year 2021 to Fiscal Year 2023 by fund type/program.

**Table 1: Change in Total City Expenditures from Fiscal Years 2021 - 2023 by Fund Type/Program**

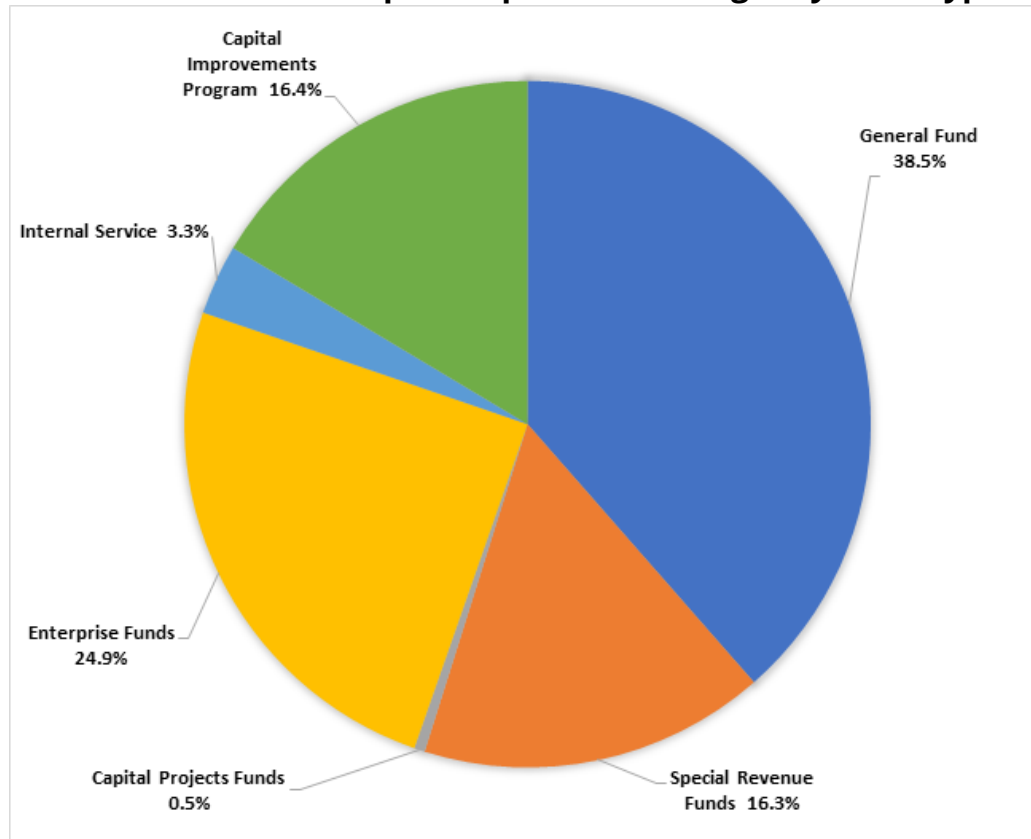
Fund Type	FY 2021 Actual	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2022 – FY 2023 Change	Percent Change
General Fund	\$ 1,589,992,998	\$ 1,743,548,431	\$ 1,955,008,750	\$ 211,460,319	12.1%
Special Revenue Funds	662,336,003	743,868,631	825,390,397	81,521,766	11.0%
Capital Project Funds	32,089,341	20,214,832	27,580,778	7,365,946	36.4%
Enterprise Funds	1,050,448,403	1,193,721,659	1,265,280,400	71,558,741	6.0%
Internal Service Funds	155,803,601	157,094,652	167,059,170	9,964,518	6.3%
Capital Improvements Program	494,026,711	789,525,641	834,078,291	44,552,650	9.2%
<b>Total</b>	<b>\$ 3,984,697,057</b>	<b>\$ 4,647,973,846</b>	<b>\$ 5,074,397,786</b>	<b>\$ 426,423,940</b>	<b>8.2%</b>



# Citywide Budget Overview

**Figure 1** displays the Fiscal Year 2023 Adopted Expenditure Budget by Fund Type/Program.

**Figure 1: Fiscal Year 2023 Adopted Expenditure Budget by Fund Type/Program**



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

**Table 2** presents the changes in revenue from Fiscal Year 2021 to Fiscal Year 2023 by fund type.

**Table 2: Changes in Total City Revenue from Fiscal Years 2021 - 2023 by Fund Type**

Fund Type	FY 2021 Actual	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2022 - FY 2023 Change	Percent Change
General Fund	\$ 1,605,181,521	\$ 1,743,548,431	\$ 1,948,804,916	\$ 205,256,485	11.8%
Special Revenue Funds	685,137,979	676,774,167	780,699,002	103,924,835	15.4%
Capital Project Funds	81,357,758	48,701,068	59,431,380	10,730,312	22.0%
Enterprise Funds	1,377,500,082	1,811,491,157	2,078,753,944	267,262,787	14.8%
Internal Service Funds	145,300,505	154,012,076	177,415,513	23,403,437	15.2%
<b>Total<sup>1</sup></b>	<b>\$ 3,894,477,845</b>	<b>\$ 4,434,526,899</b>	<b>\$ 5,045,104,755</b>	<b>\$ 610,577,856</b>	<b>13.8%</b>

<sup>1</sup> Operating revenue may be less than operating expenditures due to the use of fund balance in excess of reserves.

# Citywide Budget Overview

## 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 2023 Adopted Budget reflects General Fund expenditures totaling \$1.96 billion, which is an increase of \$211.5 million, or 12.1 percent, from the Fiscal Year 2022 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 four largest special revenue funds are the Engineering & Capital Projects Fund, Transient Occupancy Tax Fund, Information Technology Fund, and Underground Surcharge Fund. The Fiscal Year 2023 Adopted Budget for Special Revenue Funds is \$825.4 million, representing an increase of \$81.5 million, or 11.0 percent, from the Fiscal Year 2022 Adopted Budget. This net increase is primarily due to increased expenditures in the Transient Occupancy Tax Fund associated to support reimbursements for eligible expenditures such as public safety and visitor related facilities. Additional increases in expenditures are associated with the sale of Tailgate Park, the Bridge to Home Program Transfer, and Proposition B transition costs.

### 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 2023 Adopted Budget for Capital Project Funds is \$27.6 million, which is an increase of \$7.4 million, or 36.4 percent, from the Fiscal Year 2022 Adopted Budget. This increase is primarily due to an increase in the TransNet Extension Funds.

### 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 2023 Adopted Budget for Enterprise Funds is \$1.27 billion, representing an increase of \$71.6 million, or 6.0 percent, from the Fiscal Year 2022 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$31.3 million in the Sewer Funds primarily associated with citywide compensation increases, Proposition B transition, maintenance at various facilities, energy program, erosion monitoring, hauling and disposal of biosolids, and sewer surveillance support
- \$21.1 million in the Water Utility Operating Fund primarily associated with citywide compensation increases, Proposition B transition, bond principal payments supporting operations, preventative maintenance, purchase of water, dam support, Pure Water pilot operations, water treatment plant chemical safety, and water production support
- \$16.9 million in the Development Services Fund primarily associated with citywide compensation increases, Proposition B transition, small business support, support for telecommunications, and consultant services for a department-wide operational effectiveness and organizational cultural assessment
- \$4.6 million in the Refuse Disposal Fund associated with citywide compensation increases, Proposition B transition, services at the Miramar Landfill, and to support Organics Waste Diversion.



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## Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2023 Adopted Budget for Internal Service Funds totals \$167.1 million, which is an increase of \$10.0 million, or 6.3 percent, from the Fiscal Year 2022 Adopted Budget. This net increase is primarily due to increases to the Fleet Operations Operating Fund associated with cost increases for fuel, Proposition B transition, and ramp-up to support the City's fleet.

## 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 developer fees. The Fiscal Year 2023 Adopted CIP Budget appropriates a total of \$834.1 million above the \$2.2 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2023 Adopted CIP Budget is an increase of \$44.6 million, or 5.6 percent, when compared to the Fiscal Year 2022 Adopted CIP Budget of \$789.5 million. This is primarily due to growth in General Fund revenue and its corresponding contribution to the CIP Budget.



The CIP budget includes anticipated funding in the CIP project pages. For Fiscal Year 2023, a total of \$243.6 million in funding for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2023 Adopted Budget. Anticipated funding includes a variety of funding types, such as commercial paper, lease revenue bonds, revenue bonds and notes, donations, grants, and developer funding. 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 2023.

## Citywide Reorganization/Restructuring

The Fiscal Year 2023 Adopted Budget reflects the reorganization (and/or restructuring) and the renaming/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. The following provides an overview of the Fiscal Year 2023 Adopted Budget reorganizations and restructuring to the City's organizational structure. 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.

## Animal Services Program

The Purchasing and Contracting Department will be transferring the duties associated with administering the Animal Services contract to the Parks & Recreation Department. The Animal Services Program currently is contracted out to the San Diego Human Society.

## Department of Real Estate and Airport Management (DREAM)

The Real Estate Assets Department has changed its department name to Department of Real Estate and Airport Management (DREAM). There will not be any programmatic or position changes; it is strictly a name change.

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## **Prevailing Wage and Contracting Programs**

In Fiscal Year 2023, the Engineering & Capital Project (ECP) Department is transferring the Prevailing Wage Program which includes, 14.00 FTE positions and 19.00 FTE positions in the Public Works - Contracting Division, to the Compliance and Purchasing and Contracting Departments, respectively. This restructure transfers positions, non-personnel expenditures, and associated revenue from the ECP Fund to the General Fund.

## **General Services Department**

The Fleet Operations Department has changed its department name to General Services. Along with this name change, the Facilities Services Division, formerly in the Real Estate Assets Department, will now fall under the General Services Department organizationally.

## **Homelessness Strategies & Solutions Department**

The Homelessness Strategies Department will be changing its name to Homelessness Strategies & Solutions Department. The change in name is based off a review processed in Fiscal Year 2021 by a consultant for homelessness. The expert consulted and conducted a review of the department to identify opportunities to better address the challenges of homelessness within the City. One of the recommendations was to change the name of the department from Homelessness Strategies Department to Homelessness Strategies and Solutions Department. The new name reflects the activities of the entire department.

## **Office of Immigrant Affairs**

The Office of Immigrant Affairs is transferring from the Office of the Chief Operating Officer to the Office of the Mayor. This restructure includes 3.00 FTE positions and expenditures associated to the positions that are being transferred from the Office of the Chief Operating Officer to the Office of Immigrant Affairs.

## **Organic Waste Collection Program**

The Environmental Services Department will be responsible for citywide organic waste collection and processing as mandated by State Senate Bill 1383. The department will undergo a restructure that will transfer 31.65 FTE positions, non-discretionary budgets for fuel, disposal fees, vehicles, and assignment and usage fees from the Recycling Fund to the General Fund. The restructure will better support the program and help track the cost of citywide organics collection, processing, compliance, and support programs to facilitate reporting required for the State of California.

## **Specialized Transportation Services Program**

The Transportation Department will be overseeing an agreement between the City of San Diego and San Diego Metropolitan Transit System (MTS) for specialized transportation services for seniors and persons with disabilities, which includes an annual payment. Previously the budget for this payment is budgeted in the Citywide Program Expenditures department. Following a recommendation from the Department of Finance, this payment will now be budgeted and paid for within the Transportation Department. The restructure will include a transfer of the budget for the annual MTS payment from the Citywide Program Expenditures department to the Traffic Engineering Division of the Transportation Department.

## **Sustainability and Mobility Department**

The Sustainability and Mobility Department is a newly formed department that combines the previous Sustainability Department and the Mobility unit out of Smart and Sustainable Communities. As part of the restructure, the department will create four new divisions which include, Administrative Services, Energy, Climate Action, and Mobility. The implementation of the restructure will reflect the department's organizational structure; accurately track the cost of energy and mobility projects and programs; and allow department management to identify efficiencies and cost saving opportunities.

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## Fiscal Year 2023 General Fund Adopted Budget

The Fiscal Year 2023 General Fund Adopted Budget reflects a multi-year analysis that addresses the Fiscal Year 2023 baseline shortfall that was projected in the Fiscal Year 2023-2027 Five-Year Financial Outlook (Outlook) and makes certain revisions to projections based on updated revenues for Fiscal Year 2023 as well as funding decisions made in Fiscal Year 2023. The multi-year analysis also includes a comprehensive review of critical expenditure requests submitted by each department in Fiscal Year 2023, as well as the recommended allocation of the Coronavirus State and Local Fiscal Recovery Funds included in the American Rescue Plan Act (ARPA), and other resources and mitigation actions to help address the projected revenue shortfalls in Fiscal Year 2023 and in future fiscal years. 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 onetime revenues, reserves, additional budget reductions, or identification of new revenue sources. The following sections provide additional details considered in the Fiscal Year 2023 General Fund Adopted Budget.

## Fiscal Year 2023-2027 Five -Year Financial Outlook

In November 2021, the Outlook was released with a projected revenue shortfall of \$66.8 million in Fiscal Year 2023, as displayed in **Table 3**.

**Table 3: Fiscal Year 2023-2027 Five-Year Financial Outlook**

	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Baseline Revenues	\$ 1,713.2	\$ 1,784.0	\$ 1,862.3	\$ 1,936.5	\$ 2,005.5
Baseline Expenditures	1,780.0	1,822.8	1,870.5	1,908.4	1,940.4
<b>Baseline Revenue (Shortfall)/Surplus</b>	<b>\$ (66.8)</b>	<b>\$ (38.8)</b>	<b>\$ (8.2)</b>	<b>\$ 28.1</b>	<b>\$ 65.2</b>

The Outlook reflected a baseline revenue shortfall in Fiscal Year 2023 primarily due to the use of one-time funding sources to fund on-going baseline expenditures to balance the Fiscal Year 2022 Adopted Budget, including \$149.3 million of one-time American Rescue Plan Act (ARPA) funds. Additionally, the Outlook assumed the continuance of the economic recovery in Fiscal Year 2023 and reaching pre-pandemic levels by Fiscal Year 2024. This forecast includes the positive impacts of high vaccination rates in San Diego County, a continued low transmission rate of COVID-19, and the resumption of business and international travel. Since the release of the Outlook Report, the Fiscal Year 2023 Adopted Budget has been developed and reflects updated revenues and expenditures for Fiscal Year 2023 which result in a new shortfall of \$6.2 million, as shown in **Table 4**. The \$6.2 million shortfall is anticipated to be mitigated with the use of available fund balance.



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**Table 4: Updated Fiscal Year 2023-2027 Five-Year Financial Outlook<sup>1</sup>**

	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Baseline Revenues	\$ 1,948.8	\$ 1,827.5	\$ 1,901.6	\$ 1,966.6	\$ 2,045.9
Baseline Expenditures	1,955.1	1,891.3	1,931.9	1,964.5	2,000.0
<b>Baseline Revenue (Shortfall)/Surplus</b>	<b>\$ (6.2)<sup>2</sup></b>	<b>\$ (63.8)</b>	<b>\$ (30.3)</b>	<b>\$ 2.1</b>	<b>\$ 45.9</b>

<sup>1</sup>Please note that any new programmatic changes from the baseline such as new revenue sources (including ARPA funds), new and expenditures (including the reversal of Proposition B impacts) or enhancements to services are not included in this table.

<sup>2</sup>The Fiscal Year 2023 shortfall is supported by the use of fund balance.

The updated projections reflect an overall positive growth in revenues due to the recent robust growth in sales tax and transient occupancy tax revenues. These revenues were severely impacted from the COVID-19 pandemic over the last two years and although the Outlook assumed the recovery continuing into Fiscal Year 2023, the revenues have recovered much quicker and more robust than previously anticipated, positively impacting the forecast in future years.

The primary growth in baseline revenue is attributed to sales tax revenue increasing by \$31.8 million from the Outlook. This robust increase is primarily attributed to an accelerated economic recovery fueled by pent up demand, lower unemployment rates across the region and the rise in price of goods due to inflation. The trend continues with higher increases per year through Fiscal Year 2027. Property tax revenue is continued to be projected similarly as forecasted in the Outlook in Fiscal Year 2023 with slightly higher increases through Fiscal Year 2027. This is primarily due to positive trends in home sales and prices as seen over the last 12-18 months. The tourism industry is also expected to recover much quicker than previously anticipated in the Outlook, reaching pre-pandemic levels in Fiscal Year 2023, per the latest forecast provided by Tourism Economics. The updated Outlook for TOT revenues reflect an increase of \$4.7 million in Fiscal Year 2023, with the remaining years of the Outlook reflecting similar increases per year. The changes in franchise fees is a result of the San Diego Gas & Electric statement received in February 2022, which provided an updated base amount to which growth was applied. This resulted in an increase to Fiscal Year 2023 of a net \$2.2 million with slightly higher increases per year through Fiscal Year 2027.

Baseline expenditures are recalculated based on the expenditure additions included in the Fiscal Year 2023 Adopted Budget, incorporating salary increases from recently negotiated labor agreements and removing all one-time additions in Fiscal Year 2023. The primary changes to Fiscal Year 2023 baseline expenditures reflect a decrease of \$30.6 million to the City's updated Actuarial Determined Contribution (ADC) payment per the most recent actuarial report from SDCERS for June 30, 2021. Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume.

The Fiscal Year 2024 through Fiscal Year 2027 expenditures reflect updates to the ADC payment based on the latest actuarial report from the SDCERS and fiscal impacts for the recently negotiated salary increases based on current approved MOU agreements with the REOs. For those fiscal years for which there are no MOU agreements with the REOs, the outlook continues to assume a 3.05 percent salary increase, consistent with the assumption used by SDCERS actuary. Additionally, these changes to baseline expenditures includes impacts from approved General Fund department restructures to commence in Fiscal Year 2023 and projects subsequent adjustments to the Infrastructure Fund transfer for each year of the updated forecast as a result of increased sales tax projections and projected fluctuations in the California Consumer Price Index (CCPI). Per the Proposition H calculation, the sales tax increment portion is calculated by applying the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year

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2016 actual receipts, adjusted by the CCPI. The actual CCPI will ultimately determine the final required contribution amount per fiscal year of the outlook.

Lastly, the updated Outlook does not include any future fiscal impacts from the reversal of Proposition B or any General Fund reserve contributions and does not account for enhancements to programs or services, other than what has been included in the Fiscal Year 2023 Adopted Budget. A full update to the Five-Year Financial Outlook for Fiscal Year 2024-2028 will be released in early November 2022 following the standard timeline.

## Fiscal Year 2023 Critical Expenditures

In addition to solving the baseline revenue shortfall, the Fiscal Year 2023 Adopted Budget also required balancing the need to maintain current services and address the needs of residents by investing in: the right of way, public safety levels, capital improvement projects, parking enforcement, streets, parks and library facilities, and expanding homeless shelters and services. New services include efforts to comply with stormwater regulations, achieve climate action plan goals, enhance and implement state requirements associated with Organics Waste Diversion and Sidewalk Vending Ordinance. Notable additions to maintain current services include funding for compensation increases with the City's Recognized Employee Organizations and unrepresented employees, and funding for positions filled in prior fiscal years, but not yet added in the annual budget. Program summaries for the Infrastructure Fund, Climate Equity Fund, Homelessness Programs and Services, Climate Action Plan, Organics Collection Program mandated by State Senate Bill 1383, 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.

## 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:

- 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
- 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

Prior to Fiscal Year 2023, the calculation to fund the Infrastructure Fund included a Major Revenues Increment based on an amount equal to 50.0 percent of the year over year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees. However, the City Charter only requires this increment for Fiscal Year 2018 through Fiscal Year 2022.

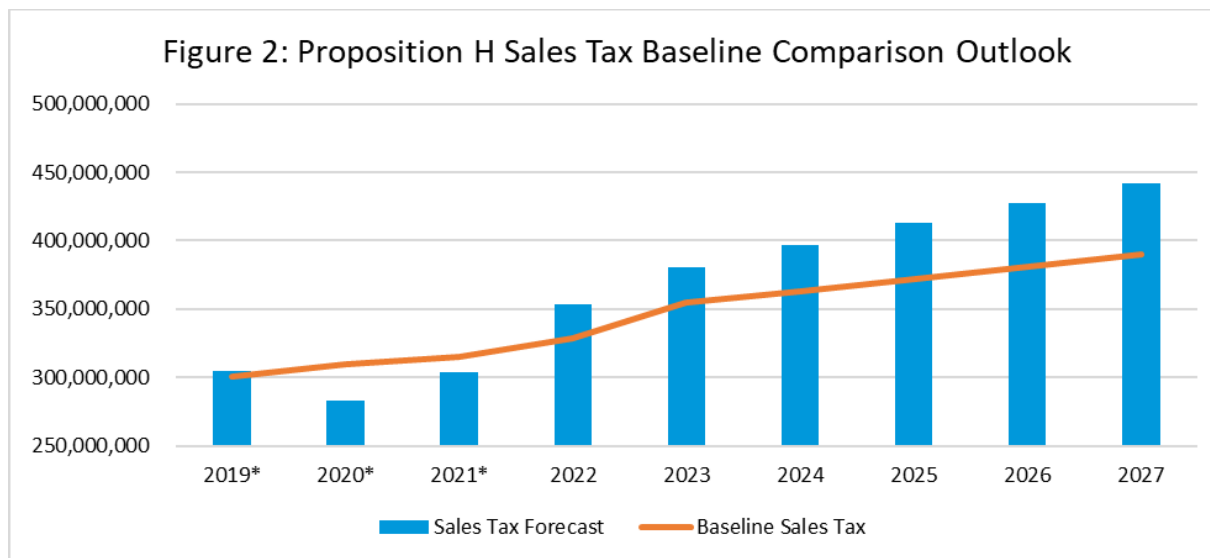
Based on this calculation, the Fiscal Year 2023 Infrastructure fund contribution totals \$28.4 million. This amount is primarily attributed to the sales tax increment calculation; the General Fund Pension Cost Reduction calculation remains above the base year of Fiscal Year 2016, despite a decrease in the Actuarially Determined Contribution (ADC).

Based on the definitions in Charter Section 77.1, the amount of \$28.4 million is required to be deposited into the Infrastructure Fund for Fiscal Year 2023 unless the Mayor requests the suspension of section 77.1 for one fiscal year and two thirds of the City Council approves that suspension. For Fiscal Year 2023, the budget allocates \$28.4 million to the City Capital Improvements Program (CIP), of which \$1.8 million is for

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existing General Fund facilities, \$2.0 million is for new fire stations, \$8.5 million is for transportation projects, including Vision Zero projects and streetlight upgrades, and \$16.2 million is for Parks & Recreation projects.

**Figure 2: Proposition H Sales Tax Baseline Comparison Outlook** illustrates a comparison outlook between the calculated baseline for sales tax and the contribution to the Infrastructure Fund. The Baseline sales tax is subject to change and adjusted by the California Consumer Price Index (CCPI) for each fiscal year of the outlook years.



Note: 2019-2021 Sales Tax amounts represent actual revenues collected.

## Climate Equity Fund

The Climate Equity Fund (CEF) was established in Fiscal Year 2022 with the goal of providing additional funding for City infrastructure projects to enable underserved communities to better respond to the impacts of climate change. 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 achieving other climate equity concerns and be located in a Community of Concern as identified using 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
- 10 percent of the total General Fund revenue received through the annual gas and electric franchise fees

The Fiscal Year 2023 Adopted Budget includes \$7.0M of allocations of CEF funding. A detailed list of planned projects is included in Volume III of the adopted budget.

## Homeless Programs and Services

The Fiscal Year 2023 Adopted Budget includes \$73.7 million for homelessness programs and services, with \$28.8 million budgeted in the General Fund, \$250,000 budgeted in the Low- and Moderate-Income Housing Asset Fund (LMIHAF) and \$44.7 million in grant funding the City anticipates receiving.

General Fund, LMIHAF and Grant Funding allocations are shown in **Table 5** below.

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**Table 5: Homeless Programs and Services by Department and Fund**

General Fund	FY 2023 Adopted Budget
<b>Homelessness Strategies &amp; Solutions Department</b>	
Homeless Shelters and Services Programs	\$ 19,496,978
Coordinated Outreach	3,000,000
PEER Program	250,000
Coordination of City Homeless Programs and Services <sup>1</sup>	2,410,629
<b>Total Homelessness Strategies &amp; Solutions Department</b>	<b>\$ 25,157,607</b>
<b>Police Department</b>	
Homeless Outreach Team (HOT)	3,613,372
<b>Total Police Department</b>	<b>\$ 3,613,372</b>
<b>Total General Fund</b>	<b>\$ 28,770,979</b>
<b>Low- to Moderate-Income Housing Asset Fund</b>	
Homelessness Response Center	250,000
<b>Total Low- to Moderate-Income Housing Asset Fund</b>	<b>\$ 250,000</b>
<b>Grant Funding</b>	
Community Development Block Grant (CDBG)	2,316,756
Emergency Solutions Grant (ESG)	1,031,565
Homeless Housing, Assistance and Prevention (HHAP)	41,353,357
<b>Total Grant Funding</b>	<b>\$ 44,701,678</b>
<b>Total Citywide Resources</b>	<b>\$ 73,722,657</b>

Note: Table is not intended to capture all complementary Homeless Programs and Services related costs within the City.

<sup>1</sup> The General Fund is anticipated to be reimbursed \$394,000 by the Homeless Housing, Assistance and Prevention (HHAP) grant funding for eligible expenses associated with the administration of the HHAP grants.

The Fiscal Year 2023 Adopted Budget includes \$25.2 million from the General Fund in the Homelessness Strategies & Solutions Department for the following three homeless programs and services:

- Homeless Shelters and Service Programs
- Coordinated Outreach
- PEER Program
- Coordination of City Homeless Programs and Services

## Homeless Shelters and Services Program

The City of San Diego partners with agencies to operate congregate and non-congregate shelters which serve individuals experiencing homelessness. These shelters provide meals, restrooms, showers, case management, housing navigation, mental health and substance abuse services and referrals, as well as COVID-19 testing and vaccinations.

In Fiscal Year 2023, the City will fund operations at up to 14 shelters throughout the City with \$18.8 million of General Fund, including the following:

- Paul Mirabile Interim Housing Shelter
- Connections Interim Housing Shelter
- Bishops Housing Shelter

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- 17th & Imperial Emergency Bridge Shelter
- Criminal Diversion Program
- Safe Haven
- Emergency Harm Reduction Center
- Shelters for Youth
- Non-congregate Shelter for Families
- Non-congregate Shelter for Seniors

In addition to these shelter programs the General Fund will provide \$740,000 to support the following services:

- Serial Inebriate Program
- Homelessness Response Center
- Inclement weather shelter support

## Coordinated Outreach

The City's Coordinated Street Outreach Program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services. Case managers practice the "Housing First" principles, working with clients to build individualized plans to move people from unsheltered conditions into housing. The program takes a coordinated approach to ensuring adequate and equitable coverage of outreach teams throughout the City and works to identify trends and proactively respond to critical areas throughout the City.

The Fiscal Year 2023 Adopted Budget includes \$2.5 million in the General Fund to support this program, in the Homelessness Strategies & Solutions Department, as well as an additional \$500,000 for a multidisciplinary outreach program pilot.

## Homelessness Program for Engaged Educational Resources (PEER) Program

In an effort to prepare students in post-secondary education to work in the homelessness services sector and to build up the workforce, the City of San Diego has funded programming at San Diego City College to provide a degree certificate program in homeless services. Counselors recruit students who are majoring in social service degree programs to obtain a certificate in homeless services.

The Fiscal Year 2023 Adopted Budget includes \$250,000 in the General Fund to support this program in the Homelessness Strategies & Solutions Department.

## Coordination of City Homeless Programs and Services

The Fiscal Year 2023 Adopted Budget also includes \$2.4 million in the Homelessness Strategies & Solutions Department for personnel and non-personnel expenditures associated with staff coordinating citywide homeless programs and services. The Fiscal Year 2023 Adopted Budget includes the addition of three positions: 2.00 Program Coordinators and 1.00 Senior Management Analyst. These positions are designated to expand capacity in key strategic areas; increase the City's in-house expertise on homelessness policies and programs; and implement stronger internal and external partnerships and coordination.

Additionally, the General Fund is anticipated to be reimbursed \$394,000 from HHAP grant funds for the administration of the block grants.

## Police Department Homelessness Outreach Team (HOT)

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

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workers from the County of San Diego 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 engages with individuals, who may otherwise be subject to enforcement action for violation of various local ordinances and state statutes. Its approach is a means to connect individuals with services in a way that avoids contact with the criminal justice system.

The Fiscal Year 2023 Adopted Budget includes \$3.6 million from the General Fund to support personnel and non-personnel costs in the San Diego Police Department.

## Grant Funding for Homelessness Strategies & Solutions

In Fiscal Year 2023 there is \$2.3 million in Community Development Block Grant (CDBG) funding and \$1.0 million in Emergency Solutions Grant funding for homelessness related programs and services, as shown below. The City is also anticipated to leverage \$41.4 million from multiple funding rounds of the State's Homeless Housing, Assistance, and Prevention (HHAP) grants during Fiscal Year 2023 to address the immediate emergency needs of individuals and families experiencing homelessness or at imminent risk of homelessness. HHAP grants were allocated by the State in three rounds between Fiscal Year 2020 and Fiscal Year 2023.

## Community Development Block Grant (CDBG) and Emergency Solutions Grant Funding

In the Fiscal Year 2023 Adopted Budget, \$2.3 million in CDBG program allocations and \$1.0 million in Emergency Solution Grant (ESG) allocations are anticipated to fund homeless programs, services, and projects.

\$2.3 million in CDBG Block grant funding will support the following programs:

- Day Center for Homeless Adults
- Homelessness Response Center
- Interim Housing for Homeless Adults
- Shelter for Families

\$1.0 million in ESG funding will support the following programs:

- Connections Housing
- Rapid Rehousing
- Interim Housing for Homeless Adults

## Homeless Housing, Assistance and Prevention (HHAP) Funding

The Homeless Housing, Assistance, and Prevention (HHAP) grants are one-time block grants 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 for round one of the Grant in 2020. In 2021, the City was awarded an additional \$10.6 million in round two funding, and is expecting the receipt of an additional \$27.5 million, which must be fully expended by June 30, 2027. In June 2020, the City Council approved the use of the round one \$22.5 million, and in June 2021, the City Council approved the use of the second-round funding of \$10.6 million. In June 2022, the third round of funding in the amount of \$27.5 million was approved by the City Council and subsequently submitted to the State for approval.

Through Fiscal Year 2022, it is projected that \$2.7 million in HHAP 1 and \$6.3 million in HHAP 2 will have been expended, leaving \$9.8 million remaining in HHAP 1 and \$4.3 million in HHAP 2 for the remaining expenditure period of the award, which is planned to be applied to cover Fiscal Year 2023 costs. In addition to the \$14.1 million from rounds one and two HHAP funding, there are planned expenditures of \$27.3



# Citywide Budget Overview

million from the third round of HHAP funding. In total, \$41.4 million from HHAP funded expenditures are planned in the Fiscal Year 2023 Adopted Budget. Adopted HHAP 3 funding allocations must be approved by the State.

In the Fiscal Year 2023 Adopted Budget, HHAP grant funding is planned for use in the following manner:

## ***Shelters and Services***

\$30.1 million is being allocated to support 1,250 shelter beds at following shelters:

- Bridge Shelter at 16th& Newton
- Single Adult Shelter in Golden Hall
- Families and Youth Shelter in Golden Hall
- Downtown Women's Shelter
- Non-congregate Family, Youth & Senior Bridge Housing
- Youth Scattered Site Shelter Beds
- New Congregate Sprung Shelter
- Safe Haven Shelter

## ***Storage Centers***

\$3.2 million in HHAP funding is being allocated to operate three storage centers across the City. These storage centers provide a secure, protected space for people experiencing homelessness in the city of San Diego to store their personal belongings on an ongoing basis.

## ***Safe Parking Program***

HHAP funding of \$1.3 million in the Fiscal Year 2023 Adopted Budget is designated for three safe parking lots across the City. These programs are designated parking lots for homeless individuals living out of their vehicles to safely stay overnight and be connected to services to help them obtain permanent housing.

## ***Coordinated Street Outreach***

\$2.1 million of HHAP funding is being designated for Coordinated Street outreach to amplify the General Fund contribution and ensure adequate and equitable coverage of outreach teams across the city.

## ***Family Reunification Program***

The family reunification program seeks to connect homeless individuals with family members and support systems across the United States. HHAP funding in the amount \$500,000 will continue to support this program in Fiscal Year 2023.

## ***Prosecution and Law Enforcement Assisted Diversion Services (PLEADS)***

PLEADS is a voluntary, pre-booking diversion pathway that allows individuals suspected of being under the influence of a controlled substance to avoid prosecution and jailtime by agreeing to seek support services. In the Fiscal Year 2023 Adopted Budget, HHAP funding in the amount \$207,000 has been allocated to continue the program.

## ***Rapid Rehousing***

HHAP programming includes \$1.2 million allocated to continue Rapid Rehousing programs currently in effect. Rapid Rehousing provides homeless individuals or individuals at imminent risk of becoming homeless with identification of housing, short-term rental assistance, and other services.

## ***Administrative Costs***

A total of \$2.7 million in costs to administer the HHAP programs are planned for Fiscal Year 2023. These costs are charged by City staff and staff from San Diego Housing Commission.

# Citywide Budget Overview

## 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

On August 2, 2022 the City Council adopted the 2022 Climate Action Plan, setting a new goal of net zero by 2035. Staff is developing an Implementation Plan that will include further information on funding needs, performance metrics, time frame, and implementation pathways. Staff is committed to having a draft of the Implementation Plan complete in advance of the Mayor's budget proposal for Fiscal Year 2024.

Over the next five years of implementation of the CAP, City staff will report on progress to City Council and the public through annual progress reports and comprehensive GHG emissions inventories at least every two years, depending on data availability. Additionally, in response to the 2020 CAP audit, staff is working on an Administrative Regulation (AR) to establish annual department-level work plans for the implementation of the CAP with established responsibilities for overall CAP implementation.

The City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, encourage the use of alternative modes of transportation, and have successfully shifted 96 percent of city accounts to 100 percent clean energy through San Diego Community Power and anticipate the remaining accounts to be transitioning over the course of Fiscal Year 2023.

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. This analysis is based on the 2015 CAP, as the 2022 CAP had not been adopted at the time the analysis was completed. 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.

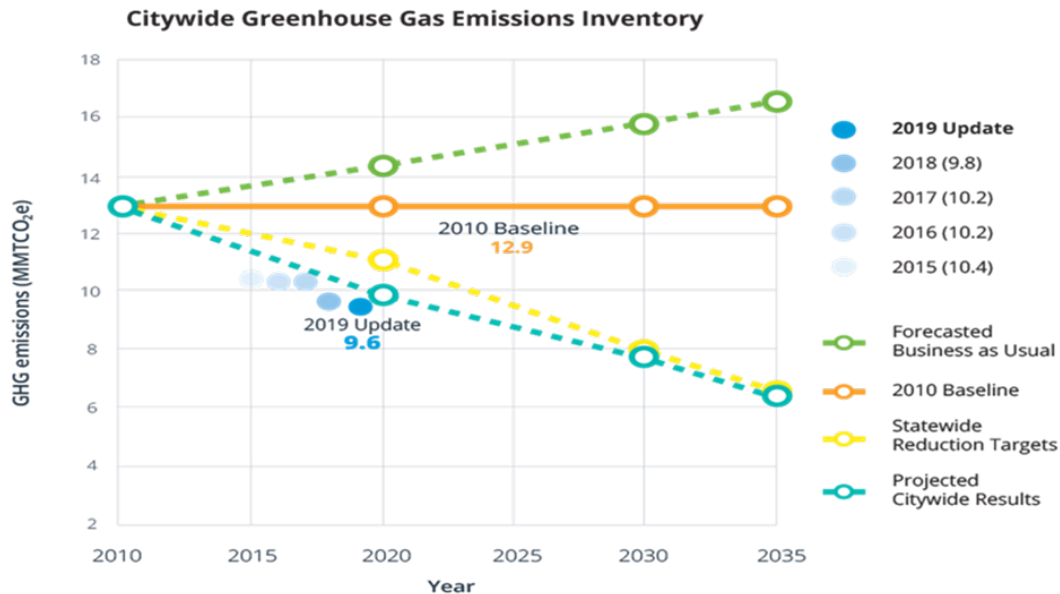
San Diego's CAP is considered a national model. The City is breaking new ground in policies, programs, and methodologies to implement the plan. As a national leader, techniques for implementing evolve and improve over time as processes are established, metrics are created or improved, and annual monitoring begins. The Fiscal Year 2023 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 3** shows the most recent citywide GHG inventory. The total GHG emissions from San Diego in 2019 were approximately 9.6 million metric tons CO<sub>2</sub>e (MMT CO<sub>2</sub>e), 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. The City is planning to have an updated inventory of GHG emissions in Fiscal Year 2024. The budget analysis incorporated below was developed using the strategies and actions from the 2015 CAP, as the 2022 CAP had not been adopted at the time the analysis was completed.

# Citywide Budget Overview

**Figure 3: Citywide Greenhouse Emissions Inventory and Projections**



## Summary of Climate Action Plan Adopted Budget

**Table 6** 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 2023 Adopted Budget. These new resources are added to existing CAP investment in the departments' base budgets (continuing appropriations).

**Table 6: Funding Across City Departments and Funds**

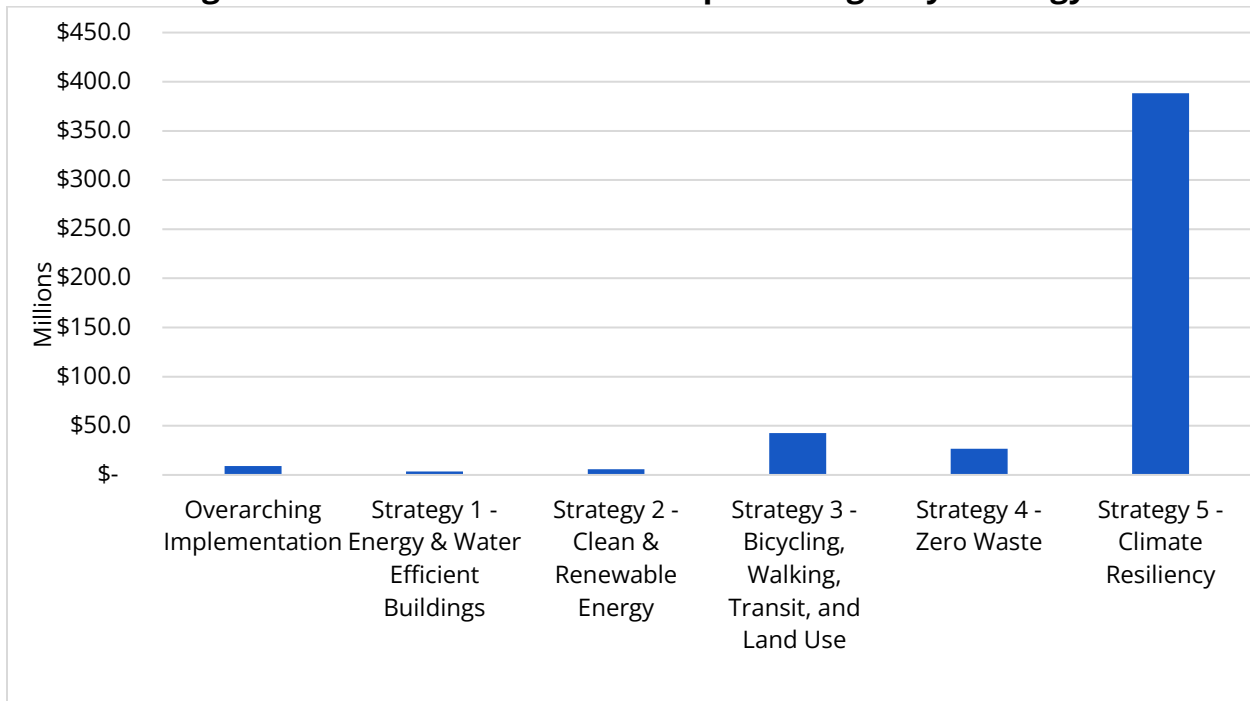
Climate Action Plan Fiscal Year 2023 Adopted Budget <sup>1</sup>			
Strategy	Direct	Indirect	Total
Overarching Implementation	\$497,741	\$8,537,626	\$9,035,367
Strategy 1 - Energy & Water Efficient Buildings	3,123,078	300,000	3,423,078
Strategy 2 - Clean & Renewable Energy	4,396,081	1,495,853	5,891,934
Strategy 3 - Bicycling, Walking, Transit, and Land Use	41,121,166	1,518,547	42,639,713
Strategy 4 - Zero Waste	23,570,089	2,951,078	26,521,167
Strategy 5 - Resiliency	10,556,395	377,710,042	388,266,436
<b>Total</b>	<b>\$83,264,549</b>	<b>\$392,513,146</b>	<b>\$475,777,695</b>

<sup>1</sup>Table 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 4** is a representation of these investments by each CAP strategy.

# Citywide Budget Overview

**Figure 4: Climate Action Plan Adopted Budget by Strategy**



## Organics Collection – State Senate Bill 1383

In September 2016, Governor Brown signed into law State Senate 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. The City was required to adopt an ordinance by January 1, 2022; The first and second readings of the City's ordinance were heard at City Council in April. The ordinance took effect on June 8, 2022. The City must implement the following:

- Expand organics collection citywide, including amendments to the Franchise Hauler Agreements
- Adoption of an enforcement mechanism
- 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
- Development of organic waste processing capacity
- Conduct escalating mandatory enforcement

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 130 positions. The Fiscal Year 2023 Adopted Budget includes a total of \$17.4 million across various funds to support implementation of SB 1383. This includes a base budget amount of \$9.5 million and an increase of \$7.9 million from the Fiscal Year 2022 Adopted Budget. This increase includes \$5.5 million in the General Fund, \$1.4 million in the Recycling Fund, and \$1.0 million in the Refuse Disposal Fund. Funding will be used for food waste education and outreach, container roll out, vehicles, vehicle routing software, equipment and outfitting, and the addition of 34.00 FTE positions.

**Table 7** displays the Fiscal Year 2023 Adopted Budget for SB 1383 by fund.

# Citywide Budget Overview

**Table 7: State Senate Bill 1383 by Fund**

General Fund	FY 2023 Adopted Budget <sup>1</sup>
<b>Environmental Services</b>	
Personnel Expenditures	\$ 8,822,014
Non-Personnel Expenditures	\$ 6,283,157
<b>General Fund Total</b>	<b>\$ 15,105,171</b>
<b>Recycling Fund</b>	
<b>Environmental Services</b>	
Personnel Expenditures	\$ 145,435
Non-Personnel Expenditures	\$ 1,230,472
<b>Recycling Fund Total</b>	<b>\$ 1,375,907</b>
<b>Refuse Disposal Fund</b>	
Environmental Services	
<b>Personnel Expenditures</b>	<b>\$ 148,436</b>
<b>Non-Personnel Expenditures</b>	<b>\$ 811,200</b>
<b>Refuse Disposal Fund Total</b>	<b>\$ 959,636</b>
<b>Total Fiscal Year 2023</b>	<b>\$ 17,440,714</b>

<sup>1</sup>The table includes the anticipated budgeted personnel expenditure savings associated with the positions.

## Mobility Master Plan

The Fiscal Year 2023 Adopted Budget includes \$350,000 to continue the development of a Mobility Master Plan that will identify the most effective and transformative mobility improvements with the goal of helping the City achieve the State's greenhouse gas (GHG) reduction targets. The Mobility Master Plan will help the City implement the Climate Action Plan, and 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 project prioritization process by aligning projects with the long-range mobility planning processes, climate goals, and equity considerations while creating a healthier, safer, and more sustainable transportation network and City.

The Fiscal Year 2023 Adopted Budget also includes \$250,000 to develop Complete Street Design Guidelines in conjunction with the Mobility Master Plan. These design guidelines are needed to ensure that San Diego street design considers the full range of users for every roadway type. Design guidelines will allow for utilization of innovated engineering solutions when designing construction projects in the right-of-way. The standards for pedestrian and bicycle facilities may include pedestrian promenades, paseos, plazas, alley activation, and different types of barriers to consider in the implementation of separated and protected bikeways, as well as street lighting, transit stops, utilities, landscaping, and signage.

## Vision Zero

The City remains committed to Vision Zero efforts to eliminate all traffic fatalities and severe injuries in San Diego.

# Citywide Budget Overview

In the Fiscal Year 2023 Adopted Budget, \$28.9 million will be allocated to implement projects that support the City's Vision Zero goals, including \$3.7 million for bicycle facilities, \$7.8 million for new sidewalk installations, \$3.7 million for traffic signals, \$8.2 million for medians, \$1.7 million for traffic calming, and \$3.9 million for new streetlights. **Table 8** displays the allocation of funds to applicable Vision Zero projects.

**Table 8: Vision Zero Projects**

Vision Zero Project Type/Grouping	Project ID	FY 2023 Adopted Budget <sup>1</sup>
<b>Bicycle Facilities</b>		
Bike Racks Citywide	O&M	50,000
Bike Striping Citywide	O&M	400,000
Safe & Sustainable Transportation All Ages & Abilities Team (STAAT)	O&M	1,100,000
<b>Bicycle Facilities</b>	<b>AIA00001</b>	<b>\$ 2,100,000</b>
AC Water & Sewer Group 1049 Bike Lane	New	75,000
College West Improv 1 Bike Lane	New	100,000
College West Improv 3 Bike Lane	New	100,000
Morena Pipeline Bike Lane	B22107	375,000
Murphy Canyon Trunk Sewer Repair/Rehab Bike Lane	New	75,000
Park Boulevard Bus Lane-Cycle Track	New	500,000
Pure Water Bike Lane	New	800,000
Sewer & AC Water Group 763 Bike Lane	New	75,000
<b>Bicycle Facilities Total</b>		<b>\$ 3,650,000</b>
<b>Medians</b>		
<b>Median Installation</b>	<b>AIG00001</b>	<b>\$ 8,175,000</b>
6th & Juniper Roundabout	B20142	1,900,000
Carmel Mtn/Carmel Country Roundabout	B21102	2,900,000
Chatsworth BI RRFB & Ped Refuge Island	B21117	375,000
Crown Point Drive Roundabouts	B18009	3,000,000
<b>Medians Total</b>		<b>\$ 8,175,000</b>
<b>Sidewalks</b>		
<b>New Walkways</b>	<b>AIK00001</b>	<b>\$ 789,000</b>
54th-Market to Santa Margarita Sidewalk	B18158	170,000
73rd Street and El Cajon Boulevard to Saranac Street	B18017	30,000
ADACA Woodman St-Cielo to Pagel PL Sidewalk	B18159	100,000
Elm Av (14th to Thermal) Sidewalk	B22001	100,000
Howard Ave-Village Pine to Iris Sidewalk	B18019	25,000
Sea World Dr Sidewalk	B22059	100,000
Wightman-Ogden to Shiloh Sidewalk	B18039	264,000
<b>Sidewalk Repair and Reconstruction</b>	<b>AIK00003</b>	<b>\$ 7,000,000</b>
Sidewalk Replacement Group 2331	New	2,000,000
Sidewalk Replacement Group 2332	New	2,000,000
ADA Curb Ramps Projects	New	3,000,000
<b>Sidewalks Total</b>		<b>\$ 7,789,000</b>



# Citywide Budget Overview

Vision Zero Project Type/Grouping	Project ID	FY 2023 Adopted Budget
<b>Signals - Calming/Speed Abatement</b>		
<b>Traffic Calming</b>	<b>AIL00001</b>	<b>\$ 1,700,000</b>
1st Ave and A St Curb Extension	B19043	100,000
Citywide RRFBS - Smart Growth Area	New	70,000
Gompers Prep Academy/47th Street Safety Enhancements	New	700,000
Kettner Boulevard & Palm Street Hybrid Beacon	B18046	30,000
Milton and Bergener - Longfellow Elementary	New	450,000
Osler Street Traffic Calming	New	100,000
San Ysidro Middle School	New	250,000
<b>Signals - Calming/Speed Abatement Total</b>		<b>\$ 1,700,000</b>
<b>Streetlights - Citywide</b>		
<b>Installation of City-Owned Streetlights</b>	<b>AIH00001</b>	<b>\$ 2,655,100</b>
Castle Neighborhood New Street Lights	B19080	350,000
Citywide Streetlights Group 1601	B16007	100,000
Citywide Streetlights Group 1602	B16008	25,000
Citywide Streetlights Group 1801	B18012	50,000
Citywide Streetlights 1901	B19052	125,000
Streetlight Installation in Council District 4	New	800,000
Streetlight Installation in Council District 7	New	400,000
Streetlight Installation in Council District 8	New	805,100
<b>Street Light Circuit Upgrades</b>	<b>AIH00002</b>	<b>\$ 1,000,000</b>
Kensington Heights #3 Series Circuit Upgrade	New	250,000
Sunset Cliffs Devonshire Series Circuit Upgrade	New	250,000
Kensington Heights #2 Series Circuit Upgrade	B17146	500,000
<b>Streetlights - Citywide Total</b>		<b>\$ 3,655,100</b>
<b>Traffic Signals</b>		
<b>Traffic Signal Modification</b>	<b>O&amp;M</b>	<b>300,000</b>
<b>Traffic Signals -- Citywide</b>	<b>AIL00004</b>	<b>\$ 2,860,850</b>
31st St & Market St School Traffic Signal	B15014	280,000
47th Street and Hartley St HAWK Hybrid Beacon	New	500,000
47th Street and Solola Avenue Traffic Signal	B20141	450,000
El Cajon Blvd HAWKS	B22000	730,850
Mercado Dr @ Del Mar Heights Rd Traffic Signal	B22046	430,000
Mississippi Street and El Cajon Boulevard	B20140	
Torrey Pines Road Pedestrian Hybrid Beacon	B20146	100,000
<b>Traffic Signals Modification</b>	<b>AIL00005</b>	<b>\$ 750,000</b>
Ash Street Signal Mods	B18069	450,000
Mid-City & Eastern Area Signal Mods	B17128	150,000
Traffic Signal Mods Grp 19-02	B19071	150,000
<b>Traffic Signals Total</b>		<b>\$ 3,910,850</b>
<b>Total Vision Zero Project Type/Grouping</b>		<b>\$ 28,879,950</b>

# Citywide Budget Overview

## 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 2023 Adopted Budget includes the use of a significant amount of American Rescue Plan Act (ARPA) funds, use of fund balance for various special revenue and internal service funds, and the partial suspension of the General Fund Reserve Contributions and the Risk Management Reserve Contributions.

## One-Time Resources

Below are additional details regarding one-time resources used as mitigation actions to address the baseline revenue shortfall and fund critical expenditures:

- Use of \$147.6 million from the American Rescue Plan Act of 2021. These will be used as revenue replacement for general governmental services, which will provide the necessary resources to add and maintain funding for critical expenditures related to the continued response to the negative impacts from the COVID-19 pandemic.
- Use of \$9.0 million from the Monsanto Class Action Settlement that is projected to be available in Fiscal Year 2023. This settlement is based on the Round-UP litigation that was anticipated but not received in Fiscal Year 2022.
- Use of \$8.1 million from the Short-Term Residential Occupancy Program licensing.
- Use of \$7.9 million from the Pension Payment Stabilization Reserve that is projected to be available in Fiscal Year 2023. The use of this reserve will be used to mitigate potential increases associated with the reversal of Proposition B. 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.
- Use of \$7.4 million in fund balance from various non-general funds. These funds include the Information Technology Funds, Fleet Operations Operating Fund, and Energy Conservation Fund
- Use of \$5.2 million from the Environmental Growth Funds.
- Partial suspension of the General Fund Reserve Contribution which was projected to be \$24.3 million.
- Suspend the Risk Management Reserve contribution which was projected to be \$3.4 million.

## The American Rescue Plan Act of 2021 (ARPA)

The American Rescue Plan Act of 2021 was passed on March 11, 2021, which, based on current estimates, allocated \$299.7 million in Coronavirus State and Local Fiscal Recovery Funds to the City. The ARPA 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 2023 Adopted Budget includes \$ 147.6 million in Coronavirus State and Local Fiscal Recovery Funds, while the remaining funds are planned to cover future expenditures in Fiscal Year 2024. In accordance with the ARPA language, funds may be used to:

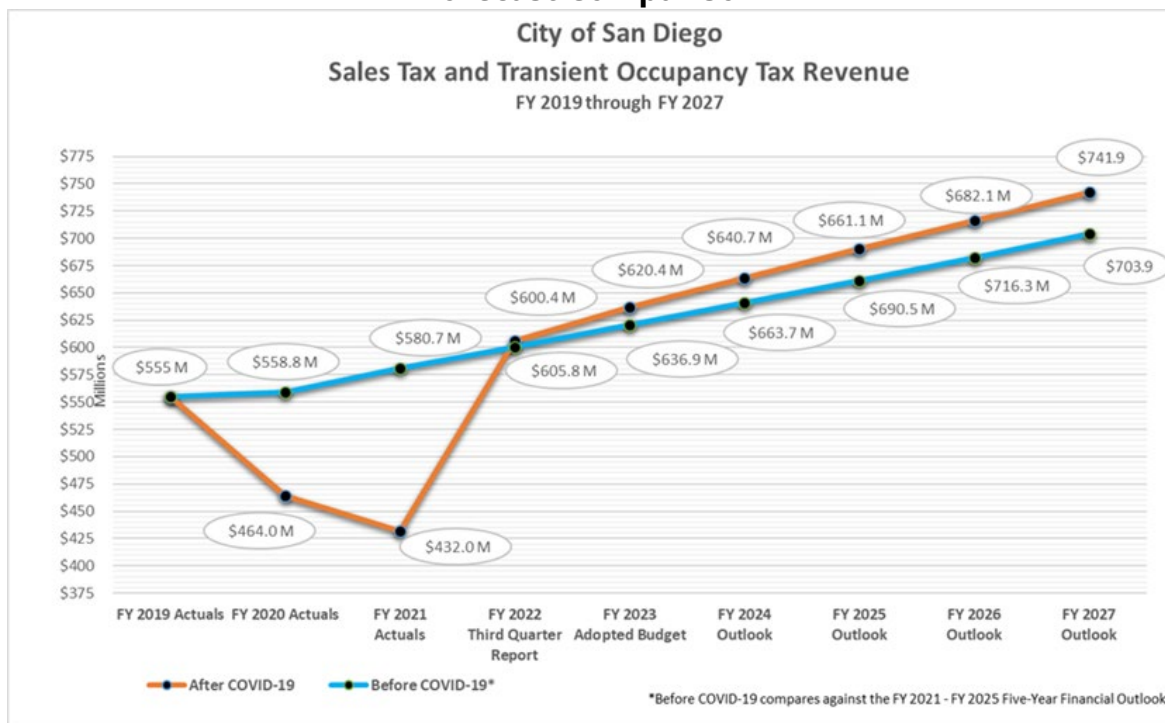
- Provide government services to the extent of reduction in revenue due to COVID-19 relative to revenues collected in the most recent full fiscal year prior to the emergency
- Respond to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or 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
- Make necessary investments in water, sewer, or broadband infrastructure

# Citywide Budget Overview

The funds were provided to the City in two tranches and the ARPA funds provided by this legislation can be used through December 31, 2024.

The \$147.6 in Coronavirus State and Local Fiscal Recovery Funds will be used as revenue replacement for general governmental services, which will provide the necessary resources to maintain funding for the provision of governmental services. 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 ARPA guidelines allowed for a growth adjustment of 5.2 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<sup>19</sup>. In accordance with the terms of the ARPA, the revenue loss from the COVID-19 pandemic has resulted in projected revenue loss of \$406.0 million in general revenues from Fiscal Year 2020 through Fiscal 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. The funds cannot be used for offsetting tax cuts or for pension liabilities, therefore, the City will continue to ensure that the funds allocated adhere to federal guidelines. As demonstrated by the \$406.0 million revenue loss estimate based on only two of the four eligible fiscal years, this substantiates that the total amount of revenue loss to the City is greater than the City's total allocation of ARPA funds of \$299.7 million.

**Figure 5: Fiscal Year 2019-2027 Sales Tax and Transient Occupancy Tax Forecast Comparison**



As reflected in **Figure 5**, Sales Tax and Transient Occupancy Tax were the City's two major revenues most impacted by the COVID-19 pandemic. When comparing the revenues from the pre-pandemic trend as forecasted in the Fiscal Year 2021- 2025 Five-Year Financial Outlook Report released in November 2019, this results in a projected revenue loss of \$221.7 million by Fiscal Year 2023. Although Sales Tax has fully

<sup>19</sup> On January 6, 2022, the U.S. Department of Treasury (DoT) issued their "Final Rule" which takes effect on April 1, 2022. This changed the growth adjustment rate from 4.1% to 5.2% and allowed the Department of Finance to calculate the revenue loss with either at the end of each calendar year or the end of each fiscal year.

# Citywide Budget Overview

recovered and surpassed pre-pandemic trends, Transient Occupancy Tax revenue has taken longer to recover due to the previous restrictions on group events, and limited business and international travel. The Transient Occupancy Tax revenue is projected to reach pre-pandemic levels in Fiscal Year 2023, however, not yet reaching pre-pandemic trends in the outer years.

As mentioned earlier in the Fiscal Year 2023 - 2027 Financial Outlook section, the Fiscal Year 2023 Adopted Budget reflects a multi-year analysis and proposes the use of ARPA Funds from Fiscal Year 2022 through Fiscal Year 2024. The City has plans to use \$100.0 million in Fiscal Year 2022 to address the projected revenue shortfall based on the most recently released quarterly budget monitoring report, \$147.6 million in Fiscal Year 2023 to address the baseline revenue shortfall and critical expenditure additions, and \$52.1 million in Fiscal Year 2024 in order to maintain the proposed services in Fiscal Year 2023. This multi-year proposal allows the City to minimize budget reductions in the near term.

## Citywide Personnel Expenditures

The Fiscal Year 2023 Adopted Budget includes a total of \$1.10 billion in budgeted salaries and wages, and \$721.8 million for fringe expenditures or benefits, resulting in a total personnel budget of \$1.83 billion in personnel expenditures citywide. **Table 9** illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type. **Table 10** presents the change in positions based within job classifications from Fiscal Year 2022 to Fiscal Year 2023.

**Table 9: Fiscal Year 2023 Adopted Personnel Expenditures Budget**

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	8,336.39	\$ 766,966,468	\$ 511,427,776	\$ 1,278,394,244
Special Revenue Funds	1,074.01	97,021,784	56,267,593	153,289,377
Enterprise Funds	2,947.02	207,918,574	132,910,878	340,829,452
Internal Service Funds	368.73	25,569,348	17,654,739	43,224,087
Other Funds <sup>1</sup>	51.00	5,748,464	3,556,583	9,305,047
<b>Total</b>	<b>12,777.15</b>	<b>\$ 1,103,224,638</b>	<b>\$ 721,817,569</b>	<b>\$ 1,825,042,207</b>

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

**Table 10: Total City FTE Position Changes Fiscal Year 2022 - 2023**

Fund Type	FY 2022 Adopted Budget	Additions	Reductions	Reorganizations	FY 2023 Adopted Budget	Change	Percent Change
General Fund	7,731.03	603.51	(62.45)	64.30	8,336.39	605.36	7.8 %
Special Revenue Funds	1,074.51	39.50	(7.00)	(33.00)	1,074.01	(0.50)	0.0 %
Enterprise Funds	2,747.69	240.11	(9.48)	(31.30)	2,947.02	199.33	7.3 %
Internal Service Funds	339.48	30.00	(0.75)	-	368.73	29.25	8.6 %
Other Funds <sup>2</sup>	51.00	-	-	-	51.00	-	0.0 %
<b>Total<sup>1</sup></b>	<b>11,943.71</b>	<b>913.12</b>	<b>(79.68)</b>	<b>0.00</b>	<b>12,777.15</b>	<b>833.44</b>	<b>7.0 %</b>

<sup>1</sup> Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

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

# Citywide Budget Overview

For details on all position changes, refer to Attachment A - Fiscal Year 2023 Changes in Full-time Equivalent (FTE) Positions in the Appendix.

## Salaries and Wages

The Fiscal Year 2023 Adopted Budget includes \$1.1 billion in budgeted salaries and wages, with \$767.0 million, or 69.5 percent, budgeted in the General Fund. **Table 11** presents the positions by labor group and fund type. **Table 12** displays the Fiscal Year 2023 Adopted Budget breakdown for salaries and wages by fund type.

**Table 11: Fiscal Year 2023 Adopted FTE Positions by Labor Group**

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Labor Group Total
MEA	2,963.19	864.51	1,793.34	136.23	29.00	5,786.27
AFSCME LOCAL 127	1,185.35	39.00	961.50	172.25	-	2,358.10
POA	2,031.23	-	-	-	-	2,031.23
IAFF LOCAL 145	1,042.00	10.00	-	-	-	1,052.00
Unclassified / Unrepresented	592.40	108.50	108.82	35.25	18.00	862.97
Classified / Unrepresented	168.99	52.00	83.36	25.00	4.00	333.35
Teamsters Local 911	170.00	-	-	-	-	170.00
DCAA	172.23	-	-	-	-	172.23
Elected Officials	11.00	-	-	-	-	11.00
<b>Fund Total</b>	<b>8,336.39</b>	<b>1,074.01</b>	<b>2,947.02</b>	<b>368.73</b>	<b>51.00</b>	<b>12,777.15</b>

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

**Table 12: Fiscal Year 2023 Adopted Budgeted Salaries and Wages**

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 702,515,958	\$ 106,779,930	\$ 223,753,785	\$ 27,309,269	\$ 5,755,476	\$ 1,066,114,418
Salary Savings	(2,039,374)	(281,565)	(688,064)	(44,292)	(9,390)	(3,062,685)
Vacation Pay In Lieu	6,732,840	1,577,184	1,859,429	238,636	-	10,408,089
Termination Pay/Annual Leave	1,779,632	148,545	293,349	117,165	-	2,338,691
Hourly Wages	13,060,640	378,612	1,038,127	80,233	2,378	14,559,990
Overtime	77,605,318	2,128,908	11,398,701	763,560	-	91,896,487
Other Personnel Expenditures	14,305,933	-	-	-	-	14,305,933
Budgeted Personnel Expenditure Savings	(46,996,479)	(13,709,830)	(29,736,753)	(2,895,223)	-	(93,336,285)
<b>Total</b>	<b>\$ 766,966,468</b>	<b>\$ 97,021,784</b>	<b>\$ 207,918,574</b>	<b>\$ 25,569,348</b>	<b>\$ 5,748,464</b>	<b>\$ 1,103,224,638</b>

# Citywide Budget Overview

The Fiscal Year 2023 Adopted Budget includes all general wage increases and special salary adjustments approved in the Municipal Employees Association (MEA), American Federation of State, County, and Municipal Employees (AFSCME Local 127), and the Deputy City Attorneys Association (DCAA) MOUs. At the time the Fiscal Year 2023 Adopted Budget was finalized, the Police Officers Association (POA), International Association of Firefighters (Local 145), and Teamsters (Local 911) were still in active negotiations for their Fiscal Year 2023 labor contracts, which were completed shortly after the end of the fiscal year.

## 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 2023 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 2023 personnel expenditures against available allocated appropriations, however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2023 Adopted Budgeted Personnel Expenditures is \$93.3 million, representing an increase of \$27.0 million, or 41.0 percent, from the Fiscal Year 2022 Adopted Budget. Budgeted Personnel Expenditure Savings is included in **Table 12**. **Table 13** displays the budgeted personnel expenditure savings from Fiscal Year 2021 through Fiscal Year 2023.

**Table 13: Budgeted Personnel Expenditure Savings  
Fiscal Year 2021 – 2023**

Departments/Funds	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2023 Adopted Budget
City Attorney	\$ 603,242	\$ 1,407,245	\$ 2,099,306
City Auditor	91,333	94,986	-
City Clerk	36,941	101,995	158,678
City Council	85,852	67,395	-
City Treasurer	710,696	432,063	522,825
Commission on Police Practices	-	24,696	-
Communications	119,745	120,144	123,833
Compliance	-	65,869	93,750
Debt Management	126,672	60,007	122,153
Department of Finance	67,829	70,542	74,069
Development Services	339,123	383,269	746,190
Economic Development	547,445	265,101	255,912
Environmental Services	639,941	490,983	1,407,963
Fire-Rescue	9,789,879	6,656,512	6,579,965
General Services: Facilities Services	596,234	546,780	659,925
Homelessness Strategies & Solutions	-	89,286	-
Human Resources	115,398	89,286	81,732
Library	363,704	918,572	1,082,950
Mobility	-	211,410	-
Office of Emergency Services	194,636	74,090	93,750
Office of the Chief Operating Officer	-	-	314,000
Parks & Recreation	1,461,631	1,758,247	3,354,138



# Citywide Budget Overview

Departments/Funds	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2023 Adopted Budget
Performance & Analytics	117,229	121,918	-
Personnel	33,613	39,998	509,740
Planning	599,098	411,440	608,995
Police	20,419,506	17,790,832	21,372,414
Purchasing & Contracting	708,364	945,929	963,159
Race & Equity	-	-	227,316
Real Estate & Airport Management	255,611	-	-
Stormwater	451,754	832,408	2,695,867
Sustainability & Mobility	-	-	471,417
Transportation	1,770,632	1,793,346	2,374,432
<b>Total General Fund</b>	<b>\$ 40,246,108</b>	<b>\$ 35,864,349</b>	<b>\$ 46,994,479</b>
Airports Fund	\$ 117,229	\$ 79,498	\$ 144,142
Central Stores Fund	57,090	76,945	234,324
Development Services Fund	2,998,384	3,892,147	9,610,179
Energy Conservation Program Fund	-	-	230,000
Engineering & Capital Projects Fund	7,435,254	8,006,052	11,483,057
Facilities Financing Fund	69,950	138,617	76,386
Fire/Emergency Medical Services Transport Program Fund	47,986	47,986	535,390
Fleet Operations Operating Fund	810,557	1,078,726	1,999,665
GIS Fund	133,058	89,286	278,329
Golf Course Fund	169,143	200,832	470,326
Information Technology Fund	306,696	211,204	365,303
Metropolitan Sewer Utility Fund	3,451,825	4,068,373	5,079,864
Municipal Sewer Revenue Fund	3,378,643	3,539,558	3,858,731
OneSD Support Fund	171,704	211,204	428,729
Publishing Services Fund	-	-	43,960
Recycling Fund	705,912	440,359	535,234
Refuse Disposal Fund	539,355	528,652	1,401,273
Risk Management Administration Fund	368,317	148,309	387,274
Underground Surcharge Fund	33,613	67,437	67,291
Water Utility Operating Fund	6,095,062	7,598,768	8,637,004
Wireless Communications Technology Fund	94,674	74,003	475,345
<b>Total Non-General Fund</b>	<b>\$ 26,984,452</b>	<b>\$ 30,497,956</b>	<b>\$ 46,341,806</b>
<b>Total</b>	<b>\$ 67,230,560</b>	<b>\$ 66,362,305</b>	<b>\$ 93,336,285</b>

## 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'

# Citywide Budget Overview

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 \$503.1 million or 69.7 percent of budgeted fringe allocations in Fiscal Year 2023. 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 14** displays the citywide fringe allocation which totals \$721.8 million for Fiscal Year 2023, of which \$511.4 million, or 70.9 percent, is budgeted in the General Fund.

**Table 14: Fiscal Year 2023 Annual Budgeted Fringe by Fund Type**

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Fringe Totals
Retirement ADC	\$ 283,841,501	\$ 29,106,017	\$ 62,007,644	\$ 7,401,130	\$ 1,970,097	\$ 384,326,389
Flexible Benefits/Other	97,242,589	11,775,376	31,569,812	4,595,499	661,131	145,844,407
Retiree Health/Other Post-Employment Benefits	43,419,782	5,177,929	14,598,406	1,894,437	290,139	65,380,693
Supplemental Pension Savings Plan	25,649,765	6,005,310	11,586,963	1,617,855	346,867	45,206,760
Workers' Compensation	29,558,300	456,685	4,437,935	1,030,088	27,717	35,510,725
Risk Management Administration	8,892,136	1,060,528	2,989,387	387,945	59,415	13,389,411
Medicare	10,276,139	1,375,486	2,883,296	368,131	83,322	14,986,374
Employee Offset Savings	5,453,675	395,551	611,320	92,258	56,251	6,609,055
Retirement DROP	1,956,895	197,958	553,488	69,565	15,979	2,793,885
Unemployment Insurance	799,369	112,022	248,750	31,611	7,290	1,199,042
Retiree Medical Trust	1,190,885	144,487	295,203	37,969	7,822	1,676,366
Retirement 401 Plan	944,608	151,529	443,803	41,135	10,464	1,591,539
Long-Term Disability	2,202,132	308,715	684,871	87,116	20,089	3,302,923
<b>Fund Type Totals</b>	<b>\$ 511,427,776</b>	<b>\$ 56,267,593</b>	<b>\$ 132,910,878</b>	<b>\$ 17,654,739</b>	<b>\$ 3,556,583</b>	<b>\$ 721,817,569</b>

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

# Citywide Budget Overview

## City Retirement Contributions

The City's payment for retirement benefits in the Fiscal Year 2023 Adopted Budget is \$384.3 million and its components are described in further detail below:

- The City's pension payment for Fiscal Year 2023 as of the June 30, 2021 actuarial valuation from the San Diego City Employees' Retirement System (SDCERS) is \$384.3 million, a decrease of \$30.6 million from the Fiscal Year 2022 Adopted Budget; approximately \$283.8 million, or 73.9 percent, of the ADC is budgeted in the General Fund. The prior actuarial valuation had projected an ADC increase for Fiscal Year 2023 of \$8.1 million. Instead, the ADC decreased by \$30.6 million primarily due to higher than anticipated investment gains and to a lesser extent, \$3.0 million in liability experience gains.

## 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 2023 Adopted Budget for Flexible Benefits is \$145.8 million, which represents an increase of \$5.5 million from the Fiscal Year 2022 Adopted Budget 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 full-time, 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 2023 the budget is \$65.4 million for retiree health care benefits. If the retiree health defined contribution and pay-as-you-go actuals exceed \$65.4 million, then the shortfall is funded by withdrawing funds 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 2023 Adopted Budget for SPSP is \$15.0 million.

General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2023 Adopted Budget for the City's contribution match is \$1.0 million based on 1,432.94 FTE general members.

City Employees, other than sworn police officers, with offers of employment made on or after July 20, 2012 and before July 10, 2021, with no prior City service, were placed in the SPSP-H Plan, which was being used as an Interim Defined Contribution Retirement Plan for benefited employees, pending resolution of Proposition B litigation. Eligible new hires who were non-safety employees were required to contribute 9.2

# Citywide Budget Overview

percent of compensation to the plan, which was matched by a 9.2 percent employer contribution. For safety employees, the mandatory employee and matching employer contributions was 11.0 percent of compensation. The Fiscal Year 2023 Adopted Budget for the City's Interim Defined Contribution Retirement Plan is \$29.4 million, which represents a decrease of \$505,000 from the Fiscal Year 2022 Adopted Budget.

The City has reached agreements regarding the unwinding of Proposition B with the affected REOs. In accordance with the agreements, most eligible employees that were in the interim SPSP-H Plan will be transferred to SDCERS and will no longer participate in the SPSP-H Plan. The agreements provide MEA and Local 127-represented employees with a one-time, irrevocable option to remain participants in an amended SPSP-H Plan in lieu of participating in SDCERS, prospectively. Employees represented by DCAA, Local 911, and Local 145 must participate in SDCERS, prospectively. The agreements do not provide these employees with an option to remain participants in the modified SPSP-H Plan. Because most of these employees will now be participating in SDCERS, the \$29.4 million allocated for employer contributions for the SPSP-H Plan will no longer be expended. Instead, these funds will be used to pay for the transition costs related to the unwinding of Proposition B (see Proposition B Status section for additional information).

Additionally, the Fiscal Year 2023 Adopted Budget includes \$852,000 in the SPSP-H account for hourly employees. **Table 15** reflects a total budgeted amount of \$45.2 million which includes SPSP, SPSP-H and hourly SPSP-H contributions.

Lastly, City employees hired after July 10, 2021, with no prior City service, are now being placed in SDCERS.

## 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 2023 Adopted Budget is \$35.5 million with no contributions to the reserves.

## 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 2023 Adopted Budget for Risk Management Administration is \$13.4 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 2023 Adopted Budget for Medicare is \$15.0 million.

## Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution; in exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension UAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS Fund. The Fiscal Year 2023 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 2023 Adopted Budget

# Citywide Budget Overview

for Retirement DROP contributions are \$2.8 million, or 3.05 percent of the current DROP participants' salary of \$91.6 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 2023 Adopted Budget for Unemployment Insurance is \$1.2 million.

## Retiree Medical Trust (RMT)

The Fiscal Year 2023 Adopted Budget for retiree health trust contributions is \$1.7 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 2023 Adopted Budget for the City's contribution match to general members is \$1.0 million. In addition, \$637,000 is included in the Fiscal Year 2023 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 2023 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 2023.

## Proposition B Status

On June 5, 2012, City voters approved Proposition B, a pension reform initiative amending the 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 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 Order with the following modifications (the "Modified PERB Order"): (1) the City must meet and confer with the REOs over the effects of Proposition B; (2) until 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 (7%) annual interest ("Interest Penalty") between the compensation (including retirement benefits) the employees would have received prior to when Proposition B took effect



# Citywide Budget Overview

and the compensation those employees received after Proposition B took effect (the “Make-Whole Provision”); and (3) the City must meet and confer at the 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, nor the Appellate Court, clearly defined how the value of the benefits under the Make-Whole Provision should be calculated; meaning the ultimate cost to the City is the subject of negotiations between the City and the REOs.

On June 22, 2021, to comply with the judgment in the quo warranto action, in part, 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 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 January 31, 2022, the City Council approved a joint agreement with two of the City’s REOs, the San Diego Municipal Employees Association (MEA) and AFSCME Local 127 (AFSCME Local 127), regarding the unwinding of Proposition B for current employees hired on or after July 20, 2012, and before July, 10, 2021. On June 14, 2022, the City Council approved similar agreements with the Deputy City Attorneys Association (DCAA), California Teamsters Local 911 (Local 911), and the San Diego City Firefighters, I.A.F.F. Local 145 (Local 145). The agreements concern the prospective participation in SDCERS for these employees, the purchase of service credit for the period of time the individuals were City Employees but not eligible to participate in SDCERS due to Proposition B (PERB’s Make-Whole Provision), and the Interest Penalty calculation.

The agreements provide MEA and Local 127-represented employees with a one-time, irrevocable option to remain participants in an amended SPSP-H Plan in lieu of participating in SDCERS, prospectively. Those employees who elect to participate in SDCERS will be required to purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases of service credit will be accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding if the SPSP-H account balances are not sufficient to fully purchase the service credit. The Interest Penalty required as part of the Modified PERB Order will be calculated on an individual basis, then combined as an aggregate amount by REO following inclusion of adjustments to the Make-Whole amounts, and will be reallocated to all impacted employees based on years of service. The City Council extended the terms of the joint MEA and Local 127 agreement to unclassified, unrepresented employees, with the exception of the Interest Penalty.

Employees represented by DCAA, Local 911, and Local 145 must participate in SDCERS, prospectively. The agreements do not provide these employees with an option to remain participants in the modified SPSP-H Plan. DCAA, Local 911, and Local 145-represented employees, like MEA and Local 127-represented employees, must also purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B, and those purchases will be accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding. The Interest Penalty for these employees will be calculated and paid on an individual employee basis.

The employees described above are expected to begin participation in SDCERS on or around July 9, 2022, and employees represented by MEA, Local 127, and DCAA will also be enrolled in the City’s 401(a) Plan, which is a defined contribution plan with a mandatory employee contribution of one percent (1%) of



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compensation and matching City contribution. Employees represented by Local 911 and Local 145 will not participate in the 401(a) Plan.

The estimated one-time cost for unwinding Proposition B for current employees is \$149.9 million citywide and \$82.3 million for the General Fund. This estimate is based on a recent analysis done by SDCERS' actuary using payroll data projected through July 8, 2022, and on additional analysis done by the City using SPSP-H balances information as of April 15, 2022 and other information. This estimate assumes that all eligible employees will be transferred into the SDCERS pension system. The actual cost for current employees transferring into SDCERS will be dependent on the number of employees choosing to transfer into SDCERS and the balances in their SPSP-H accounts when funds are transferred in July 2022. The recent decline in the financial markets that occurred between April 15 and July 9, 2022, will likely impact SPSP-H balances and therefore increase this cost estimate. Costs will also vary based on ongoing negotiations with the San Diego Police Officers' Association regarding its members impacted by Proposition B and negotiations with the REOs regarding employees who are also eligible to receive benefits under the Make-Whole Provision but have left the City.

The City estimates it will need to pay and has budgeted about \$48.4 million of the \$149.9 million in cash payments during Fiscal Year 2023. The remaining portion of the one-time cost estimate for current employees is \$105.2 million, or \$56.3 million for the General Fund portion, and will represent a pension liability payable to SDCERS. It may be included in the Unfunded Actuarial Liability (UAL) and amortized, such that it is paid to SDCERS as part of the annual pension payment. Alternatively, it may be required to be paid to SDCERS upfront. Payment terms are ultimately dependent on how the SDCERS Board decides this liability should be funded. None of the \$105.2 million in estimated obligations to SDCERS has been included in the Fiscal Year 2023 Adopted Budget. If SDCERS decides that it requires upfront payment of this debt, the Department of Finance anticipates covering the \$56.3 million General Fund portion using Excess Equity (estimated at \$40.0 million in the Fiscal Year 2022 Third Quarter Budget Monitoring Report) and/or General Fund Reserves.

Eligible MEA and Local 127-represented employees with the option to stay in the modified SPSP-H Plan or participate in SDCERS are largely expected to join SDCERS. General members will receive the existing hybrid retirement plan that includes joining an existing tier of SDCERS that was in effect prior to July 20, 2012, as well as the City's 401(a) Plan. Safety members will only receive a defined benefit retirement plan.

The Fiscal Year 2023 annual pension payment required per the June 30, 2021 actuarial valuation did not include the pension "normal cost" for employees entering SDCERS as part of the Proposition B negotiations. The preliminary estimate for the Fiscal Year 2023 citywide normal cost component, should all employees choose to enter SDCERS, was \$33.2 million (\$20.2 million for the General Fund). There is uncertainty on what action the SDCERS Board will take regarding the Fiscal Year 2023 unfunded normal costs. The SDCERS Board may decide to issue a supplemental bill to the City or, alternatively, allow these underpayments to be amortized as experience losses in future years. The City has budgeted \$29.4 million in SPSP-H contributions that will largely go unused since most Proposition B employees will transfer to SDCERS in early Fiscal Year 2023. These funds could be used to pay a normal cost supplemental bill, should one be issued, any upfront payments of the onetime costs described above, or any Proposition B transition costs above those originally estimated.



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