



ADOPTED
Budget
FISCAL YEAR **2023**

VOLUME 1

General Fund Revenues



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General Fund Revenues

General Fund Revenues

The Fiscal Year 2023 Adopted General Fund revenue budget is \$1.95 billion, which represents an increase of \$205.3 million, or 11.8 percent, from the Fiscal Year 2022 Adopted Budget. General Fund revenues are comprised of four major revenue sources, federal funding from the American Rescue Plan Act (ARPA), and a series of other revenue sources, which are primarily generated by departments. These revenue sources are categorized and listed to the right of this page and are described in further detail throughout this section of the budget document. Details include background information describing trends, economic factors, and methods of development for each revenue source—this information provides insight into the formulation of the Fiscal Year 2023 Adopted Budget (Adopted Budget) for General Fund revenues, which fund essential City services including police, fire, refuse collection, homelessness services, library services, transportation, and parks and recreation programs. Volume II of the budget document further details revenues that are generated by departments.

Table 1: Fiscal Year 2023 General Fund Revenue Change illustrates the components of the projected \$205.3 million, or 11.8 percent, increase in General Fund revenues from the Fiscal Year 2022 Adopted Budget.

Table 1: Fiscal Year 2023 General Fund Revenue Change

	Percent Change from FY 2022 Adopted Budget	Change (in millions)
Major Revenues	12.7%	\$ 148.7
Other Revenue Sources	9.8%	56.5
Total	11.8%	\$ 205.3

Numbers may not foot due to rounding.

The City's four major General Fund revenue sources are property taxes, sales taxes, transient occupancy taxes (TOT), and franchise fees. These sources account for 67.6 percent of the Fiscal Year 2023 Adopted Budget General Fund revenues and are projected to increase by \$148.7 million, or 12.7 percent, from the Fiscal Year 2022 Adopted Budget. The increase in major General Fund revenues reflects a continued recovery from the COVID-19 pandemic and are based on projections included in the Fiscal Year 2022 Third Quarter Budget Monitoring Report (Third Quarter Report), most recent economic data available at the time of development, as well as the most current assumptions available surrounding impacts from the COVID-19 pandemic.

In addition to increases in the major General Fund revenues, other revenue sources reflect an increase of \$56.5 million, primarily attributed to reimbursements from the TOT Fund to support the safety and maintenance of visitor related facilities, new or revised user fee revenue as a result of the Fiscal Year 2023 Comprehensive User Fee Study, and one-time revenue increases related to the implementation of the Short-Term Residential Occupancy Program. These increases are addressed in further detail in later sections of this report.

- Economic Environment**
- Property Tax**
- Sales Tax**
- General Fund Transient Occupancy Tax (TOT)**
- Franchise Fees**
- Property Transfer Tax**
- Licenses and Permits**
- Fines, Forfeitures, and Penalties**
- Revenue from Money and Property**
 - Rents and Concessions
 - Interest Earnings
- Revenue from Federal & Other Agencies**
- Charges for Current Services**
- Transfers In**
- Other Revenue**
- State of California Budget Impacts**
- Annual Tax Appropriations Limit (Gann Limit)**

General Fund Revenues

Table 2: Fiscal Year 2023 General Fund Revenues displays the Adopted Budget for each of the revenue categories in the General Fund, in addition to Fiscal Year 2021 actual revenues and the Fiscal Year 2022 Adopted Budget.

Table 2: Fiscal Year 2023 General Fund Revenues (in millions)

Revenue Category	FY 2021 Actual	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2022 - FY 2023 Change	Percent Change	% of Total General Fund Revenue
Property Tax	\$ 641.4	\$ 672.2	\$ 706.2	\$ 34.0	5.1%	36.2 %
Sales Tax	303.7	320.8	380.2	59.4	18.5%	19.5 %
Transient Occupancy Tax	68.1	95.5	135.2	39.7	41.6%	6.9 %
Licenses & Permits	44.2	43.5	56.5	12.9	29.7%	2.9 %
Fines, Forfeitures, and Penalties	23.9	27.5	34.5	7.0	25.3%	1.8 %
Revenue from Money and Property	54.3	62.3	63.9	1.6	2.6%	3.3 %
Revenue from Federal Agencies	0.3	1.4	1.2	(0.1)	(10.9%)	0.1 %
Revenue from Other Agencies	10.4	6.5	4.1	(2.3)	(36.2%)	0.2 %
Charges for Current Services	124.7	156.8	203.5	46.7	29.8%	10.4 %
Transfers In	235.8	263.1	250.4	(12.7)	(4.8%)	12.8 %
Other Revenue	6.9	2.8	2.1	(0.8)	(26.8%)	0.1 %
Franchise	77.8	80.0	95.6	15.6	19.5%	4.9 %
Property Transfer Taxes	13.7	11.2	15.5	4.2	37.8%	0.8 %
Total	\$ 1,605.2	\$ 1,743.5	\$ 1,948.8	\$ 205.3	11.8%	100.0 %

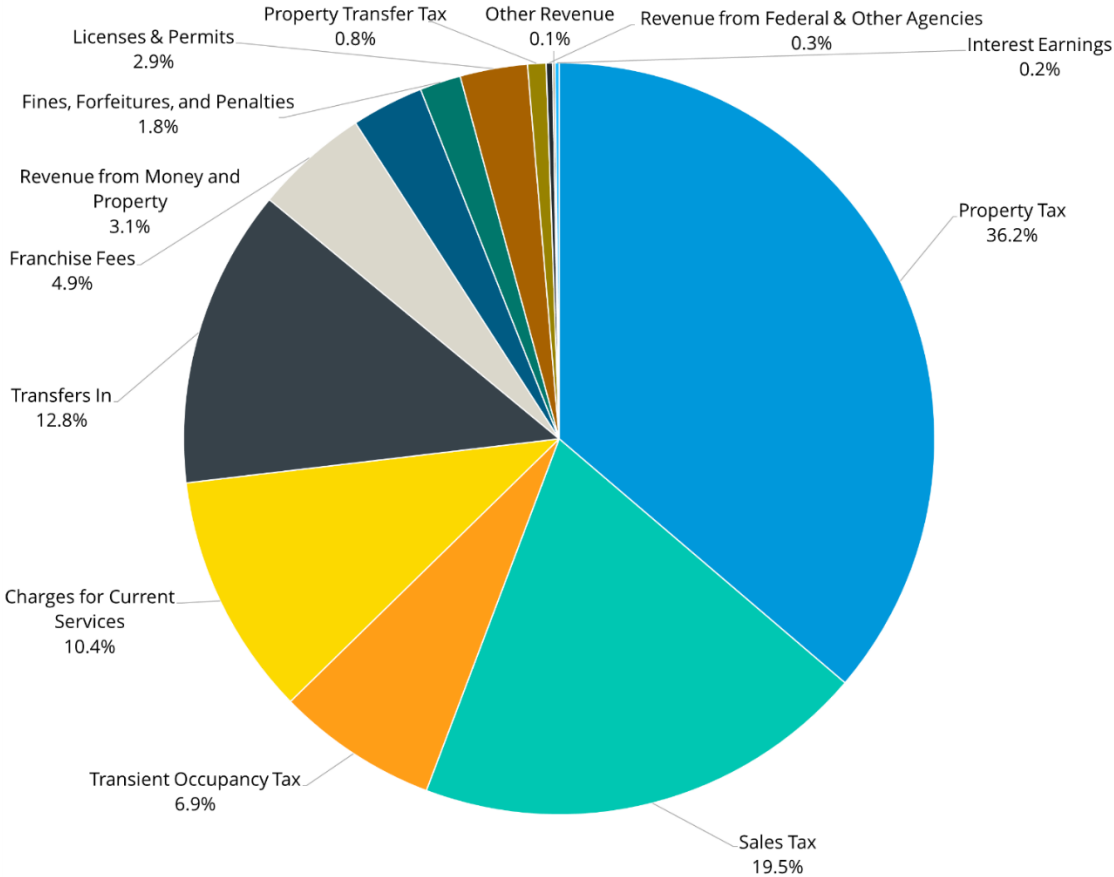
Numbers may not foot due to rounding.

¹ Percent change represents the change from the Fiscal Year 2022 Adopted Budget to the Fiscal Year 2023 Adopted Budget. Budgeted growth rates for revenues may differ, as Fiscal Year 2023 Adopted Budget amounts are based on updated Fiscal Year 2022 projections.

Changes in local, State, and national economies can impact each of the General Fund revenue sources—the possible effects on the City's finances in Fiscal Year 2023 are further outlined in later sections of this report. The Department of Finance will continue to monitor economic and financial conditions and will incorporate changes as needed, as well as report significant changes in the Fiscal Year 2023 quarterly budget monitoring reports.

General Fund Revenues

Figure 1: Fiscal Year 2023 General Fund Revenues - \$1.95 Billion



San Diego’s Economic Environment²⁰

Development of the Fiscal Year 2023 Adopted Budget incorporates a positive economic outlook that balances the continuing trend of positive key economic indicators following the COVID-19 pandemic, with corresponding growth in property tax, sales tax, and transient occupancy tax. In March 2020, at the onset of the COVID-19 pandemic, the City's economy came to a halt, inducing an economic recession. Since then, through ebbs and flows, the City's major revenues have promptly recovered, with all major revenues projected to reach or exceed pre-pandemic levels in the Fiscal Year 2023 Adopted Budget. As experienced throughout the recovery from the COVID-19 pandemic, local economic indicators are projected to improve in Fiscal Year 2023; however, the rate of improvement is slower than the robust improvements experienced over the last two years following the COVID-19 pandemic. Uncertainty in supply shortages, inflation, interest rates, and geopolitical conflict result in the slower paced growth anticipated in Fiscal Year 2023. The overall expectation and projection for the City's revenues, which is further discussed in the sections below, is consistent with information received from the City's sales tax consultant, the San Diego Tourism Authority, Tourism Economics—an Oxford Economics Company, the San Diego Tourism and Marketing District, the

²⁰ The following sources were used in this section: National Bureau of Economic Research, California Employment Development Department, United States Bureau of Labor Statistics, California State Board of Equalization, CoreLogic®, San Diego County Assessor / Recorder / Clerk's Office, San Diego Association of Governments, United States Bureau of Labor Statistics, S&P Dow Jones Indices LLC, UCLA Anderson Forecast, Beacon Economics, Tourism Economics, San Diego Tourism Authority, Colliers International, and The Conference Board.

General Fund Revenues

UCLA Anderson Forecast, and California independent research firm Beacon Economics, at the time that the Adopted Budget was developed.

Compared to the Fiscal Year 2022 Adopted Budget, the Fiscal Year 2023 Adopted Budget includes projected increases for all four major General Fund revenues—property tax, sales tax, transient occupancy tax, and franchise fees—based on continued, yet softening, improvement in local economic indicators. The Adopted Budget for property tax assumes a 6.0 percent growth rate based on a continued increase in home prices and home sales, as well as a slight increase in collection rates from the Fiscal Year 2022 Adopted Budget. The Adopted Budget for sales tax assumes a 3.0 percent growth rate to reflect continued growth in sales tax receipts as consumers continue to pay for goods and services at record levels and the increasing cost of goods as a result of elevated inflation—consumer strengths, including available disposable income and lower unemployment rates support the continued consumer spending trend. The Adopted Budget for TOT assumes a 5.47 percent growth rate, making TOT the last major revenue to reach pre-pandemic levels. While the tourism industry continues to experience impacts from the COVID-19 pandemic, including the gradual return of group and business travel, leisure travel has led the accelerated trend towards recovery, primarily supported by vaccinations becoming widely available and pent-up demand for travel. The Adopted Budget for Franchise Fee revenues is based on updated Fiscal Year 2022 projections, which are anticipated to grow moderately. In June 2021, the City Council approved a new 10-year agreement with SDG&E; the details and impacts of the new agreement are further described in the Franchise Fee section of this General Fund Revenues document. The development of all four General Fund major revenues, including assumptions, are discussed in further detail in later sections of this report.

In forecasting the major General Fund revenues, the movement of key economic indicators help inform anticipated growth or contraction and are used to determine growth rates for each revenue source. Main economic drivers that influence the development of the Fiscal Year 2023 Adopted Budget General Fund revenues include consumer spending, which is greatly influenced by employment levels and consumer confidence; and housing market indicators, such as home sales and prices.

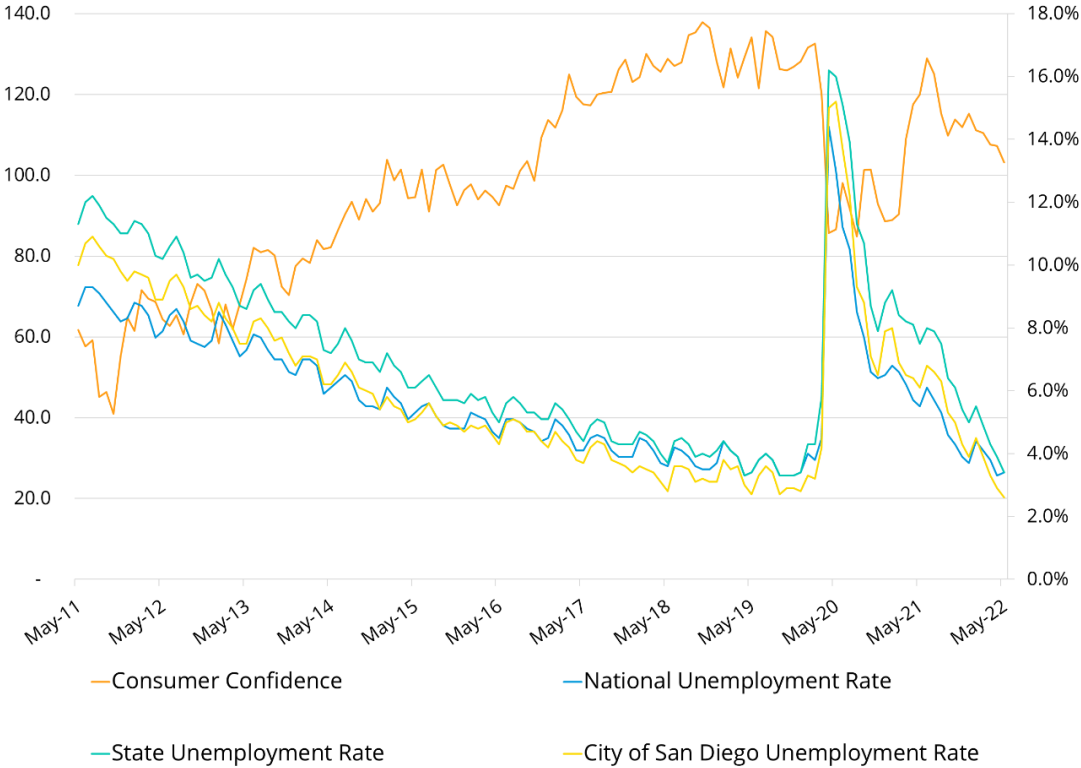
Consumer confidence, a measurement of consumers' willingness to spend, has experienced month-to-month fluctuation since the inception of the COVID-19 pandemic; however, year-over-year data steadily approaches recovery from the COVID-19 pandemic. In the initial months of the pandemic, consumer confidence decreased to 85.7 in April 2020, which represents a decrease of 35.4 percent when compared to 132.6 in February 2020—the month prior to the pandemic. Since then, consumer confidence has improved. As of May 2022, consumer confidence is recorded at 103.2, which is an improvement from the consumer confidence recorded at the inception of the COVID-19 pandemic. However, as noted, month-over-month data does fluctuate—the 103.2 recorded in May 2022, represents a decrease of 14.0 percent when compared to 120.0 in May 2021, which can be attributed to consumer reservations regarding COVID-19 variants, supply chain disruptions, elevated inflation, and geopolitical events. Despite the fluctuation, it is anticipated that consumer confidence will progressively increase as consumer strengths, including available disposable income and lower unemployment rates, favor consumer confidence.

The unemployment rate for the City of San Diego has continuously improved since reaching record high unemployment rates during the inception of the COVID-19 pandemic—and has fully recovered as of the second quarter of calendar year 2022. At the beginning of the COVID-19 pandemic, response measures required nonessential business, including restaurants, retail stores, and other non-essential businesses to temporarily shut-down, resulting in a peak unemployment rate of 14.9 percent in May 2020. Since then, while the unemployment rate has fluctuated in response to the periodic reinstatement and lifting of various restrictions across the region, the re-opening of California's economy in June 2021, has stabilized the decline in unemployment rate—leading to a full recovery as of the second quarter of calendar year 2022. The City of San Diego's unemployment rate is recorded at 2.6 percent in May 2022, which outperforms the 3.1 percent unemployment rate recorded in February 2020—the month prior to the inception of the COVID-19 pandemic.

General Fund Revenues

Figure 2: Consumer Confidence and Unemployment depicts the recent trend between consumer confidence and unemployment rates.

Figure 2: Consumer Confidence and Unemployment

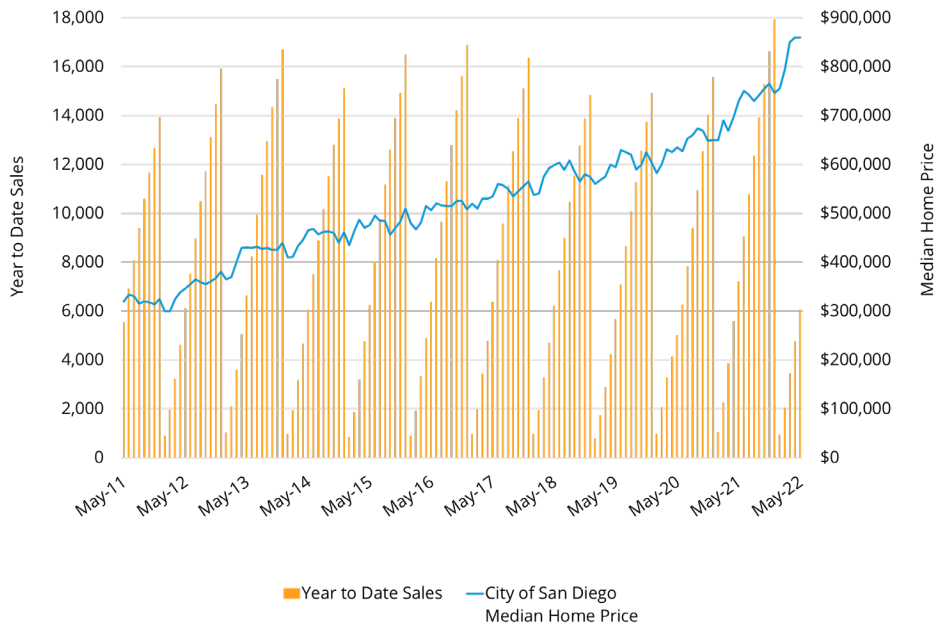


Source: Conference Board, Bureau of Labor Statistics, California Employment Development Department.

Although the housing market paused for a few months at the beginning of the COVID-19 pandemic, historically low interest rates have led to increasing growth in the median home price and number of home sales, which is reflected in the Adopted Budget. As depicted in **Figure 3: City of San Diego Monthly Median Home Price and Home Sales** and **Figure 4: City of San Diego S&P/Case-Shiller Home Price Non-Seasonally Adjusted Index Graph**, citywide median home prices continue to rise. The average 12-month median home price for the period of June 2021 through May 2022 reached \$779,271, an increase of 16.67 percent when compared to \$667,917 from June 2020 through May 2021. In calendar year 2021, the number of home sales is recorded at 17,943, which represents an increase of 15.2 percent when compared to the calendar year 2020 number of home sales total of 15,580. As economic indicators continue to strengthen and increases in prices persists, the Federal Open Market Committee (FOMC) now aims to reduce inflation to a rate of 2.0 percent. In a June 2022 statement from the Federal Reserve, "the Committee decided to raise the target range for the federal funds rate to 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the target range will be appropriate"—this is the third federal funds rate increase in calendar year 2022. Increases in federal fund rates during Fiscal Year 2023 are not expected to impact the Adopted Budget property tax revenues, as property tax receipts reflect real estate market trends 12 to 18 months prior.

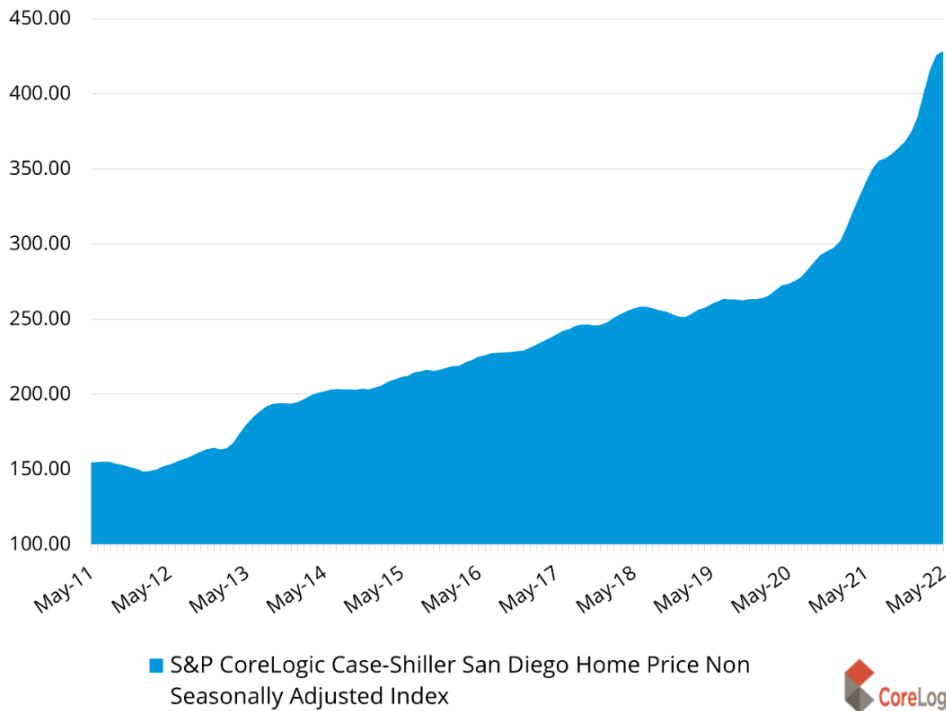
General Fund Revenues

Figure 3: City of San Diego Monthly Median Home Price and Home Sales



Source: CoreLogic ®

Figure 4: City of San Diego S&P/Case-Shiller Home Price Non-Seasonally Adjusted Index Graph



Source: CoreLogic ® S&P Dow Jones Indices LLC / Case-Shiller



General Fund Revenues

Table 3: Key Economic Indicators reflects economic indicators and assumptions that were used in the preparation of the Fiscal Year 2023 Adopted Budget.

Table 3: Key Economic Indicators

Economic Indicator	May 2021	May 2022
City of San Diego 12-month Home Sales (Source: CoreLogic ®)	17,787	16,802
City of San Diego 12-month Median Home Price (Source: CoreLogic ®)	\$667,917	\$779,271
S&P/CoreLogic Case-Shiller Home Price NSA Index for the City of San Diego (Source: S&P Dow Jones Indices / CoreLogic ® Case-Shiller)	341.04	428.32
Countywide Foreclosures (12 month) (Source: County of San Diego)	177	196
Countywide Notices of Default (12 month) (Source: County of San Diego)	857	1,510
City of San Diego Unemployment Rates (Source: State of California Economic Development Department)	6.1%	2.6%
Consumer Confidence (Source: Conference Board)	120.0	103.2

Additionally, data and assumptions in expert reports are referenced to help inform the development of the major General Fund revenues.

Consistent with the May 2022 San Diego Lodging Forecast, prepared by Tourism Economic for the San Diego Tourism Authority, the Fiscal Year 2023 Adopted Budget assumes that while COVID-19 surges and outbreaks will continue, severe health risks to individuals will be substantially lower and COVID-19 will recede as a major cause of death—signifying that future variants are not anticipated to induce substantial shifts in tourism.

According to the UCLA Anderson Forecast for the Nation and California June 2022 Reports, strong but slowing economic growth is anticipated. Real Gross Domestic Product (GDP) is forecasted to grow at 2.8 percent in calendar year 2022 and 2.0 percent in calendar year 2023, effectively normalizing from the 5.7 percent increase realized in calendar year 2021. The UCLA Anderson Forecast acknowledges consumer pessimism regarding the economy as supply constraints and higher prices persist. However, despite this pessimism, consumers continue to purchase goods at record levels, which is supported by increases in available disposable income.

According to the Summer 2022 Beacon Economics Forecast for the United States and California, the near-term forecast remains strong—the U.S. economy has fully recovered from the pandemic induced recession, and California’s state budget stands with a surplus of \$100 billion. While the outlook does note uncertainty surrounding the economy, the current economic expansion still has momentum that is supported by historically high household savings, low debt levels, and continuing stimulus funding.

Both the UCLA Anderson Forecast and Beacon Economics agree the economic growth is expected to continue but at a slower pace. Thus, to be in line, the rate of improvement reflected in the General Fund Revenues is slower than the accelerated improvement experienced over the last two years following the COVID-19 pandemic. The Department of Finance will continue to monitor economic indicators and expert reports to assess and review the continued economic growth and recovery and will implement necessary revisions to the General Fund revenue sources and report significant changes in the fiscal year 2023 quarterly budget monitoring reports.

General Fund Revenues

American Rescue Plan Act

On March 11, 2021, the federal government passed the American Rescue Plan Act of 2021 (ARPA) to provide additional relief and address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. 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 ARPA allocated \$299.7 million in Coronavirus State and Local Fiscal Recovery Funds to the City.

In accordance with the ARPA guidelines, 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. Consistent with these guidelines, and as reported in the Third Quarter Report, \$100.0 million is projected to be used in Fiscal Year 2022. The Fiscal Year 2023 Adopted Budget includes the use of \$147.6 million in Coronavirus State and Local Fiscal Recovery Funds to supplement revenue lost due to the COVID-19 pandemic; with the remaining funds expected to be used in Fiscal Year 2024. The ARPA funding is budgeted and reflected in **Table 2: Fiscal Year 2023 General Fund Revenues**, in the Transfer In revenue category. These funds will allow the City to use unrestricted General Fund revenue to maintain current services and add critical expenditures in response to the negative economic impacts in our communities from the COVID-19 pandemic.

The funds to the City were provided in two tranches. The first tranche was deposited on March 11, 2021; and the second tranche was deposited on May 11, 2022. The ARPA allows funds provided by this legislation to be used through December 31, 2024.

For additional information on the allocation of the ARPA funds please refer to the Citywide Budget Overview section of Volume I.

Property Tax Background

Property tax revenue is the City's largest revenue source, representing 36.2 percent of total General Fund revenue. Property tax revenue is collected by the San Diego County Tax Collector from a 1.0 percent levy on the assessed value of all real property. Proposition 13, passed by voters in 1979, specifies that a property's assessed value may increase at the rate of the California Consumer Price Index but cannot exceed 2.0 percent per year unless the property is improved or sold to establish a new assessed value. The 1.0 percent property tax levy is collected and distributed to a number of agencies including the County, the City, school districts, and special districts—**Figure 5: Fiscal Year 2022 Countywide Property Tax Distribution** depicts the respective distribution. According to the County of San Diego Assessor's Office, for every \$100 collected in Fiscal Year 2022, the average allocation to cities within San Diego County totals \$18. Additionally, per City Charter requirement, a special tax levy, held separate from the General Fund, of \$0.005 per \$100 of assessed value is collected for funding the maintenance of zoological exhibits in Balboa Park.

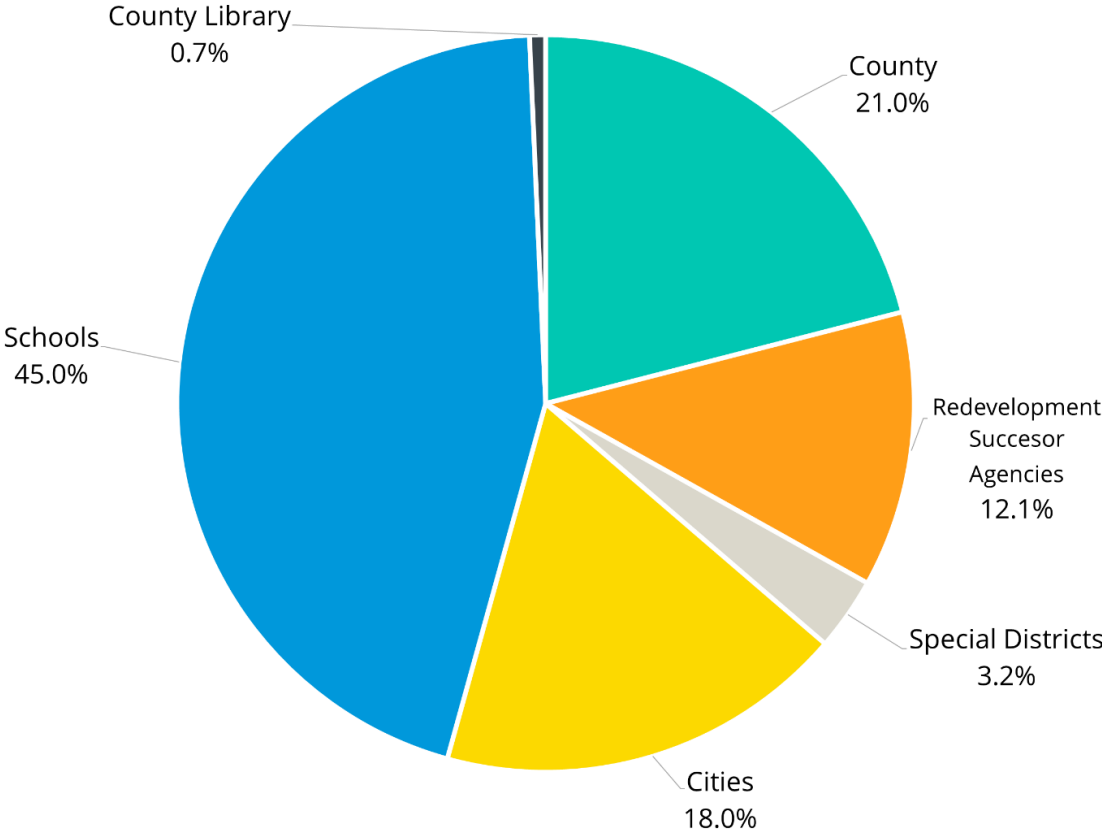
General Fund Revenue
\$706.2 million

Percent of General Fund Revenues
36.2 percent

Additionally, as a result of the dissolution of redevelopment agencies in Fiscal Year 2012, funding for continuing obligations as approved by the State Department of Finance are distributed to the City as Successor Agency from the Redevelopment Property Tax Trust Fund (RPTTF) after the Recognized Obligations Payment Schedule (ROPS) is met. These residual funds in the RPTTF are distributed to the local taxing entities per their individual allocation formulas at a rate ranging from 17.0 to 22.0 percent.

General Fund Revenues

Figure 5: Fiscal Year 2022 Countywide Property Tax Distribution



Source: San Diego County Property Tax Services

Economic Trends

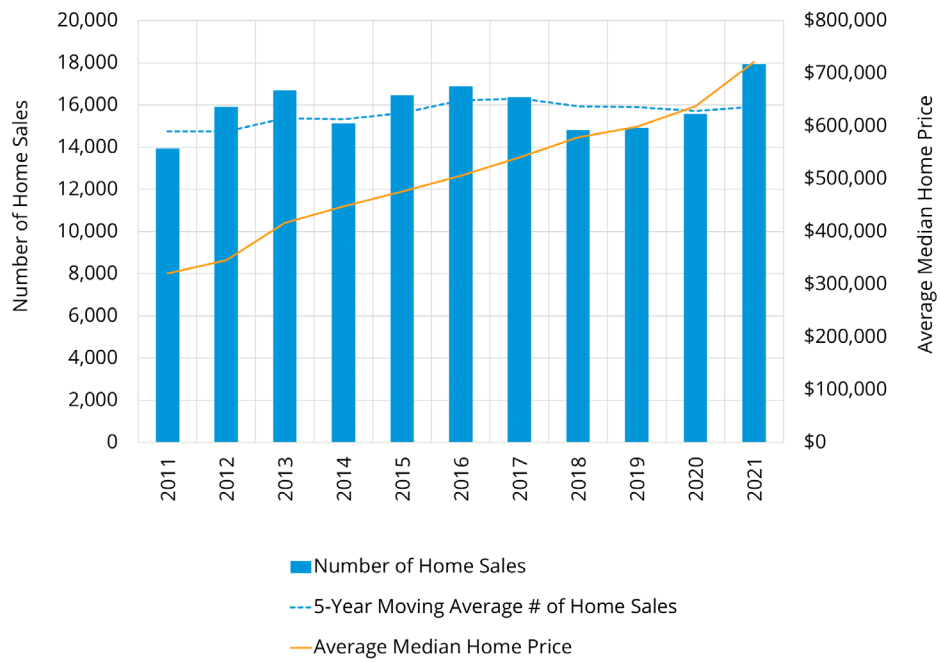
Property Tax growth for the Fiscal Year 2023 Adopted Budget is based on real estate activity through calendar year 2021. This is due to a lag between the time assessed valuation is set by the County Assessor's Office and the time that property tax revenue is received by the City. The assessed value of each property is determined as of January 1st each year; however, the resulting property tax payments based on this assessed valuation are not due from property owners until December and April of the following year. Due to this delay, property tax revenue projections do not fully reflect recent market activity. The local real estate market continues to see increasing home values and the number of home sales has increased when compared to the previous year.

Supported by continued strength in the real estate market, including home sales and median home prices; the October 2021 CCPI; low unemployment rates; and historically low mortgage interest rates, the assessed valuation of properties has increasingly improved, which results in increased property tax receipts.

As depicted in **Figure 6: City of San Diego Home Sales (CY)**, the City recorded 17,943 sales in calendar year 2021, which is a 15.2 percent increase over the calendar year 2020 home sales total of 15,580. Median home sales price also showed continued improvement, reaching a new, all-time high, at \$860,000 in April 2022, and sustained in May 2022—**Figure 7: City of San Diego Annual Median Home Price** depicts the increasing trend in the median home price.

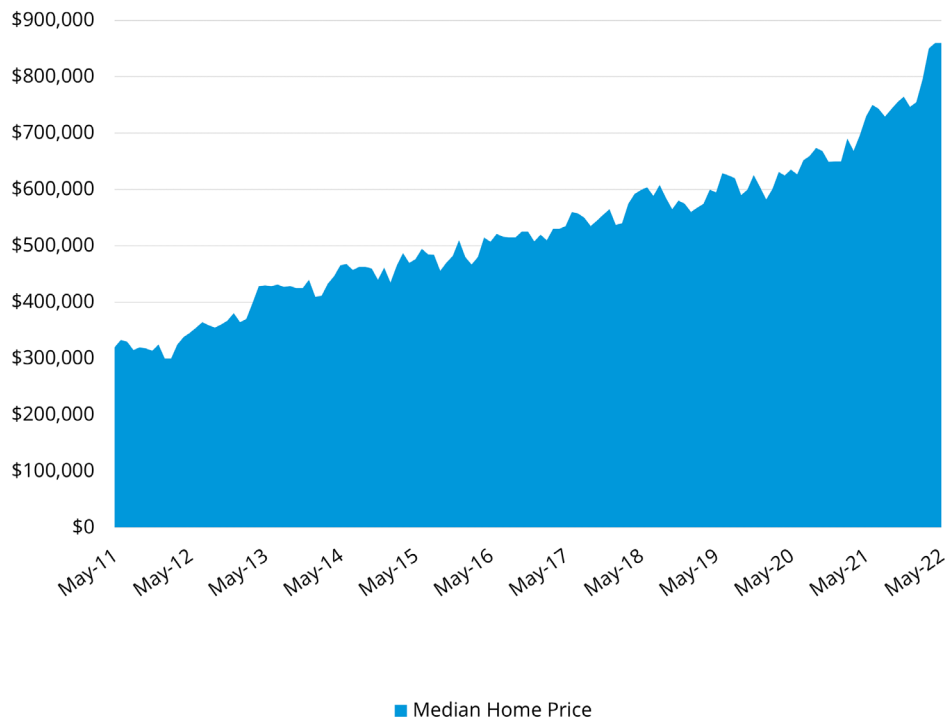
General Fund Revenues

Figure 6: City of San Diego Home Sales (CY)



Source: CoreLogic®

Figure 7: City of San Diego Annual Median Home Price

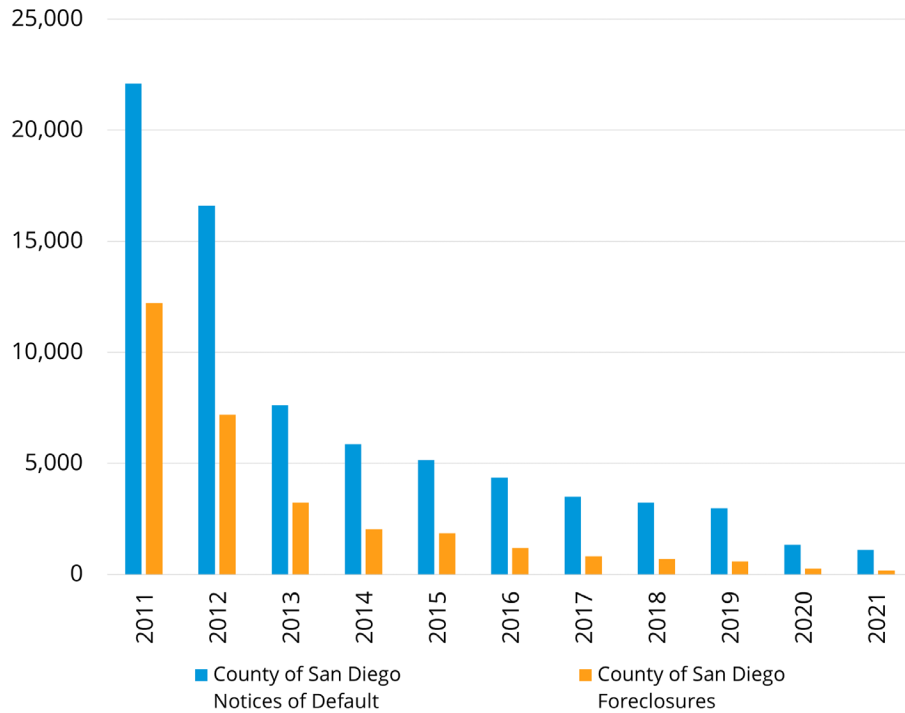


Source: CoreLogic®

General Fund Revenues

While the year-over-year data depicted in **Figure 8: San Diego County Home Foreclosures** reflects a trend towards decreases in home foreclosures and notices of defaults; in recent months, both foreclosures and notices of defaults have steadily increased, which is attributed to the easing of State Executive Orders initially put in place to regulate evictions and post-foreclosure evictions across the State for households experiencing a reduction in household income or increase in household expenses due to the COVID-19 pandemic.

Figure 8: San Diego County Home Foreclosures (CY)



Source: San Diego County Assessor/Recorder/County Clerk / CoreLogic ®

The California Consumer Price Index (CCPI) plays an important part in the assessed valuation of properties that do not sell or are not improved within a given year. Revenue and Taxation Code section 51 provides that a property's value may increase at the rate of the October CCPI; however, cannot exceed 2.0 percent per year unless the property is improved or sold to establish a new assessed value. The CCPI as of October 2021 is 303.0, which reflects a 5.6 percent increase over the October 2020 CCPI of 286.8. Therefore, assessed value for those properties, not otherwise sold or improved, will increase by CCPI of 2.0 percent.

The City of San Diego's unemployment rate is recorded at 2.6 percent in May 2022—effectively recovering from an all-time high of 14.9 percent in May 2020. The improvement and return to pre-pandemic levels, results in personal income that effectively supports the continued growth realized in the real estate market, including home prices reaching an all-time high.

Mortgage interest rates reached historical lows in calendar year 2021, which supported a strong real estate market. However, in recent months, the Federal Open Market Committee (FOMC) has decided to raise the target range. As noted in their June 15, 2022 press release, "the Committee decided to raise the target range for the federal funds rate to 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the target range will be appropriate"—this is the third increase in calendar year 2022. This increase, and possible future increases in federal fund rates during Fiscal Year 2023, are not expected to impact the Fiscal Year 2023 Adopted property tax revenues due to the delay previously noted, in which, property tax receipts reflect real estate market trends 12 to 18 months prior.

General Fund Revenues

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for property tax is \$706.2 million, or 36.2 percent, of the General Fund Budget. This represents an increase of \$34.0 million, or 5.1 percent, from the Fiscal Year 2022 Adopted Budget. The Adopted Budget for property tax reflects a 6.0 percent growth from the base—the base used is consistent with Proposition 13 guidelines. Supported by improved economic conditions, the Adopted Budget also assumes a collection rate of 99.2 percent, which represents a return to pre-pandemic levels. Moreover, the Adopted Budget for property tax includes a projected increase in "property tax in-lieu of motor vehicle license fee" payments, which is property tax revenue received from the State of California to replace the Motor Vehicle License fee (MVLf) that was repealed in 2004. The growth projected in property tax revenue is relatively consistent with the growth forecasted in the Outlook as market conditions remain relatively unchanged.

The \$706.2 million property tax budget consists of an estimated \$478.7 million in base property tax, \$178.6 million "in-lieu of motor vehicle license fee" payment, \$10.9 million in tax sharing pass-through payments from the former Redevelopment Agency (RDA), and \$38.1 million in anticipated residual property tax payments, including \$5.8 million in one-time total tax sharing from the Residual Property Transfer Tax Fund (RPTTF) associated with the sale of Tailgate Park, which is set to be transferred to the Bridge to Home Program. **Table 4: Fiscal Year 2023 Adopted Property Tax Budget** reflects this composition.

Table 4: Fiscal Year 2023 Adopted Property Tax Budget

Property Tax Segments	Revenue (In Millions)
Base Property Tax	\$ 478.7
Property Tax "In-Lieu" of MVLf	178.6
Residual Tax Sharing	38.1
Tax Sharing Distribution	10.9
Total Property Tax	\$ 706.2

Sales Tax

Background

Sales tax is the second largest General Fund revenue source, representing 19.5 percent of the total General Fund revenue. Collected at the point of sale, sales tax receipts are remitted to the California Department of Tax and Fee Administration, which allocates tax revenue owed to the City in monthly payments. According to the Bradley-Burns Sales and Use Tax law, the City is to receive one cent of the total statewide sales tax levied on each dollar of taxable sales.

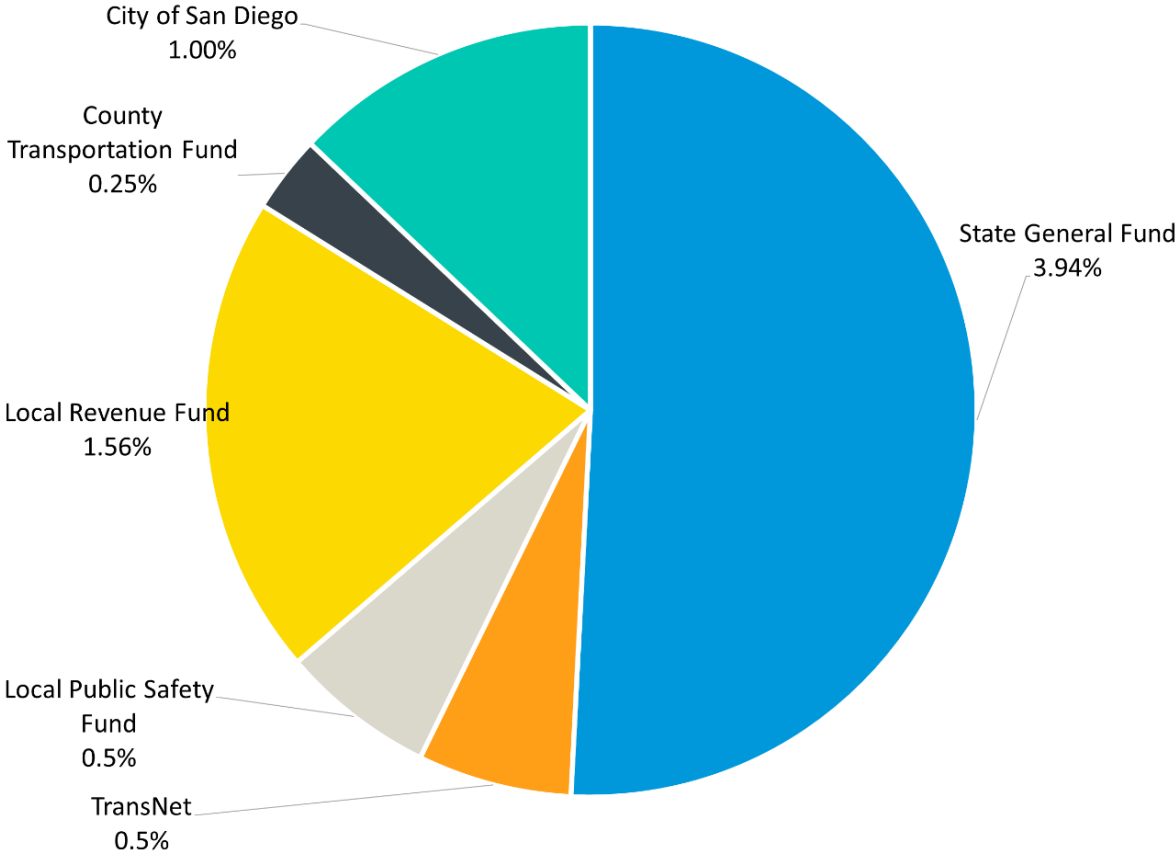
General Fund Revenues
\$380.2 million

Percent of General Fund Revenues
19.5 percent

As depicted in **Figure 9: City of San Diego Sales Tax Rate (7.75 percent)**, the total citywide sales tax rate in San Diego is 7.75 percent. Included in the 7.75 percent sales tax rate are two voter-approved supplemental sales tax add-ons: TransNet Extension Ordinance and Expenditure Plan (TransNet) and safety sales tax. TransNet was implemented in 1987 to fund the San Diego Transportation Improvement Program for the maintenance, construction, and expansion of roads and bridges. The TransNet Extension Ordinance and Expenditure Plan, which went into effect April 2008, renewed the half-cent obligation for an additional 40-year term. Additionally, the total citywide sales tax rate includes a half-cent tax approved by California voters in 1993 for the purpose of funding local public safety expenditures.

General Fund Revenues

Figure 9: City of San Diego Sales Tax Rate (7.75 percent)



Source: California Department of Tax and Fee Administration.

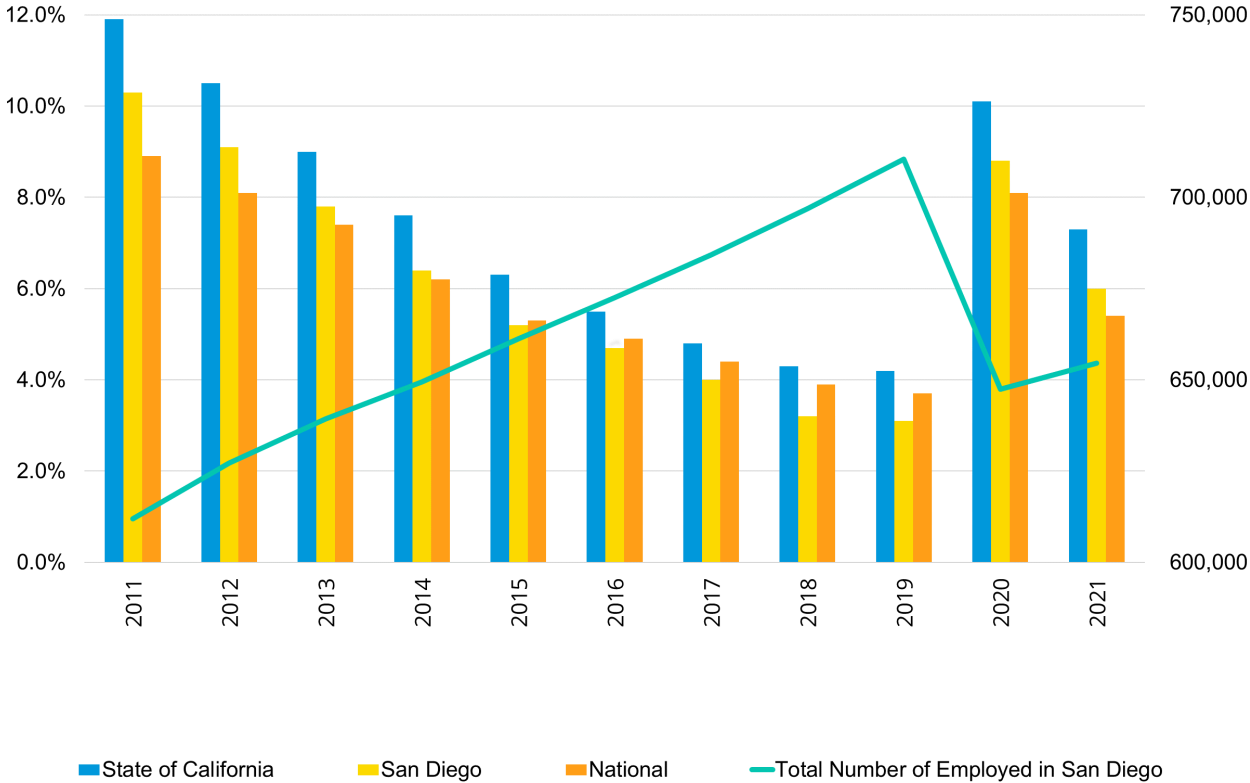
Economic Trends

Economic indicators that drive spending and growth in sales tax receipts include consumer spending, which is greatly influenced by the unemployment rate, total number of persons employed, consumer confidence, and Consumer Price Index (CPI). Each of these economic indicators, despite experiencing month-over-month variation since the inception of the COVID-19 pandemic, are progressively reaching pre-pandemic levels.

In May 2022, the City of San Diego recorded 697,200 persons employed and an unemployment rate of 2.6 percent—relatively reaching pre-pandemic levels. **Figure 10: Unemployment Rates by Calendar Year** depicts the total number of employed and unemployment rate for the City of San Diego by full calendar year as of December data. When compared to calendar year 2020, calendar year 2021 reflects a moderate recovery, which is largely attributed to slower recovery of jobs. Industries like the tourism and services sector, which require a higher level of human contact, have taken much longer to recover. These sectors were greatly impacted by restrictions put in place in response to the COVID-19 pandemic, including the closures of non-essential businesses. Progress towards pre-pandemic levels for the number of employed and employment rate are anticipated to continue in calendar year 2022 and 2023—as noted in the San Diego’s Economic Environment section of this report, the unemployment rate has fully recovered as of the second quarter of calendar year 2022.

General Fund Revenues

Figure 10: Unemployment Rates by Calendar Year



Source: State of California-Employment Development Department, Bureau of Labor Statistics.

Moreover, consumer confidence, which correlates with sales tax receipts, reflects continued improvements since the inception of the COVID-19 pandemic. In the initial months of the pandemic, consumer confidence decreased to 85.7 in April 2020, which represents a decrease of 35.4 percent when compared to 132.6 in February 2020—the month prior to the pandemic. More recently, in May 2022, consumer confidence is recorded at 103.2, which reflects improved consumer confidence when compared to the inception of the COVID-19 pandemic. Notwithstanding, month-over-month data in consumer confidence does fluctuate as consumers respond to reservations regarding COVID-19 variants, supply chain disruptions, elevated inflation, and geopolitical events—when compared to 120.0 in May 2021, the 103.2 recorded in May 2022, represent a decrease of 14.0 percent. Despite the variation, it is anticipated that consumer confidence will continue to improve, as consumer strengths, including available disposable income and levels of employment, favor consumer confidence.

The San Diego Consumer Price Index (CPI) has increased by 8.3 percent year-over-year from 317.141 in May 2021 to 343.502 in May 2022. The increase in CPI is primarily attributed to inflation resulting from increased consumer demand and supply chain disruptions. As the price of taxable goods, including food products and automobiles increase due to inflation, so will the corresponding sale tax receipts. Elevated inflation is anticipated to continue into Fiscal Year 2023.

General Fund Revenues

The Department of Finance will continue to monitor these metrics, including changes to revenues, and will implement corresponding modifications and report significant changes in the Fiscal Year 2023 quarterly budget monitoring reports.

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for sales tax is \$380.2 million, or 19.5 percent, of the General Fund revenue budget. This represents an increase of \$59.4 million, or 18.5 percent, from the Fiscal Year 2022 Adopted Budget. Similarly, the Adopted Budget for sales tax represents a significant increase from the \$348.4 million forecasted in the Outlook, as a result of higher than anticipated actuals since the development of the Outlook, which resulted in an increased base and revised growth rate. The Adopted Budget for sales tax reflects a growth rate of 3.0 percent and is supported by decreasing unemployment rates, consumer confidence, and the rise in price of goods due to elevated inflation. The growth in sales tax is considered moderate, when compared to the accelerated growth and recovery experienced since the inception of the COVID-19 pandemic.

The projected increase in sales tax receipts is supported by an ongoing trend of consumers paying for goods and services at record rates and the increasing cost of goods as a result of elevated inflation. As reported in the Third Quarter Report, sales tax receipts continue to increase at accelerated rates, which is supported by consumer purchasing power, including increased saving and disposable income that has been increasingly spent on taxable goods and pent up demand. As an added element, increasing consumer demand and supply chain disruptions have resulted in inflation, which further increases sales tax receipts. Despite low sentiment from consumers regarding these factors, economic data suggests consumers will continue to drive economic growth and sustain the purchases of goods, as employment rates continue to improve, and available disposable income remains. While concerns over longer period of inflation persist, the Fiscal Year 2023 Adopted Budget balances these factors with moderate projected growth as consumer spending patterns adjust to inflation. Although this shift may not necessarily decrease the consumption of goods, an ease into normalized growth is anticipated, when compared to the robust growth experienced in the last two years following the COVID-19 pandemic.

Per the voter approved Proposition H, the City is required to dedicate specific sources of revenue to fund new General Fund Infrastructure. The calculation to fund the Infrastructure Fund is based on two specific components. One of the components of funding is through the incremental growth in sales tax revenue. Based on current sales tax projections, the incremental growth in sales tax is expected to result in additional contributions to the Infrastructure Fund. Therefore, potentially limiting the revenue available to fund other General Fund obligations.

These assumptions are consistent with the forecast prepared by the City's sales tax consultant's Avenu Insights and Analytics. The City will continue to monitor potential economic impacts that could affect consumer confidence and/or business-to-business growth as any increase or decrease in local taxable sales performance will directly impact the City's sales tax projection.

General Fund Transient Occupancy Tax (TOT)

Background

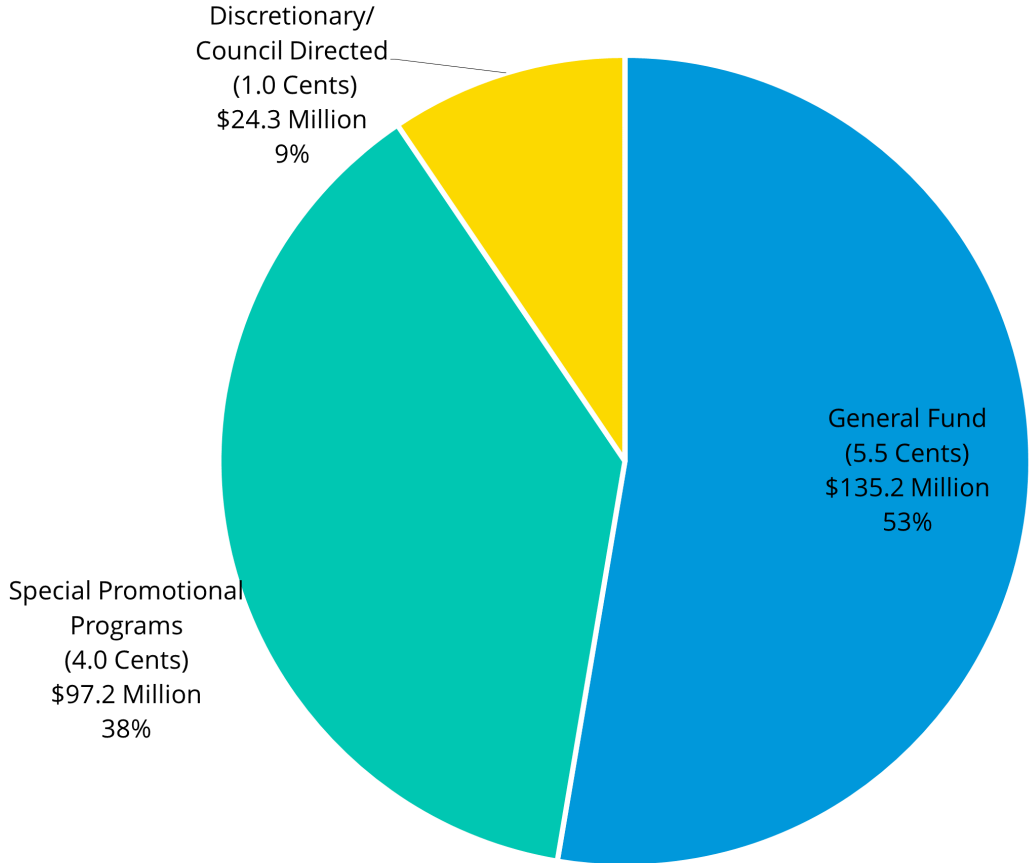
Transient Occupancy Tax makes up 6.9 percent of the City's General Fund revenue budget. TOT is levied at 10.5 cents per dollar on taxable rent for a transient's stay of less than one month. The use of TOT is guided by the City's Municipal Code which stipulates that of the 10.5 cents of collected TOT, 5.5 cents is to be applied toward general government purposes, 4.0 cents towards promoting the City as a tourist destination, and the remaining 1.0 cent towards any purposes approved by the City Council—this breakdown is depicted in **Figure 11: City of San Diego Transient Occupancy Tax**

General Fund Revenues
\$135.2 million
Percent of General Fund Revenues
6.9 percent

General Fund Revenues

Allocation. In the Fiscal Year 2023 Adopted Budget, TOT totals \$256.7 million, of which \$135.2 million is applied directly to the General Fund and represents the 5.5 cents designated for general government purposes. The remaining 5.0 cents, which totals \$121.4 million, is budgeted for Special Promotional Programs to promote the City as a tourist destination, including reimbursement to the General Fund for safety and maintenance of visitor-related facilities, and the Council Discretionary allocation.

Figure 11: City of San Diego Transient Occupancy Tax Allocation



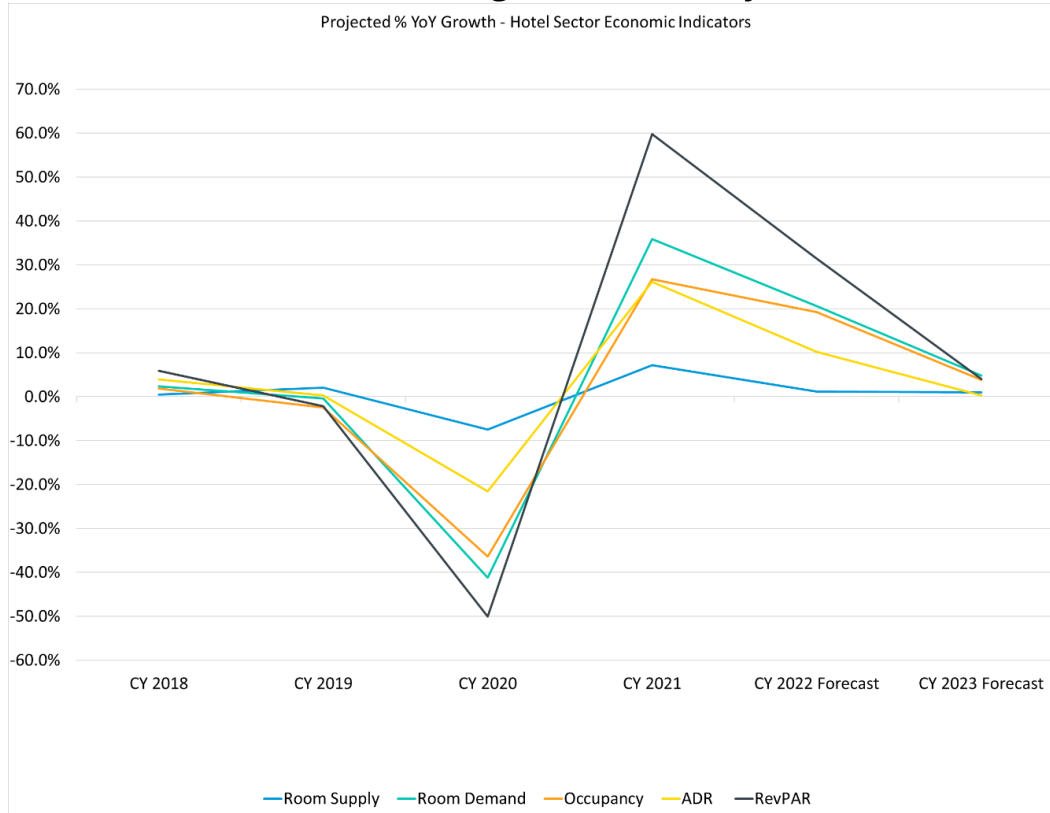
Economic Indicators

The primary economic indicators of transient occupancy tax include room rates, occupancy, and room demand growth, all of which are projected to see growth in Fiscal Year 2023, indicative of increased tourism in the region. This assumption is supported by vaccinations becoming widely available, a decline in COVID-19 infection rates, pent-up demand for leisure travel, and the gradual return of group and business travel.

The May 2022 San Diego Lodging Forecast, prepared by Tourism Economics for the San Diego Tourism Authority, includes projected growth for these primary indicators. Average hotel occupancy rate is forecasted at 76.4 percent in calendar year 2023, which represents an increase from the prior year rate of 73.6 percent. Room demand is forecasted to grow by 4.8 percent in calendar year 2023, while the supply of rooms is projected to increase by 1.0 percent in calendar year 2023. Moreover, the Average Daily Rate (ADR) is projected to increase an average of 0.3 percent in calendar year 2023, while the revenue per available room (RevPAR) is projected to increase by 4.0 percent. **Figure 12: Year-Over-Year Percentage Growth in Key Hotel Sector Indicators** depicts and reflects the projected growth.

General Fund Revenues

Figure 12: Year-Over-Year Percentage Growth in Key Hotel Sector Indicators



	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022 ¹	CY 2023 ¹
Hotel Sector						
Avg. Occupancy	78.5%	76.5%	48.7%	61.7%	73.6%	76.4%
Avg. Daily Rate	\$ 166.0	\$ 166.4	\$ 130.6	\$ 164.6	\$ 181.5	\$ 182.0
Rev PAR ²	\$ 130.3	\$ 127.4	\$ 63.6	\$ 101.6	\$ 133.6	\$ 138.9
Room Demand (growth)	2.4%	-0.4%	-41.2%	35.9%	20.6%	4.8%

Source: San Diego Tourism Authority and Tourism Economics.

¹ Lodging Forecast - Tourism Economics, May 2022.

² Revenue Per Available Room. (Average Occupancy multiplied by Average Daily Rate)

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for total Transient Occupancy Tax (TOT) revenue is \$256.7 million, of which \$135.2 million is allocated to the General Fund and represents 6.9 percent of the General Fund revenue budget. The General Fund allocation represents an increase of \$39.7 million, or 41.6 percent, from the Fiscal Year 2022 Adopted Budget. Similarly, the Adopted Budget for TOT represents a \$5.0 million increase from the Outlook—reaching pre-pandemic levels a year ahead of the Outlook. The development of the Adopted Budget for TOT includes a 5.47 percent growth rate and assumes, leisure travel, which has led the recovery towards pre-pandemic levels, will continue to thrive based on favorable conditions, including improving employment levels, reduced public health concerns, and pent-up demand. Additionally, progressive increases in group and international travel are anticipated as restrictions are revised. The gradual return of group travel is contingent on the type of group—for instance, large events

General Fund Revenues

are anticipated to recover at a slower pace. These assumptions are consistent with assumptions and data reported by Tourism Economics in the May 2022 San Diego Lodging Forecast.

As mentioned, of the \$256.7 million in total TOT revenue, \$135.2 million is budgeted in the General Fund and represents the 5.5 cents allocable for general government purposes; the remaining \$121.5 million is allocated to Special Promotional Programs, which includes the 4.0 cents allocated to programs that promote the City as a tourist destination, including reimbursement to the General Fund for safety and maintenance of visitor related facilities, and the 1.0 cent Council Discretionary allocation. The Department of Finance continues to monitor economic indicators and changes to revenues and will implement changes as needed and report significant changes in the Fiscal Year 2023 quarterly budget monitoring reports.

Franchise Fees

Background

The Fiscal Year 2023 Adopted Budget total for Franchise Fee revenue is \$95.6 million which represents 4.9 percent of the General Fund revenue budget; this is an increase of \$15.6 million, or 19.5 percent, from the Fiscal Year 2022 Adopted Budget. Franchise fee revenue is generated from agreements with private utility companies in exchange for use of the City's rights-of-way. The largest of the franchise fee payers in the City are San Diego Gas and Electric (SDG&E), Cox Communications, Spectrum TV, AT&T U-verse, and California American Water (Cal AM). In addition, the City collects franchise fees from private refuse haulers that conduct business within City limits. The revenue received from the agreements with SDG&E, cable companies, and Cal AM is based on a percentage of gross sales while the revenue received from refuse haulers is based on tonnage. SDG&E is the single largest generator of franchise fee revenue in the General Fund and remits 3.0 percent of the gross sales of gas and electricity within the City of San Diego. Revenue from SDG&E is split between the General Fund (75.0 percent) and the Environmental Growth Funds (25.0 percent) based on the City Charter. Cable providers, which are the second largest contributors to franchise fees, remit 5.0 percent of gross revenues.

General Fund Revenues \$95.6 million
Percent of General Fund Revenues 4.9 percent

Fiscal Year 2023 Adopted Budget

SAN DIEGO GAS & ELECTRIC. The Fiscal Year 2023 Adopted Budget for total SDG&E franchise fee revenue of \$78.7 million and assumes a 7.36 percent growth rate for Fiscal Year 2023. The SDG&E franchise fee revenue is based on updated Fiscal Year 2022 projections, while the growth rate accounts for historical trends in energy consumption levels and rate increases implemented in recent years. This growth rate is consistent with the growth rate assumed in the Outlook.

In accordance with the City Charter, 75.0 percent of the revenue from SDG&E, or \$59.0 million, is allocated to the General Fund; and the remaining 25.0 percent of revenue received from SDG&E, or \$19.7 million, is deposited into the Environmental Growth Funds (EGF). Additionally, 10.0 percent, or \$5.9 million, of the 75.0 percent allocated to the General Fund is then transferred to the newly created Climate Equity Fund, in accordance with the resolution establishing the fund. Of the revenues transferred to the EGFs, one-third is used to fund the maintenance of parks and two-thirds are designated for parkland maintenance and debt service payments for open space acquisitions. This will provide funding for park and open space maintenance in Fiscal Year 2023. The impacts of more revenue deposits in EGF have been reflected in the Fiscal Year 2023 Adopted Budget.

In June 2021, the City Council agreed to a new 10-year gas and electric franchise agreement with SDG&E, with the option of extending it another 10 years. For the last 100 years, these rights had been granted to SDG&E through two 50-year terms. The agreement includes \$80.0 million for the gas and electric franchise agreements and an additional \$20.0 million to advance the City's climate equity goals. The franchise agreements each have a separate payment plan. The gas franchise bid will be paid in equal installment

General Fund Revenues

payments of \$500,000 over the entire 20 years covered by the agreement. If the agreement is terminated at any time, the remaining payments will be voided. The electric franchise bid will pay \$10.0 million annually for the first five-years, while the final two \$10.0 million payments will be delayed until years 10 and 11 (2030 and 2031) of the agreement. The installment payments are subject to an annual interest rate of 3.38 percent. The payment in 2031 will only occur if the contract is renewed for another 10 years following the initial 10-year term. Additionally, per City Council modifications, the agreement requires SDG&E to contribute \$2.0 million for the first five years of the agreement to further the City's climate action and equity goals—of which \$1.5 million is allocated to the Climate Equity Fund and \$500,000 is allocated to the EGF funds. Consistent with the terms of this agreement, the Fiscal Year 2023 Adopted Budget includes \$10.9 million in gas & electric franchise bid payment, including the annual interest rate of 3.38 percent, which is subject to the General Fund and EGF split—\$8.1 million is allocated to the General Fund, while the remaining \$2.7 million is allocated to the EGF funds.

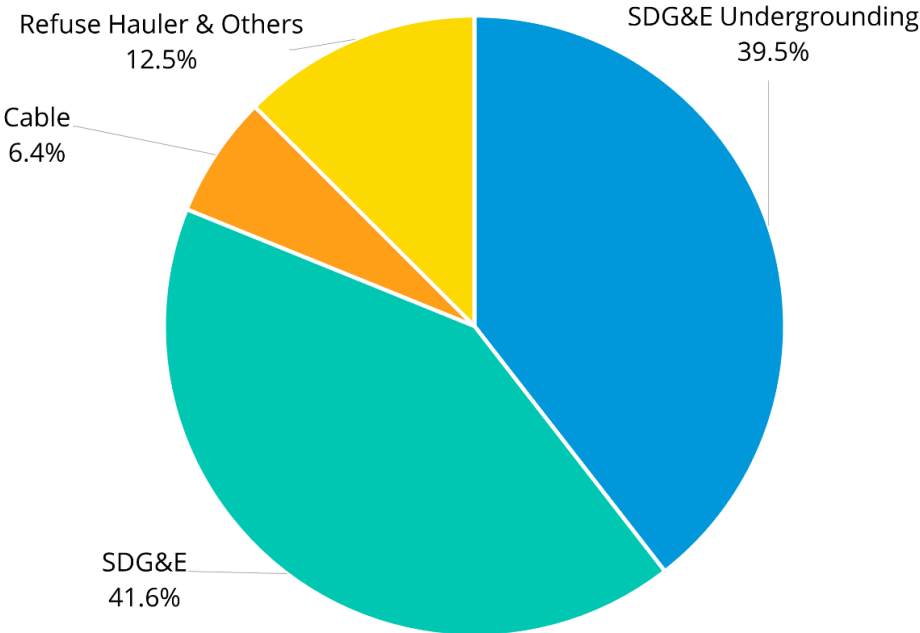
The City also receives an undergrounding utility franchise fee from SDG&E. The Fiscal Year 2023 Adopted Budget for SDG&E undergrounding utility fee revenue of \$76.5 million. This revenue is budgeted in the Underground Surcharge Fund.

CABLE COMPANIES. The Fiscal Year 2023 Adopted Budget for cable franchise fee revenue is \$12.3 million and is based on updated Fiscal Year 2022 projections and assumes a negative 4.75 percent growth rate based on four years of historical actuals reflecting a trend of declining revenues from traditional cable providers.

REFUSE HAULERS AND OTHER FRANCHISES. The Fiscal Year 2023 Adopted Budget for refuse hauler and other franchise fee revenues is \$16.1 million and is based on updated Fiscal Year 2022 projections. The City anticipates \$13.6 million from refuse collection fees, \$1.7 million in revenue related to the Police Department vehicle tow program, \$160,000 in franchise fees from the EDCO facilities, and \$650,000 from other franchise fee sources.

Figure 13: Franchise Fee Revenue Breakdown depicts the composition of total franchise fee revenue.

Figure 13: Franchise Fee Revenue Breakdown



General Fund Revenues

Property Transfer Tax

Background

Property transfer tax makes up 0.8 percent of the General Fund revenue budget and is levied on the sale of real property. The County of San Diego collects \$1.10 per \$1,000 of the sale price when any real property is sold. The City is credited \$0.55 per \$1,000 against the County's charge, giving both the County and City each \$0.55 per \$1,000 of the sale price. The funds are collected by the County upon a sale of real property within City limits and transferred to the City on a monthly basis.

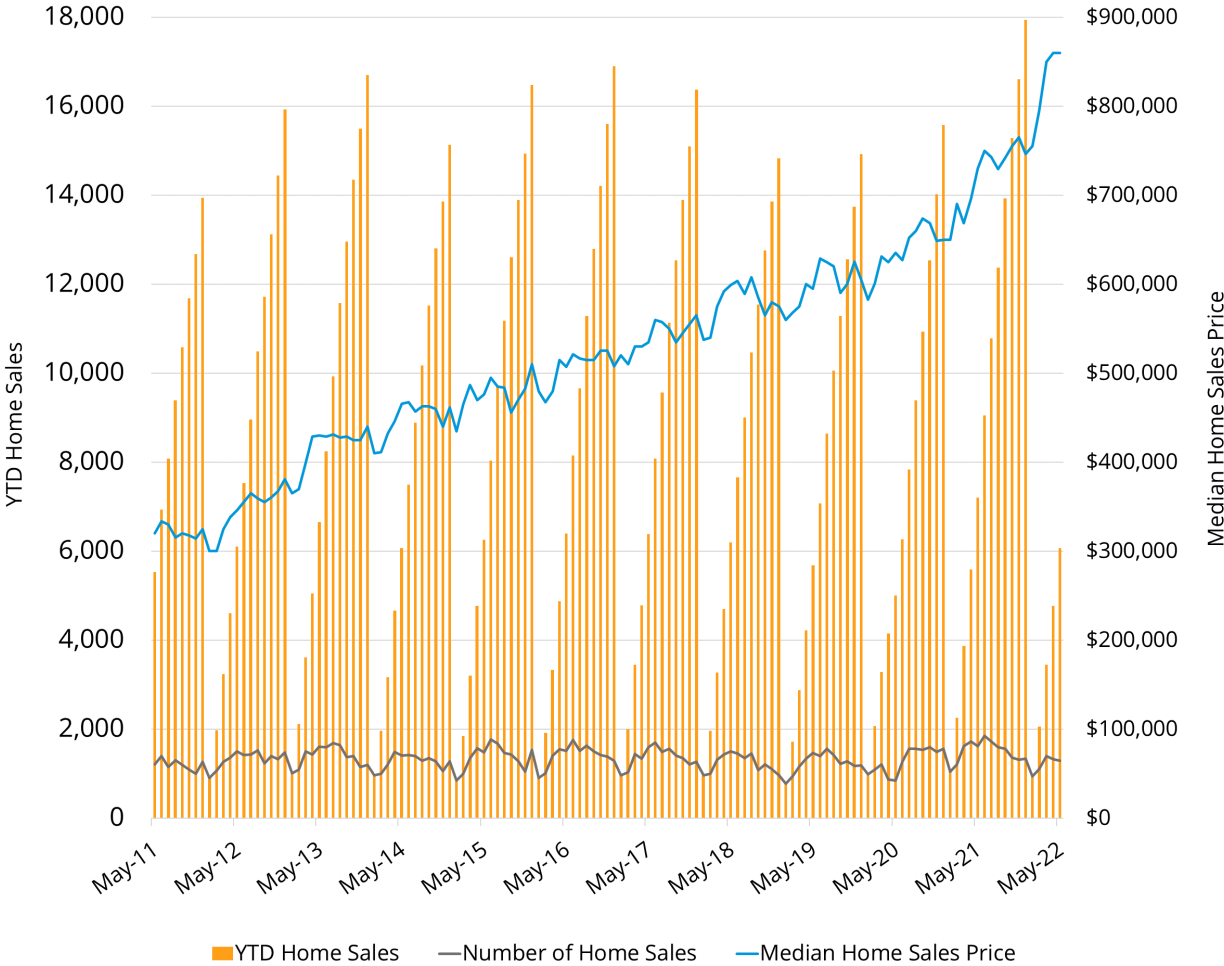
General Fund Revenues
\$15.5 million

Percent of General Fund Revenues
0.8 percent

Economic Trends

The economic factors that primarily affect property transfer tax revenue are home sales and prices. These factors are discussed in detail in the earlier property tax section and are summarized in the **Figure 14: City of San Diego Home Sales**.

Figure 14: City of San Diego Home Sales



Source: CoreLogic®

General Fund Revenues

While homes sales and median home prices continue to rise, recent and expected mortgage rate increases are anticipated to stabilize home appreciation—home sales and home prices are anticipated to continue to increase at a more measured rate when compared to the increased home price appreciation rate experienced in the past two years. As a result, property transfer tax is anticipated to maintain sustained yet measured levels. The Department of Finance will continue to closely monitor Property Transfer Tax and adjust projections as necessary.

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 property transfer tax Adopted Budget of \$15.5 million is based on the Fiscal Year 2022 year-end projections. This represents an increase of \$4.2 million, or 37.8 percent, from the Fiscal Year 2022 Adopted Budget. The property transfer tax budget assumes a 6.0 percent growth rate, which is consistent with the growth rate utilized for the 1% Property Tax revenue collections, as well as positive trends in economic drivers for property transfer tax including sales and home prices. As noted in the Property Tax section, on June 15, 2022, the Federal Reserve "Committee decided to raise the target range for the federal funds rate to 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the target range will be appropriate"—this is the third rate increase in calendar year 2022, which carry the potential to impact property transfer tax.

Licenses and Permits

Background

The Licenses and Permits category includes revenue for the purpose of recovering costs associated with regulating an activity and other revenues such as business certificate fees, rental unit certificate fees, parking meter collections, alarm permit fees, and special event permits. Recreational Cannabis Business Tax makes almost half of the licenses and permits revenue category. Cannabis Business Tax was passed on November 8, 2016 as Measure N by San Diego voters, which imposes an 8 percent tax on monthly gross receipt tax on non-medical cannabis businesses that operate or provide services within the City of San Diego.

General Fund Revenues
\$56.5 million

Percent of General Fund Revenues
2.9 percent

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for licenses and permits is \$56.5 million, or 2.9 percent of the General Fund revenue budget. This represents an increase of \$12.9 million, or 29.7 percent, from the Fiscal Year 2022 Adopted Budget. The increase is primarily attributed to \$8.1 million in one-time licensing revenue for the Short-Term Residential Occupancy (STRO) Program, \$2.6 million in cannabis business tax and compliance revenue related to additional outlet and production facilities, and compliance audit efforts; \$660,000 in new or revised user fee revenues implemented as part of the Fiscal Year 2023 Comprehensive User Fee Study; and \$38,000 in sidewalk vending permit fees.

Fines, Forfeitures, and Penalties

Background

The fines, forfeitures, and penalties category includes revenue generated from the violation of laws or regulations, such as California Vehicle Code violations, City parking and ordinance violations, negligent impounds, collection referrals, and litigation awards.

General Fund Revenues
\$34.5 million

Percent of General Fund Revenues
1.8 percent

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for fines, forfeitures, and penalties revenue is \$34.5 million, or 1.8 percent of the General Fund revenue budget. This represents an increase

General Fund Revenues

of \$7.0 million, or 25.3 percent, from the Fiscal Year 2022 Adopted Budget. The increase is primarily attributed to \$3.2 million in special events, parking citations, and San Diego Municipal Court revenues, which were reduced as a one-time revenue in Fiscal Year 2022; and \$4.3 million related to additional parking enforcement coverage in high demand areas and street sweeping routes. These increases are partially offset by a \$550,000 decrease in user fee revenue following adjustments identified as part of the Fiscal Year 2023 Comprehensive User Fee Study.

Revenue from Money and Property

Rents and Concessions

Revenue from Money and Property is primarily comprised of rents and concessions revenue generated from Mission Bay Park, Balboa Park, City Pueblo Lands, and Torrey Pines Golf Course. The largest component of this category is revenue from Mission Bay Park rentals and concessions, the majority of which is generated from leases with Sea World, the Marina Village, and the hotels and marinas within Mission Bay Park. Another significant contributing component in the rents and concessions category is revenue from leases for Midway/Frontier property and City Pueblo lands.

General Fund Revenues
\$60.5 million

Percent of General Fund Revenues
3.1 percent

Per City Charter Section 55.2, the threshold amount of \$20.0 million of Mission Bay rents and concessions will remain in the General Fund. The remainder of funds greater than the threshold amount will be allocated to the San Diego Regional Park Improvements Fund and the Mission Bay Improvements Fund. The San Diego Regional Park Improvements Fund is to receive 35.0 percent of revenues in excess of the threshold amount or \$3.5 million, whichever is greater, with 65.0 percent or the remaining amount allocated to the Mission Bay Improvements Fund.

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for revenue from rents and concessions is \$60.5 million, or 3.1 percent of the General Fund revenue budget. This represents an increase of \$1.6 million, or 2.8 percent, from the Fiscal Year 2022 Adopted Budget. This increase is primarily attributed to \$6.7 million from rents and concessions due to increasing activity at Mission Bay hotels, Sea World, and City Pueblo Lands; and one-time rent-deferral revenue from city owned property. These increases are partially offset by a \$5.1 million decrease in rent reimbursements to the General Fund from non-general funds.

Interest and Dividends

Background

In accordance with the City Charter and authority granted by the City Council, the City Treasurer is responsible for investing the City's cash assets, exclusive of City Pension Trust Funds. With the exception of certain bond funds, all City funds are pooled and invested together in the City Treasurer's Pooled Investment Fund ("Fund") to manage the City's cash flow requirements. Fund investments must comply with the City Treasurer's Investment Policy and the State of California Government Code guidelines and restrictions. The maximum maturity of any investment may not exceed five years. Selection of an investment is based on safety, liquidity, risk, interest rate environment, and the cash flow requirements of the City. Deviations in returns from one fiscal year to the next can generally be attributed to changes in market interest rates or the amount invested during the fiscal year. Past interest earnings performance is no guarantee or indicator of future results. Interest earnings of the Fund are allocated to the participating City funds based on their pro rata share of cash balances.

General Fund Revenues
\$3.4 million

Percent of General Fund Revenues
0.2 percent

General Fund Revenues

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for interest earnings revenue is \$3.4 million, or 0.2 percent of the General Fund revenue budget and remains consistent with the Fiscal Year 2022 Adopted Budget.

Revenue from Federal & Other Agencies

Background

Revenue from federal and other agencies includes federal grants and reimbursements for City services such as court crime lab revenue, urban search and rescue, service level agreements, and unbudgeted cost reimbursements.

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for revenue from federal and other agencies is \$5.3 million, or 0.3 percent of the General Fund revenue budget. This represents a decrease of \$2.5 million, or 31.8 percent, from the Fiscal Year 2022 Adopted Budget. The decrease is primarily associated with the recategorization of \$2.3 million in revenues from the federal & other agencies category to the charges for current services category, and \$1.1 million in one-time FEMA funding for emergency protective measures included in the Fiscal Year 2022 Adopted Budget. These decreases are partially offset by an increase of \$1.1 million to support the SD Access 4 All, Digital Equity Program.

General Fund Revenues
\$5.3 million

Percent of General Fund Revenues
0.3 percent

Charges for Current Services

Background

Charges for current services revenue is generated by payments for services provided to the public and other City funds. The City's General Fund pays for basic City services such as public safety, parks, and libraries. In addition, the City allocates the costs associated with central service departments, such as the City Auditor, Department of Finance, City Attorney, and City Clerk to all City departments by means of a rate based on the General Government Services Billing (GGSB) standard. The amounts allocated to non-general fund departments are billed and received by the General Fund as revenue to offset the cost of the services provided by these central service departments. Transient Occupancy Tax (TOT) revenue is allocated to several departments for General Fund reimbursable expenditures for the safety and maintenance of visitor-related facilities.

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for charges for current services revenue is \$203.5 million, or 10.4 percent of the General Fund revenue budget. This represents a net increase of \$46.7 million, or 29.8 percent, from the Fiscal Year 2022 Adopted Budget. This increase is primarily attributed to an increase of \$29.7 million in TOT revenues to support the safety and maintenance of visitor related facilities, \$4.1 million in reimbursements from the Environmental Growth Funds to support eligible expenditures, \$3.6 million in new or revised user fees resulting from the Fiscal Year 2023 Comprehensive User Fee Study, and \$2.3 million in the recategorization of revenues from the federal & other agencies category to the charges for current services category.

General Fund Revenues
\$203.5 million

Percent of General Fund Revenues
10.4 percent

General Fund Revenues

Transfers In

Background

The transfers in revenue category includes revenues received by the General Fund from other non-general funds such as the transient occupancy tax (TOT) 1.0 cent transfer, safety sales tax transfer, and gas tax revenue.

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for transfers in is \$250.4 million, or 12.8 percent of the General Fund revenue budget. This represents a decrease of \$12.7 million, or 4.8 percent, from the Fiscal Year 2022 Adopted budget. This decrease is primarily attributed to \$10.5 million in the recategorization of the franchise fee minimum bid payment from the Transfers In category to the Franchise Fees category, a net decrease of \$1.7 million in one-time American Rescue Plan Acts (ARPA) funds—the Fiscal Year 2023 Adopted Budget includes the use of \$147.6 million in one-time ARPA funds, and \$1.1 million in the transfer of available fund balance from the Stadium Fund to the General Fund following the closure of the fund.

General Fund Revenues
\$250.4 million

Percent of General Fund Revenues
12.8 percent

Other Revenue

Background

Other revenue is comprised of library donations, ambulance fuel reimbursements, corporate sponsorships, recovery from damage to City property, and other miscellaneous revenues.

Fiscal Year 2023 Adopted Budget

The Fiscal Year 2023 Adopted Budget for other revenue is \$2.1 million, or 0.1 percent of the General Fund revenue budget. This represents a decrease of \$660,000, or 26.6 percent, from the Fiscal Year 2022 Adopted Budget, which is primarily due to a decrease in ambulance fuel reimbursements.

General Fund Revenues
\$2.1 million

Percent of General Fund Revenues
0.1 percent

State of California Budget Impacts

On June 30, 2022, Governor Newsom signed the 2022-2023 Budget appropriating \$308.0 billion in State funds, which includes multiyear funding. Supported by years of fiscal prudence and effective response during the COVID-19 pandemic, the State budget provides direct relief to eligible Californians to assist with rising costs resulting from elevated inflation, addresses the State's most pressing needs, builds the State's reserves, and invests in California's future.

The State's budget builds on significant investments to support greater opportunity for all Californians and provides a strong foundation for the State's future—including the City of San Diego's local economy. The budget includes \$12.05 billion in fiscal relief to eligible Californians, small businesses, and non-profits; \$1.7 billion to address homelessness, including Encampment Resolution grants and the Homeless Housing, Accountability, and Prevention Program (HHAPP); \$2.5 billion to support affordable housing; \$2.4 billion to support local public safety; \$14.8 billion in transportation funding; \$19.3 billion for the Climate Energy Package; \$550.0 million to support broadband infrastructure; and \$80.0 million to improve organic waste infrastructure—much of which include multiyear funding and will further support greater opportunities for all Californians, including San Diegans.

General Fund Revenues

Annual Tax Appropriations Limit (Gann Limit)

In November 1979, California voters approved Proposition 4 (Gann Initiative) and added Article XIII B to the California State Constitution. In 1980, the State Legislature added Division 9 (commencing with Section 7900) to Title I of the Government Code to implement Article XIII B. This legislation required the governing body of each local jurisdiction in California to establish an Annual Tax Appropriations Limit (Gann Limit) on or before June 30 for the following fiscal year. The Gann Limit was based on actual appropriations during the Fiscal Years 1978-1979 and was increased each year using the growth in population and inflation.

On June 5, 1990, California voters approved Proposition 111, amending Article XIII B. Proposition 111 allowed local jurisdictions to choose the annual adjustment factors. The adjustment factors include the growth in the California per capita income, or the growth in the non-residential assessed valuation due to construction within the city and the population growth within the county or the city.

The Gann Limit is applicable only to proceeds of taxes. Appropriations not subject to the limit are debt service on voter-approved debt and qualified capital outlays (a fixed asset, including land, with a useful life of more than 10 years and a value that equals or exceeds \$100,000).

The San Diego City Council adopted a resolution on June 28, 2022 that established the City's Tax Appropriations Limit for Fiscal Year 2023 at \$4,678,887,408. Using the Fiscal Year 2023 Adopted Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt, of which the City has none, and qualified capital outlays) were calculated to be \$1,384,503,616, which was \$3,294,383,792 lower than the Gann Limit.

In accordance with California Law, Division 9 of the Government Code and Proposition 111 guidelines, the Fiscal Year 2023 Tax Appropriations Limit was set and adopted on or before June 30, 2022.



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