

GUIDE TO THE CITY'S BUDGET PROCESS & THE FY 2018 ADOPTED BUDGET

A REPORT BY THE OFFICE OF THE INDEPENDENT BUDGET ANALYST

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Introduction

Introduction

Each year the City must forecast the revenues it will receive and the expenditures it will incur for the upcoming fiscal year. The resulting official document is known as the Municipal Budget.

The budget is a management and planning tool. Because the City is limited by the amount of resources available, the budget aids officials in determining which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact in the community. The annual budget document serves as a plan for how the monies that come into the City of San Diego will be spent to operate and maintain the City.

This guide, created by the Office of the Independent Budget Analyst (IBA), is designed to help interested residents gain a better understanding of the City of San Diego's Fiscal Year (FY) 2018 Adopted Budget, and the process by which the annual operating budget is developed each year. This guide provides residents with the following:

- An overview of the FY 2018 Adopted Budget
- A description of the annual budget process
- Information about how you can become more involved in the City's budget process
- Assistance in how to access and interpret budget documents

Since this guide focuses on the FY 2018 operating budget, it excludes details regarding the FY 2018 Capital Improvements Program (CIP) budget. Capital infrastructure projects funded by the CIP budget are generally large and expensive, take multiple years to complete, and are supported by financing sources outside the City's General Fund (the main funding source for core City functions and services included in the operating budget). The IBA's [Guide to Infrastructure](#) provides an in-depth explanation of the CIP and its annual budget process. It may be used in conjunction with this guide to learn more about how the City formulates and funds major components of the annual budget.

This guide to the budget will also be available on the IBA's website:

www.sandiego.gov/iba

For additional information regarding the City's annual budget and other important topics, contact our office at:



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FY 2018 Adopted Budget at a Glance

How large is the City's
FY 2018 Budget?

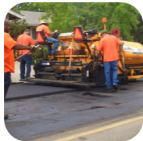
Total FY 2018 Budget
\$3.64 Billion



Operating Budget
(all funds)
\$3.17 Billion



Operating Budget
(General Fund only)
\$1.43 Billion



Capital Improvements
Program Budget
\$475.6 Million



How many full time-
equivalent (FTE) positions are
included in the budget?



11,419.51 Total FTE
Positions

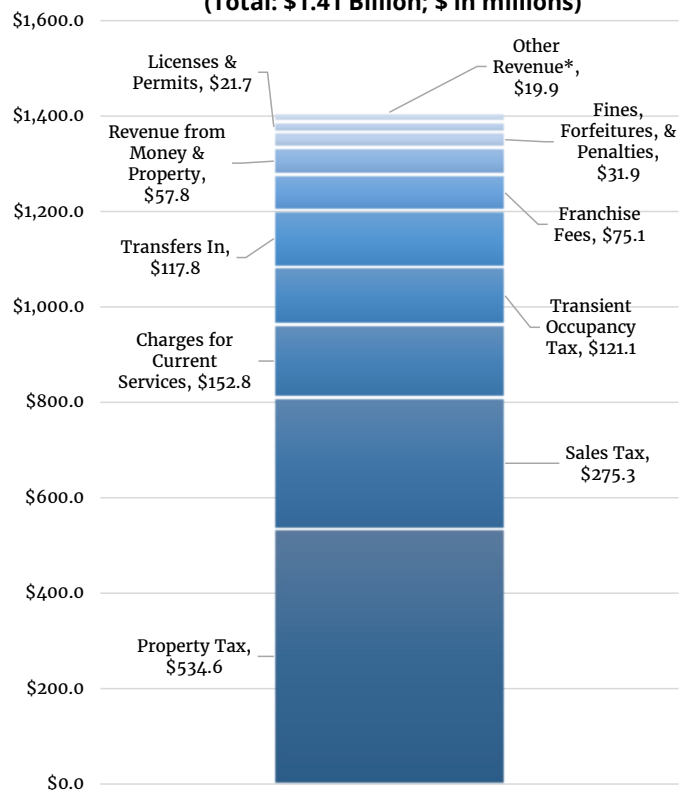


7,527.43 General Fund
FTE Positions



What are the City's major
General Fund resources?

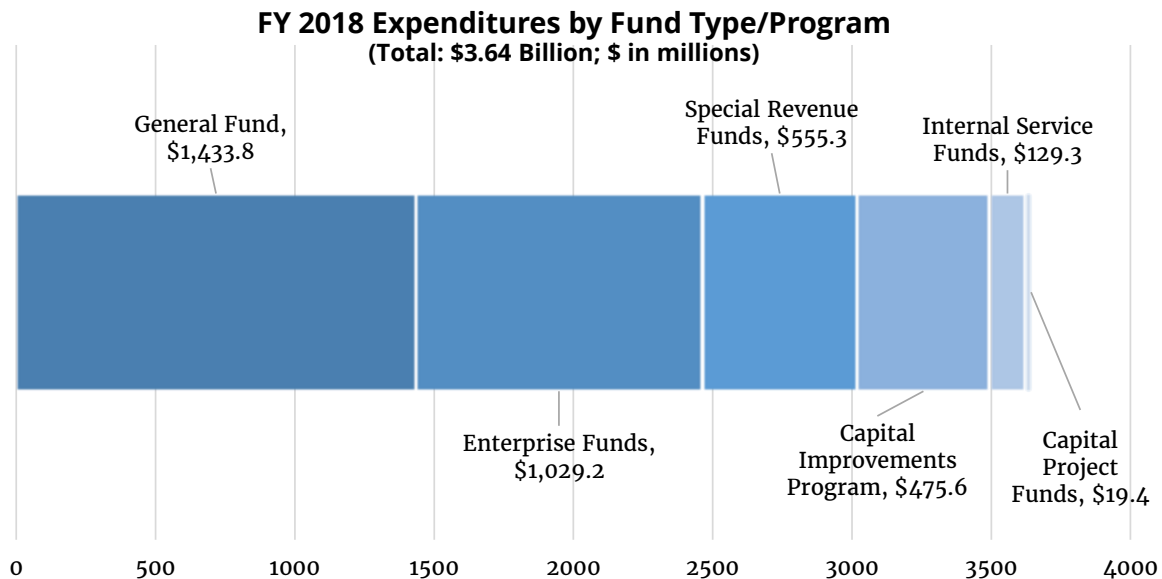
FY 2018 General Fund Revenue
(Total: \$1.41 Billion; \$ in millions)



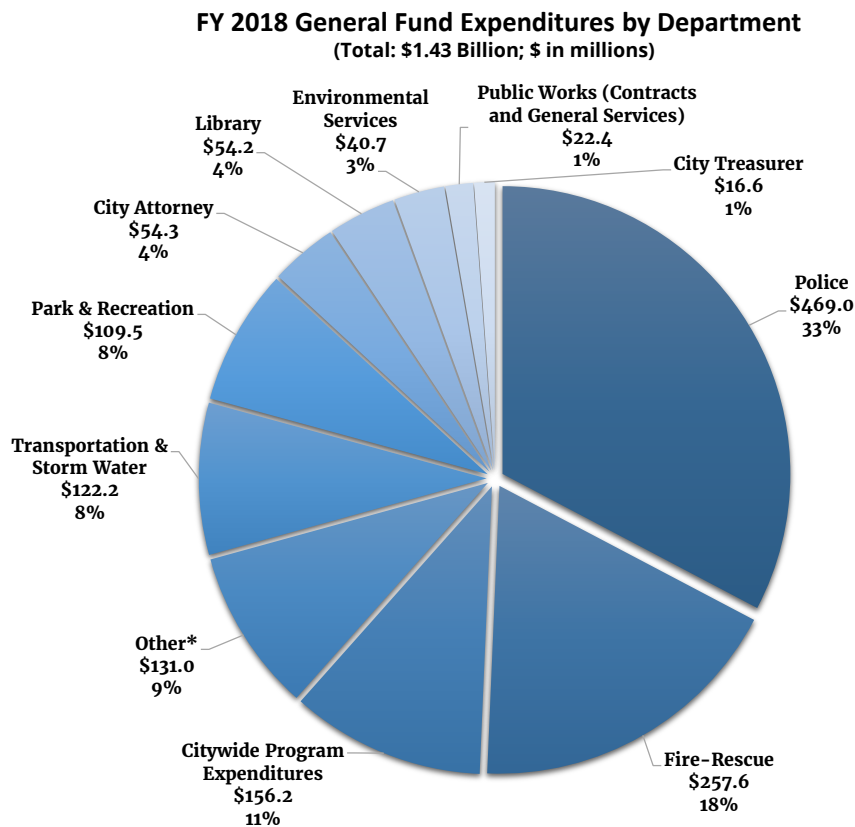
* The other revenue category is composed of a number of ongoing and one-time revenue sources including property transfer tax, revenue from federal and other agencies, and interest earnings.

FY 2018 Adopted Budget at a Glance

How much is budgeted for operations and capital expenditures?



How much is budgeted to be spent by General Fund Department?



*Other includes: Economic Development, City Comptroller, City Council, Planning, Personnel, Real Estate Assets, Development Services, Purchasing & Contracting, City Clerk, Human Resources, Office of the Mayor, Financial Management, City Auditor, Communications, Debt Management, Performance & Analytics, Council Administration, Office of Homeland Security, Public Utilities, Office of the IBA, Office of the Assistant Chief Operating Officer, Office of the Chief Operating Officer, Ethics Commission, Neighborhood Services, Infrastructure/Public Works, Office of the Chief Financial Officer, Dept. of Information Technology, and Internal Operations.

FY 2018 Adopted Budget Highlights

The City of San Diego's FY 2018 Adopted Budget totals \$3.64 billion, with approximately \$475.6 million budgeted in the Capital Improvements Program (CIP) for capital projects across the City. Approximately \$3.17 billion is allocated in the operating budget for essential City functions and services like public safety (including police and fire), parks and recreation, water and wastewater, and the operation of City landfills.

In the Mayor's FY 2018–2022 Five-Year Financial Outlook, which was released in November 2016, the FY 2018 budget was projected to have a deficit of approximately \$36.9 million. This projected deficit was largely attributable to annual pension payment increases, a new City Charter requirement to dedicate funding to the Infrastructure Fund, other critical expenditures, and slowing revenue growth. When the FY 2018 Proposed Budget was released in mid-April, that projected deficit had grown to \$81.0 million¹, but was mitigated through the use of a variety of one-time and ongoing resources, including the use of the City's Pension Payment Stabilization Reserve, excess Risk Management Reserves, and reductions to department budgets.

Over the last several years, the City has been diligent about structurally balancing its budget and adhering to the Council adopted [Structural Budget Deficit Elimination Guiding Principles](#). A structurally balanced budget is a budget where ongoing expenditures are supported by ongoing revenues. While the FY 2018 Proposed

One-time vs. Ongoing Funding

When forming the City's annual budget, it is considered best practice to fund ongoing expenses with ongoing funding resources. For instance, when adding new facilities or programs to the budget, the City must consider what ongoing operational costs are associated, and find an appropriate ongoing revenue source (e.g. an anticipated increase in property tax revenues) to fund it.

By utilizing this best practice, the City can avoid using "temporary fixes" to fund ongoing programs, resulting in a more stable financial environment and a structurally balanced budget.

For more information about the City's best practices regarding budget formation, refer to the financial policy descriptions later in this report, and to [IBA Report 10–18](#).

Budget is balanced, we are heading into the new fiscal year recognizing that, based on what we know today, we are likely facing a similar deficit situation for FY 2019. A number of financial conditions (e.g. increasing pension payments, and new ongoing costs for facilities that will open next year) may contribute to a deficit in FY 2019 that could require more expenditure reductions, department operational efficiencies, and/or new revenue sources in order to balance the budget.

The City's Operating Budget

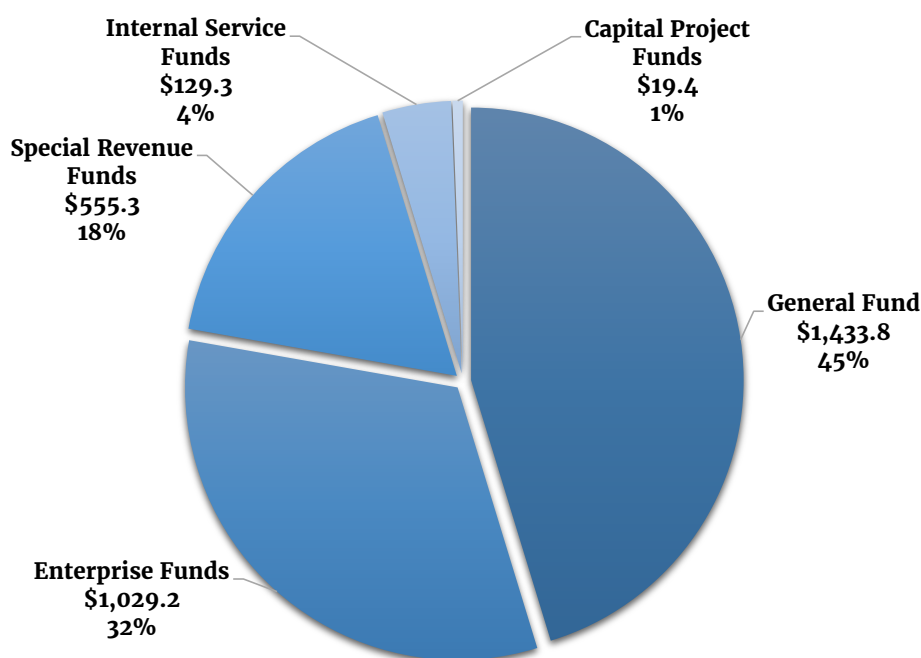
The \$3.17 billion operating budget provides a plan for how the monies coming into the City (revenues) will be spent in order to operate and maintain City functions and services, such as police, fire, parks, and libraries. In addition to the \$3.17 billion op-

¹ As is noted in the IBA's Review of the Proposed Budget, available at: <https://www.sandiego.gov/sites/default/files/iba-17-16.pdf>

FY 2018 Adopted Budget Highlights

FY 2018 Operating Budget by Fund Type

(Total: \$3.17 Billion; \$ in millions)



erating budget, \$475.6 million is set aside for the Capital Improvements Program (CIP) budget, which allocates available revenue for the rehabilitation, improvement or construction of new public infrastructure such as streets, libraries, parks, and water pipes. It is common for cities to separate the operating budget and the CIP budget because capital infrastructure projects are generally large and expensive, take multiple years to complete, and often utilize special financing sources outside of the City's main operating fund, the General Fund. In contrast, the operating budget focuses on revenues and expenditures for a particular fiscal year. For more information regarding the CIP, refer to the IBA's [Guide to Infrastructure](#).

The operating budget consists of five types of funds, including the General Fund. It is necessary to have multiple fund types because certain monies can only be utilized for specific purposes. For example, revenue

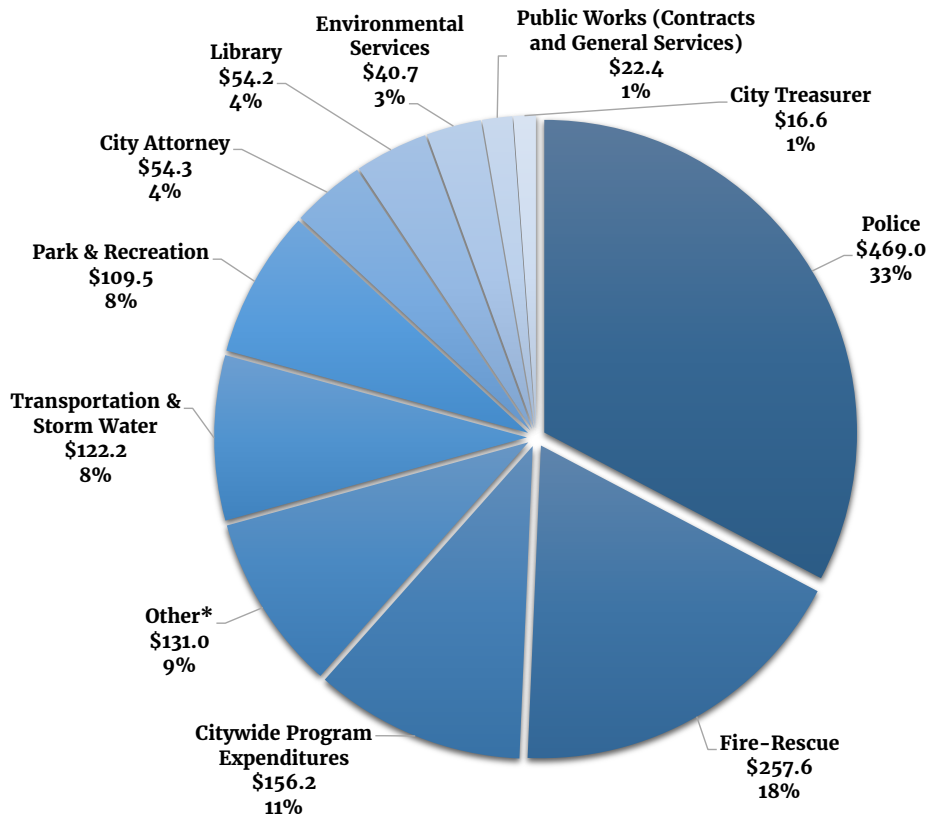
generated by the Gas Tax is deposited in a Special Revenue Fund and is used to repair streets, and maintain street lights, signals, and markings. The pie chart above depicts the portion of the operating budget that is comprised of each fund type.

The General Fund

The General Fund is the most commonly discussed fund in the municipal budget. It is the largest of the five types of funds that the City of San Diego maintains, representing approximately 45% of the operating budget for FY 2018. The General Fund is usually at the forefront of budget discussions because it is the City's main operating fund, and is funded through the City's general tax revenue. Fiscal impacts to the General Fund play a large part in the City's ability to pay for and maintain core community services such as public safety, parks and recreation, library services, and trash collection, which use most of the City's tax revenue. Each year the Mayor, City Council

FY 2018 Adopted Budget Highlights

FY 2018 General Fund Expenditures by Department
(Total: \$1.43 Billion; \$ in millions)



*Other includes: Economic Development, City Comptroller, City Council, Planning, Personnel, Real Estate Assets, Development Services, Purchasing & Contracting, City Clerk, Human Resources, Office of the Mayor, Financial Management, City Auditor, Communications, Debt Management, Performance & Analytics, Council Administration, Office of Homeland Security, Public Utilities, Office of the IBA, Office of the Assistant Chief Operating Officer, Office of the Chief Operating Officer, Ethics Commission, Neighborhood Services, Infrastructure/Public Works, Office of the Chief Financial Officer, Dept. of Information Technology, and Internal Operations.

and City staff must forecast the coming year's General Fund expenditures, and incorporate those estimates into the budget, taking into account available funds that are projected to be collected from tax revenue.

General Fund Expenditures

The General Fund is the largest operating fund with \$1.43 billion in budgeted expenditures for FY 2018. This is a \$95.8 million or 7.2% increase from the FY 2017 Adopted Budget. The money is expended through departments within the General Fund that are charged with providing core community services. The FY 2018 General Fund budget includes costs associated with 7,527.43 budgeted full-time equivalent

(FTE) positions, a net decrease of 3.26 FTE positions from the FY 2017 General Fund budget.

The pie chart above illustrates the main General Fund expenditures by department for FY 2018. As is shown in the pie chart, a little over 50% of the City's General Fund resources are dedicated to Police and Fire-Rescue services, a vital function of City government.

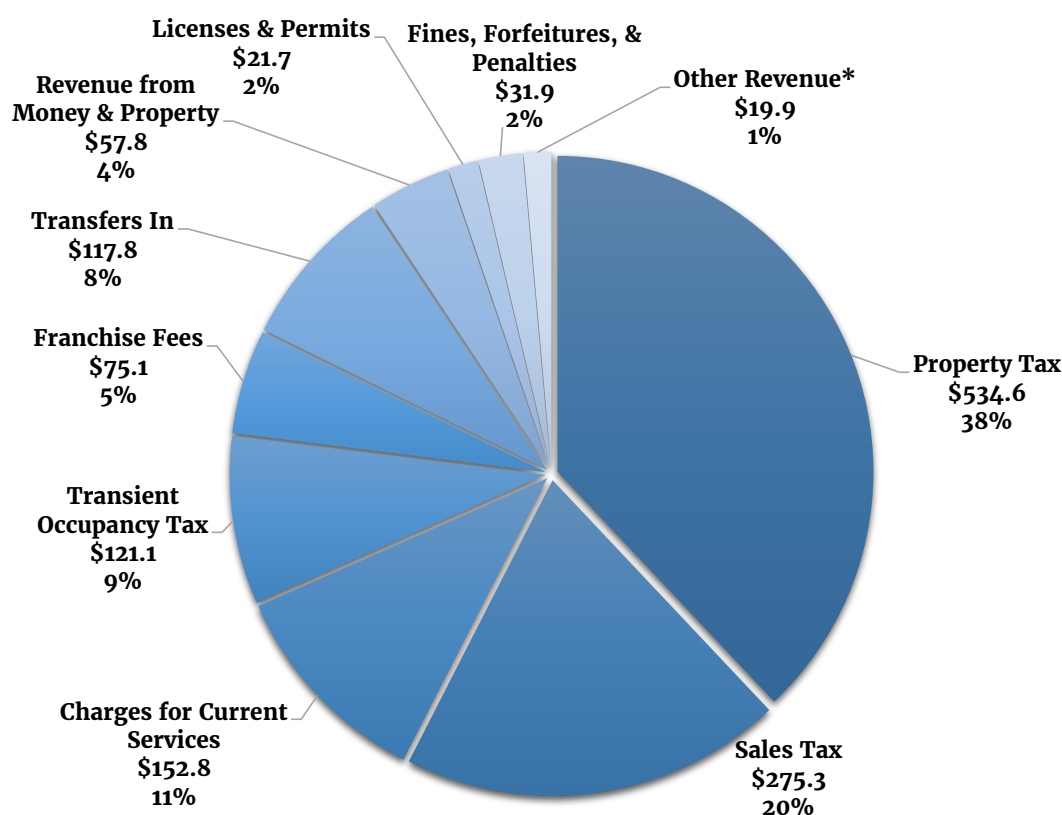
General Fund Revenue

Core City services funded through the General Fund's budget are supported by a variety of revenue sources. Four major General Fund revenues—property tax, sales tax,

FY 2018 Adopted Budget Highlights

FY 2018 General Fund Revenue

(Total: \$1.41 Billion; \$ in millions)



* The other revenue category is composed of a number of ongoing and one-time revenue sources including property transfer tax, revenue from federal and other agencies, and interest earnings.

transient occupancy tax (TOT), and franchise fees—account for almost three-quarters of the General Fund’s revenue. These revenue sources are dependent on the economic environment and can fluctuate from year to year. Other General Fund revenue sources are impacted by the economic environment as well, but not to the same degree. Other sources of revenue for the General Fund include charges for current services; transfers in (transfers from other funds); revenue from money and property; licenses and permits; fines, forfeitures, and penalties; property transfer tax; and other smaller revenues. See [pages 57 – 71 in Volume 1](#) of the FY 2018 Adopted Budget for a detailed description of these revenue sources.

The FY 2018 Adopted Budget for the General Fund includes approximately \$1.41 billion in revenues, a \$77.8 million or 5.8% increase from the previous fiscal year. This increase reflects a positive, but slowing, economic forecast for the San Diego region. The forecast includes positive factors like an increase in the county’s median home price, low unemployment levels, and high levels of consumer confidence, as well as potential risks that may include future increases in interest rates, and the sustainability of the current period of economic expansion.

As shown in the pie chart above, property tax, sales tax, TOT and franchise fees make up a large portion of General Fund revenue.

FY 2018 Adopted Budget Highlights



nues. For FY 2018, property tax is projected to contribute about \$534.6 million, sales tax \$275.3 million, TOT \$121.1 million, and franchise fees \$75.1 million, making up approximately 71.5% of General Fund revenues.

General Fund Tax Dollars at Work

The diagram above depicts General Fund services provided by the City of San Diego and how they are funded by your tax dollar for FY 2018.

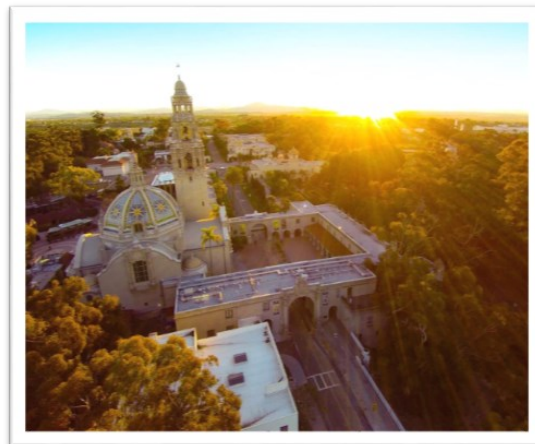
Highlights of Services Included in the FY 2018 Budget

In FY 2018, the Adopted Budget includes a number of public services, some of which are highlighted in the following sections. While some City programs and services were maintained or expanded in FY 2018, the budget was balanced by including \$18.4 million of ongoing expenditure reductions from a number of City departments including Environmental Services, Fire-Rescue, Library, Park & Recreation, and Police. Should additional reductions be necessary to balance the budget in FY 2019, residents

may experience accompanying operational or public service impacts.

Parks, Recreation Centers, and Libraries

For FY 2018, the Park and Recreation Department budget includes funding to open and maintain five new parks which will add 33 acres of parkland to the City. The City will operate and maintain over 450 parks in FY 2018. In addition to the parks, the Park System includes 58 recreation and visitor centers. For FY 2018, 44 of the largest recreation centers will operate 60 hours per week, and the remaining centers will oper-



FY 2018 Adopted Budget Highlights

Library Hours of Operations						
CENTRAL LIBRARY						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
12 noon – 6:00	9:30 – 7:00	9:30 – 7:00	9:30 – 7:00	9:30 – 7:00	9:30 – 6:00	9:30 – 6:00
BRANCH LIBRARIES without Extended Weekend Service (23 branches)						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
closed	9:30 – 6:00	11:30 – 8:00	11:30 – 8:00	9:30 – 6:00	9:30 – 6:00	9:30 – 6:00
BRANCH LIBRARIES with Extended Weekend Service (13 branches)						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
12:30 – 5:00	9:30 – 6:00	11:30 – 8:00	11:30 – 8:00	9:30 – 6:00	9:30 – 6:00	9:30 – 6:00

ate at 45 hours per week. Per the Mayor’s FY 2018 – 2021 Five-Year Financial Outlook, all recreation centers are expected to operate 60 hours per week by 2019.

Over the last several years, the City Council has prioritized increasing library operating hours. In FY 2017, the City Council approved the highest amount of library hours since 2003. The FY 2018 Library Department budget continues the amount of hours set in FY 2017. The table above shows the operating hours at the Central Library and the operating hours at the branch libraries. It should be noted that thirteen branch libraries have extended weekend hours (Sunday hours). A list of all the branches and their respective hours can be found on the [Library’s website](#).

In addition to continuing the operating hours from FY 2017, the FY 2018 budget continues to support the after-school program called “Do your Homework @ the Library”.

Public Safety

Ensuring public safety is a primary function of the City’s General Fund, with just over half of the General Fund budget being utilized by the Police and Fire-Rescue Departments. In Fiscal Year 2018, funding has been included for a number of Police recruitment and retention efforts. These items include continuing funding for ex-

panded Police academies and increased overtime funding to assist the department in meeting its daily staffing needs. Other significant expenditures include \$4.0 million in one-time funds for increased police officer compensation, as well as funding for an updated compensation study and recruitment marketing plan. The budget also includes funding for an executive search firm to assist in the selection of a new Chief of Police in early 2018.

For Fire-Rescue, funding was included for the operation of the new Bayside Fire Station in Little Italy, which is anticipated to open in December 2017. The FY 2018 Budget also includes funding to expand the City’s network of Fast Response Squads (FRS) to a total of three units on an ongoing basis. The FRS units, which use specialized trucks staffed by two-person crews to reduce emergency response times, are located in Encanto, South University City, and the San Pasqual Valley. Other significant items include the addition of five dispatcher positions in the Emergency Com-



FY 2018 Adopted Budget Highlights

mand and Data Center to improve call response times.

Community Needs and Neighborhood Services

For FY 2018, a variety of funding was included to support an array of community needs and neighborhood services. The following highlights several of the larger items included in the FY 2018 Adopted Budget:

- Approximately \$1.2 million is included in the FY 2018 Adopted Budget to support updates to multiple community plans. Community plans lay the foundation for development within a specific community, and updating these plans is essential for continued development within communities.
- The CONNECT2Careers Program, which provides youth with summer employment opportunities, job-readiness training, and job placement is allocated \$500,000 in the FY 2018 Adopted Budget.
- In FY 2018, the Planning Department anticipates initiating the development of a Parks Master Plan (PMP). The PMP will identify needs in the current park system, propose an equitable citywide distribution of park and recreation facilities, identify emerging trends for the future, and include action strategies to implement the plan. It is anticipated to be a three-year work plan beginning in



FY 2018. The FY 2018 budget includes \$400,000 to support the first phase of the PMP.

- Approximately \$135,000 is allocated in the FY 2018 Adopted Budget to support an Urban Forestry Program. For FY 2018, this program has been shifted from the Planning Department to the Transportation and Storm Water Department as this program transitions from developing strategies and policies for managing the City's tree services to implementing the developed plans.



Infrastructure Funding

Infrastructure includes the basic physical structures, systems, and facilities needed to provide critical services to the community such as sidewalks, streets, parks, fire stations, police facilities, and water and wastewater systems. Funding for the City's infrastructure supports a variety of needs, including new infrastructure projects, repairing or maintaining existing infrastructure, condition assessments to determine the state of the City's current assets, and employees to manage and implement these infrastructure projects. The following are some key expenditures included in the FY 2018 Adopted Budget that support the City's infrastructure:

- \$475.6 million added to the Capital Improvements Program (CIP) budget. The CIP budget funds projects that install new, replace old, or rehabilitate exist-

FY 2018 Adopted Budget Highlights

ing infrastructure.

- \$74.1 million to support the Pure Water Program. The program will aim to provide one-third of the City's local water supply by 2035 through water purification technology that will turn recycled water into drinkable water.
- \$70.9 million in planned expenditures for 349 miles of street maintenance and repair to keep the City's streets in "good" condition, as determined by an Overall Condition Index score.
- \$5.5 million for improvements to the City's Torrey Pines Municipal Golf Course, and \$39.2 million for other Park and Recreation CIP projects.
- \$2.6 million in additional funding for the construction of the San Ysidro Branch Library, and Mission Hills-Hillcrest Library.
- \$1.0 million to supplement construction costs of Fire Station 22 in Point Loma.

Funding for Homeless Programs and Services

The FY 2018 Adopted Budget includes approximately \$2.3 million from the City's General Fund for homeless shelters and services. These contracts are administered by the San Diego Housing Commission (Housing Commission), and include the following:



- Approximately \$1.5 million for year-round interim housing and related services. This amount funds 350 year-round interim housing beds at the St. Vincent de Paul Village campus, including 140 beds for Veterans and 50 beds for homeless triage and housing placement by the San Diego Police Department's Homeless Outreach Team.
- \$300,000 for an interim bed program at Connections Housing, which is operated by People Assisting the Homeless (PATH). This program offers 134 interim beds for homeless adults, and 16 additional units for those with special health needs.
- \$290,000 for the Serial Inebriate Program (SIP), and the provision of 56 transitional beds and supportive services for residents experiencing homelessness and struggling with substance abuse.
- \$125,000 for the Transitional Storage Center, which will continue funding for the operation of the Think Dignity storage facility. The facility provides lockers and bins to homeless families and individuals to safely store their personal belongings.
- \$105,000 for 24/7 Restroom Access. This amount represents funding for the operation of restrooms for the homeless 24 hours a day, 7 days a week. SDHC subcontracts with Father Joe's Villages for the provision of these services.

Additionally, the FY 2018 Adopted Budget includes approximately \$1.1 million from the General Fund for the Homeless Prevention and Diversion Program. This is a new program administered by the Housing Commission in FY 2018, and is part of a larger plan by the Housing Commission to provide housing and services for up to

FY 2018 Adopted Budget Highlights

3,000 homeless individuals over the next three years. The program, [Housing First—San Diego](#), will dedicate \$79.7 million in local and federal funding over three years for this purpose.

Other Funds

In addition to the General Fund, the City of San Diego's FY 2018 Adopted Budget includes four other fund types and the CIP. It is necessary to have separate funds due to specific restrictions on how certain funds may be used. The following descriptions summarize the operating budgets of the other four types of funds, what they may be used for, and how they acquire revenue. For additional information regarding these funds, please refer to [Volume 1](#) of the FY 2018 Adopted Budget.

Enterprise Funds

These funds apply to specific services that are funded directly through user fees. Enterprise Funds are intended to be fully self-supporting and are not subsidized by the General Fund. Examples include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airport Funds. For FY 2018, Enterprise Funds are budgeted at \$1.03 billion, an increase of \$38.4 million or 3.9% over the FY 2017 Adopted Budget.

Special Revenue Funds

Special Revenue Funds account for revenue that is received for a specifically identified purpose. Examples include the Gas Tax Fund that is used for the repair of streets and the maintenance of street lighting,

traffic signals, traffic signs, and markings; TOT Funds for Special Promotional Programs that are used to promote tourism in the City of San Diego; and the newly created Infrastructure Fund which can be used for the acquisition of real property, and the construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure. The FY 2018 Adopted Budget includes \$555.3 million for these Special Revenue Funds, which is an increase of \$48.4 million or 9.5% over the FY 2017 Adopted Budget.

Internal Service Funds

Internal Service Funds were created to finance and account for services provided by one City department or division to another such as fleet maintenance. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The FY 2018 Adopted Budget for these funds total \$129.3 million, an increase of \$11.4 million or 9.7% over FY 2017.

Capital Project Funds

Capital Project Funds support the acquisition or construction of capital facilities. These funds typically make up a small portion of the Capital Improvement Program funding. For FY 2018, the Capital Project Funds include the Capital Outlay Fund and TransNet Extension Funds, and expenditures are budgeted at \$19.4 million. For more information about Capital Project Funds and how they fund the CIP, refer to the IBA's [Guide to Infrastructure](#).

Overview of the Budget Process

How is the Budget Created?

The City of San Diego's Fiscal Year runs from July 1 through June 30. As shown in the chart below, the budget process typically begins in November with the release of the Five-Year Financial Outlook, and concludes in June with Council's adoption of the Budget Resolution and the Appropri-

ations Ordinance.

The Mayor, City Council, City staff, Office of the IBA, and residents of San Diego all play a significant role in the formation of the budget.



Overview of the Budget Process

Mayor's Role

The Mayor is the Chief Executive Officer of the executive branch of the City's government. The Mayor and his or her staff are responsible for:

- Developing the City's Five-Year Financial Outlook, which outlines the Mayor's fiscal priorities for the next five years and presents a forecast for anticipated revenues and expenditures
- Creating the Proposed Budget by working with the Chief Financial Officer (CFO), Chief Operating Officer (COO), and other City staff
- Providing the City Council with a May Revision to the Proposed Budget for its consideration
- Implementing the Adopted Budget
- Monitoring the Adopted Budget throughout the year and proposing modifications as necessary to ensure that it is balanced
- Managing the City's day-to-day operations

City Council's Role

The City Council serves as the legislative branch of the City's government, and is responsible for setting policy. Each Councilmember represents the residents that live in his or her district. The Council's responsibilities include:

- Reviewing the Mayor's Proposed Budget
- Holding public hearings to gather input from residents and understand City department priorities and needs
- Considering and recommending changes to the Proposed Budget after public budget hearings

- Adopting the annual budget after consideration of public input, research, and policy priorities
- Accepting or rejecting proposed budget modifications throughout the year
- Providing policy direction for the governance of City operations through legislative actions

IBA's Role

The Office of the IBA assists the City Council throughout the budget process by providing research, objective analysis, and recommendations for the budget. The IBA performs the following functions:

- Analyzes and issues a report on the Mayor's Five-Year Financial Outlook
- Prepares preliminary and final reports on the Mayor's Proposed Budget for consideration by the City Council
- Provides analysis and recommendations year-round on legislative items that bear financial and policy impacts to the City of San Diego
- Reviews and makes recommendations on quarterly budget monitoring reports produced by the Financial Management (FM) Department

Public's Role

In order for the Mayor and City Council to discern which programs and issues are of the highest priority to residents, it is important for members of the public to play an active role in the budget process. Residents are encouraged to provide their input through multiple forums including:

- Contacting the Office of the Mayor and relevant City staff as the Proposed Budget is being developed
- Contacting your City Councilmember to

Overview of the Budget Process

weigh in on important issues in your community

- Attending and participating in City Council meetings, Budget & Government Efficiency Committee meetings, and annual Budget Review Committee hearings to provide input to the City Council as budget discussions are being held

In order to fully understand what is important to the residents of San Diego, the Mayor, City Council, and City staff need in-

put from residents like yourself. Writing, calling, or emailing any of these officials is the first step in solving problems that are important to you. Additionally, becoming involved by attending public meetings provides an opportunity to provide input, make suggestions, and become more knowledgeable about City affairs.

Please refer to the *Important Resources* section of this guide to find out how to contact the Mayor's office, your City Councilmember, and other key City staff.

What are the Key Components of the Budget Documents?

Annual budget documents (including the Proposed and Adopted Budgets) are produced by Financial Management with direction from the Mayor. There are three main parts to the City of San Diego's annual budget. These parts include:

Volume 1: Budget Overview and Schedules

[Volume 1](#) provides an overview of the operating budget and CIP budget. Schedules are included that provide quick access to some of the general financial information for the City. It is an easy reference point for information about all components of the annual budget.

Volume 2: Department Detail for the City's Operating Budget

The Operating Budget contains estimates of the total value of resources required for the City to provide services to its residents,

and estimates of how much revenue the City will collect. This Volume is broken down by department, and includes total budgeted revenues, expenditures, and employee positions for the fiscal year, noting any change from the prior two fiscal years. A guide to reading the Operating Budget can be found at the beginning of [Volume 2](#).

Volume 3: The Capital Improvements Program (CIP) Budget

A capital improvement is a project that refurbishes or improves City infrastructure, for example, the replacement of street lights or the development of a new City park. The Capital Improvements Program (CIP) budget is the long range plan for all individual capital improvements projects and funding sources. Further explanation of the CIP Budget, its process, funding sources, and other details can be found in



Volume I: Budget Overview and Schedules

Volume II: Department Detail

Volume III: Capital Improvements Program

Overview of the Budget Process

the IBA's [Guide to Infrastructure](#). Additionally, the beginning of [Volume 3](#) includes an

introduction to facilitate comprehension of this component of the annual budget.

Does the Annual Budget Have to be Balanced?

The City is required by law to balance its budget each year. The budget is monitored throughout the year to determine whether the city is spending more or less than its

revenues. The City then makes adjustments to its spending in order to ensure that at the end of the year the budget is in balance.

Who Monitors the Budget?

In order to maintain a high level of transparency and accountability in government, the City of San Diego has multiple methods to ensure that taxpayer dollars are being used to achieve the best results from the resources available.

City Council

As the Legislative Branch of City government, the City Council is responsible for setting policy direction; enacting, reviewing, and modifying legislation as appropriate; and adopting the annual budget. The Council provides a check and balance to the City's Executive Branch, which is run by the Mayor.

Nine committees (plus the Select Committee on Homelessness) are comprised of City Councilmembers to help the Council analyze specific legislative matters in a focused and efficient manner. Four of the Council Committees are specifically charged with overseeing major components of City financial operations.

Audit Committee

The Audit Committee was created in January 2007 to oversee the finances of the City. Members of the Audit Committee pro-

vide independent legislative oversight for the City's accounting and financial reporting processes, as well as the results of program audits.



Overview of the Budget Process

Budget and Government Efficiency Committee

The Budget and Government Efficiency Committee was created to oversee legislative issues that directly impact the annual budget. Committee responsibilities include the Annual Budget, financial reports, purchasing and contracting, and equal opportunity contracting, among other issues.

Budget Review Committee

The Budget Review Committee, which is composed of all members of the City Council, is responsible for reviewing the annual budget, and includes the public budget hearings held each May. These Committee meetings allow members of the City Council to receive feedback from the public relating to budget priorities, and provide an opportunity for the Council to study, analyze, and evaluate the budget.

Infrastructure Committee

The Infrastructure Committee began meeting in 2013 and is focused on the condition of the City's capital assets—such as streets, sidewalks, parks and libraries—and identifies resources for addressing different capital needs. It is charged with reviewing the Multi-Year Capital Infrastructure Planning Outlook (CIP Outlook), and oversees asset management, additional streamlining opportunities, infrastructure financing strategies, and community CIP hearings, among other related topics.

City Attorney

The [City Attorney](#) serves the residents of San Diego as both the Chief Legal Advisor and misdemeanor prosecutor. The office is divided into four divisions: the Advisory Division provides advice to City Departments; the Civil Litigation Division prosecutes or defends civil lawsuits in which the City is a party; the Criminal Division prose-

cutes criminal misdemeanors and infractions committed within the City limits; and the Community Justice Division prosecutes cases that the community has identified as important to quality of life.

City Auditor

The [City Auditor](#) is charged with providing audit services to promote accountability to the public and to improve the economy, efficiency, and effectiveness of our City government. Through performance audits, financial audits, and special investigations, this office provides essential information to assist the City Council in its decision-making process.

City Clerk

The [City Clerk](#) is responsible for maintaining the integrity of the legislative process and ensuring an informed citizenry by providing administrative and technical support to the City Council. Agendas for City Council and Committee meetings are available through the City Clerk's office.

Office of the IBA

The [Office of the IBA](#) assists the City Council by providing analysis, reports, and recommendations on issues that affect the budget. Reports on numerous fiscal and policy matters are presented at City Council meetings, and during budget hearings and Committee meetings.

Office of the Mayor

The [Mayor](#) serves as the City's Chief Executive Officer. Through the Chief Operating Officer, the Office oversees the City's daily operations, and implements programs and initiatives to carry out the City's policy objectives. The Mayor is also responsible for proposing the City's Annual Budget by April 15th of each year, revising it as appropriate after input from the public and City Council through the May budget hearings, and producing the final Adopted

Overview of the Budget Process

Budget that is approved by the City Council in June.

Chief Financial Officer (CFO)

The CFO provides the City with quality public services in the areas of financial reporting, auditing, management, and stewardship of City assets. All financial departments are organized under the CFO. The CFO is responsible for maintaining the financial records of the City, the development of the City's financial statements, external audit functions, preparing annual budgets, developing debt financing proposals, managing the City's investments, revenue collection and tracking, and long-range financial planning.

Financial Management Department (FM)

The [Financial Management Department](#) provides services to the Mayor and serves as an internal fiscal consultant to other City Departments. Financial Management prepares the Proposed and Adopted budgets in accordance with the City Charter each year. During the fiscal year, FM monitors the City's expenditures and revenue receipts, oversees budget transfers and adjustments, and reviews requests for City Council and

Mayoral actions for both the operating budget and the Capital Improvements Program. Additionally, every year FM develops and updates the City's Five-Year Financial Outlook.

City Comptroller

The [City Comptroller](#) is responsible for providing oversight of City fiscal management through the City's Comprehensive Annual Financial Report (CAFR).

Performance & Analytics

The [Performance & Analytics Department](#) (P&A) supports the improvement of City operations and customer service through its Citywide Engagement, Data and Analytics, Operational Excellence, Performance Management, and the 311 Customer Experience programs. P&A directly supports the annual budget in a number of ways: it worked with FM to launch an [online budget visualization tool](#) that displays budget information from 2011 and later, and its performance management team coordinates the inclusion of department narratives and Key Performance Indicators in Volume 2 of the Proposed and Adopted Budgets.

What Financial Policies Guide the Budget Process?

The City of San Diego has adopted several financial policies that serve as a guide to the Mayor and City Council in making policy decisions that affect the fiscal health of the City. They can be found on Financial Management's website at:

www.sandiego.gov/fm/policies

City Budget Policy

The City's Budget Policy ([Council Policy 000-02](#)) assists the City in achieving its current and future goals in a fiscally re-

sponsible and sustainable manner. These policies establish guidelines for developing and monitoring the City's annual operating and capital budgets.

City Reserve Policy

Appropriate reserves is a key attribute of a financially stable organization. The City's reserve policy ([Council Policy 100-20](#)) recommends that the City establish and maintain appropriate reserves for its major funds. Adequate reserve levels allow the

Overview of the Budget Process

City to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the organization.

City User Fee Policy

The City charges a range of fees for services provided to residents and businesses. These fees are imposed as a result of a public need, such as recreational services, rental uses, and other types of services. The User Fee Policy ([Council Policy 100-05](#)) outlines the method for establishing fees and the extent to which they recover the cost of the service provided.

City Debt Policy (2012 City Debt Policy Update Resolution R-307375)

The City's CFO executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. Debt is

an equitable means of financing projects and represents an important means of meeting fiscal responsibilities. The Debt Policy ([2017 Update via Resolution R-311057](#)) primarily addresses debt instruments and securities issued by the City in public or private bond markets.

Structural Budget Deficit Elimination Guiding Principles (Resolution R-305615)

These principles, adopted by the City Council in February 2010, guided the development of a comprehensive plan to eliminate the City's structural budget deficit. The Mayor's Office worked with the Office of the IBA, the Budget and Finance Committee (now the Budget & Government Efficiency Committee) and the full City Council in the development and implementation of this plan. Although the City is in a better financial position than it was at the time of adoption, these principles for fiscal responsibility continue to be an important structure when formulating and making decisions about the annual budget. These principles can be found in [IBA Report 10-18](#) or by referring to Resolution R-305615.

Important Resources

Important Resources

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Important Resources

City Council Offices

City Council offices are located on the 10th floor of the City Administration Building at: 202 C Street, San Diego, CA 92101. For more information about the City Council, or to find your Council District, please visit <https://www.sandiego.gov/citycouncil>.



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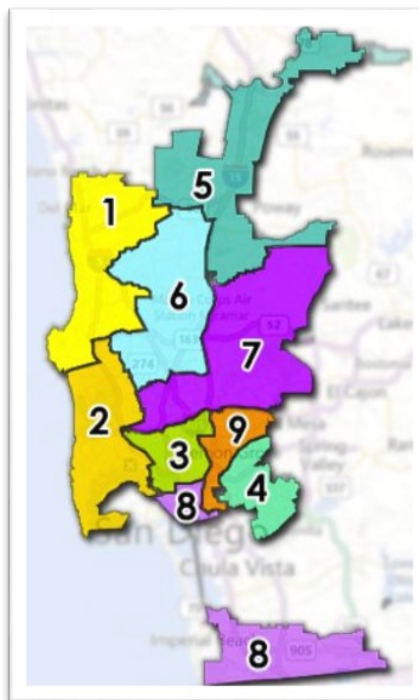
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Important Resources

Locating Budget Documents

The Annual Budget

Annual budget documents, including the Proposed and Adopted budgets of current and prior fiscal years, can be found on FM's website: www.sandiego.gov/fm. You can also find budget monitoring reports, and the City's Five-Year Financial Outlook on FM's website.

City Council & Committee Meeting Agendas

City Council and Committee meeting agendas and related materials, including those for the Audit, Budget & Government Efficiency, Budget Review, and Infrastructure Committees, can be found on the City Clerk's website:

www.sandiego.gov/city-clerk/officialdocs/legisdocs

IBA Reports and Presentations

IBA reports and presentations on the budget and other fiscal and policy matters can be found at: www.sandiego.gov/iba. For updates when new reports are released, follow the IBA on Twitter [@SanDiegoIBA](https://twitter.com/SanDiegoIBA), or sign up for email updates on our website.

Interactive Online Budget Visualization Tool

In April 2016, the City released an online budget visualization tool so residents can see how tax dollars are budgeted. You can access the City's budget data from 2011 and later on the Open Data website at:

<https://data.sandiego.gov/>

Glossary

Adopted Budget

The Mayor and City Council's approved plan for the City's financial operations, which includes an estimate of expenditures and revenues for a given fiscal year.

Appropriation

A legal authorization to make expenditures and to incur obligations for specific purposes.

Appropriation Ordinance

The official enactment by the City Council to establish legal authority for City officials to obligate and expend resources.

Balance (Fund Balance)

Revenues and assets in excess of the expenditure and reserve obligations of a fund at year end.

Balanced Budget

The amount of budgeted expenditures is equal to or less than the amount of budgeted revenues plus available fund balance.

Bond

A funding tool representing a written promise to pay a specific sum (face value or principal amount) in the future (maturity date), plus interest. In California, municipal government bonds are only used to finance capital improvements.

Budget

Proposed plan of expenditure and revenue over a specified period of time such as a fiscal year or accounting period.

Budget Priorities Resolution

A resolution in which the City Council has adopted a set of priorities for the annual budget. Priorities of each Councilmember

are compiled by the Office of the IBA and transmitted to the Mayor for consideration when forming the proposed budget.

Capital Improvement Project

A capital improvement is generally a large construction project such as the development of park land, the construction of an overpass, the installation of a traffic signal, the acquisition of land, or the construction or remodeling of a City building.

Capital Improvements Program (CIP)

The long-range plan for all individual capital improvement projects and funding sources. CIP projects are unique construction projects that aim to install new, replace old, or rehabilitate existing infrastructure. Information regarding the City of San Diego's CIP can be found in Volume 3 of the City's Annual Budget document.

Comprehensive Annual Financial Report (CAFR)

A report prepared by the City Comptroller's Office that summarizes financial data for the previous fiscal year in a standardized format. The CAFR is organized by fund and contains two basic types of information: a balance sheet and an operating statement.

Expenditure

The actual outlay of monies from the City treasury.

Expenses

Charges incurred for operations, maintenance, interest, or other charges.

Fiscal Year (FY)

A 12-month timeframe designating the beginning and ending period for recording financial transactions. The City of San Die-

Glossary

go has specified July 1 through June 30 as the fiscal year.

Five-Year Financial Outlook

The Five-Year Financial Outlook includes revenue and expenditure forecasts which are based on various assumptions. It serves as a long-range planning tool which identifies priorities, economic trends, risks and opportunities, and guides the City in the development of future budgets.

Franchise Fees

Fees resulting from agreements with private utility companies in exchange for use of the City's rights-of-way.

Fund

A fiscal and accounting entity with a self-balancing set of accounts to record revenue and expenditures.

General Fund

The City's main operating fund that pays for basic City services that use most of the City's tax revenue, such as public safety, parks, and library services.

Grant

A contribution by a government or other organization to support a particular function.

Infrastructure

The basic structures and underlying facilities needed for the functioning of a community and its economy, such as public facilities, streets, roads, bridges, tunnels, parks, storm drains, and water and sewer systems.

One-Time Expenditures and/or Revenues

Expenditures and/or revenues for one-time projects and services. After the project or service is completed, expenditures and/or revenues are terminated and are not considered part of the budget for the following year.

Ongoing Expenditures and/or Revenues

Expenditures and/or revenues that are recurring and span over more than one fiscal year.

Operating Budget

Authorized expenditures for ongoing municipal services such as public safety, street maintenance, parks, and libraries. The detail of the City of San Diego's operating budget can be found in Volume 2 of the City's annual budget document.

Proposed Budget

The Mayor's recommendation for the City's financial operations, which includes an estimate of proposed expenditures and revenues for a given fiscal year.

Reserve

An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Revenue

Funds received from various sources and treated as income to finance expenditures.

Schedules

Schedules provide a summary of revenues, expenditures, and positions for the operating budgets of all departments and budgeted funds, and reflect the funding sources and spending areas of the Capital Improvements Program.

Transient Occupancy Tax (TOT)

A tax that is imposed on occupants of hotel and motel rooms in the City of San Diego.

User Fee

A charge for services provided by the City to residents and businesses.