

*Review of the*

# FY 2022 PROPOSED BUDGET

Office of the Independent Budget Analyst  
IBA Report No. 21-10

The City of  
**SAN DIEGO**

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Independent Budget Analyst  
April 30, 2021

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## Overview: IBA Review and Analysis of the Mayor's FY 2022 Proposed Budget

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# IBA Review and Analysis of the Mayor's FY 2022 Proposed Budget

### Role of the City Council in the FY 2022 Budget Process

Upon release of the Mayor's Proposed Budget on April 15, 2021, budget authority for finalizing the FY 2022 Budget is in the hands of the City Council per the City Charter. The City Council holds numerous public hearings reviewing the budget proposals for all City departments; hosts meetings in the community to solicit more feedback from constituents; and fully reviews the Mayor's Proposed Budget while working with the Independent Budget Analyst (IBA) and the Mayor's Office.

The City Council's major role in the process is determining whether modifications to the Proposed Budget are necessary in order to fund critical community priorities not yet addressed by the Mayor. The Council has the authority to change budget line items and programs, provided the overall budget remains balanced. The Mayor has the authority to veto Council changes, and the Council can overturn the Mayor's veto with six votes of the Council.

### Role of the IBA in the FY 2022 Budget Process

To assist the Council throughout the budget review process, two weeks following the release of the Mayor's Proposed Budget, the Office of the IBA provides the Council and the public with a comprehensive analysis of the Mayor's Proposed Budget. Throughout the public hearings, we will be presenting issues of interest, areas of concerns, and questions for all departmental budgets, as reflected in

this report. Our Office will work with Councilmembers, staff, and the Mayor's Office to provide information to assist Council in making informed decisions. We will also be participating in Council Budget Town Halls in the community.

Later in the process, we will review and analyze for the Council the FY 2021 Third Quarter Budget Monitoring Report and the Mayor's May Revision to the FY 2022 Proposed Budget, and evaluate the Mayor's revisions. On May 26<sup>th</sup>, Councilmembers will issue individual final budget priority memos to the IBA, including recommendations for potential budget revisions. On June 9<sup>th</sup>, our Office will issue a final report based largely on input from City Council memoranda, public input, discussions with the Mayor's Office, and further research by our Office. On June 14<sup>th</sup>, the Council will make final FY 2022 budget decisions and take action on any FY 2022 budget revisions.

### General Fund Revenue Overview and Analysis of the Mayor's Proposed Budget

The Proposed Budget includes \$1.73 billion in General Fund revenues. Of this amount, \$1.16 billion is derived from the City's four major General Fund revenues: Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Franchise Fees. These revenues are sensitive to the overall economic condition of the San Diego region, and the Proposed Budget projects growth in all four major General Fund Revenues.

In general, major General Fund revenues are proposed to increase by \$98.5 million from

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the FY 2021 Adopted Budget, and \$122.0 million from year-end projections that were included in the FY 2021 Mid-Year Budget Monitoring Report. It should be noted that the impacts of the pandemic on revenues continues to be felt, especially in TOT revenues which were the most severely impacted by the pandemic. Our Office's discussion of these revenues and the projected growth rates are detailed in this report's *General Fund: Revenue Overview* section.

## General Fund Expenditure Overview and Analysis of the Mayor's Proposed Budget

Total General Fund expenditures are increasing by \$107.8 million, or 6.6%, from the \$1.62 billion FY 2021 Adopted Budget to the \$1.73 billion FY 2022 Proposed Budget. There are a number of large changes in both Personnel Expenditures (PE) and Non-Personnel Expenditures (NPE).

The net PE increase to the General Fund is \$67.5 million, of which the largest PE increase, \$36.8 million, is to the Actuarially Determined Contribution (ADC) pension payment. The next largest increase is \$22.1 million for estimated employee compensation increases. The City is currently negotiating with all six of its employee organizations regarding FY 2022 terms and conditions of employment. The actual cost for compensation increases will not be known until the good faith bargaining process has been completed.

Additionally, there are 125.20 FTE positions and \$10.6 million in PE being added to the budget, which are partially offset by 114.33 FTE positions and \$7.8 million in PE reductions. The net increase to PE for these position changes is 10.87 FTE and \$2.8 million. The number of positions in the proposed General Fund budget is 7,650.89 FTE.

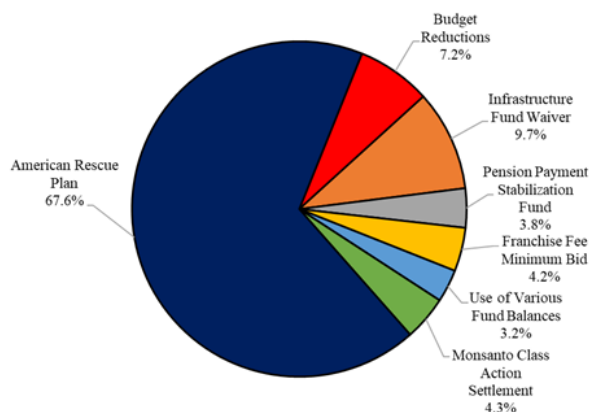
The net NPE increase to the General Fund is

\$40.3 million. The largest NPE increases are one-time costs, including \$10.2 million for Convention Center operations support and \$10.0 million each for the following three programs: "Sexy" Streets #ForAllofUs Initiative, homelessness programs, and small business forgivable loans. There are a number of other large one-time increases, several large ongoing expenditure increases, and significant decreases for FY 2021 one-time costs. Again, these all net to the \$40.3 million increase in overall NPE.

Listings of significant changes in PE and NPE, as well as positions, are included in the *General Fund: Expenditure Overview* section of this report. A brief discussion of PE adjustments is included in that section, and additional details can also be found in the Department Review sections of this report.

## How the Budget was Balanced

After accounting for the revenue shortfall as a result of the COVID-19 pandemic, and an increase of \$101.4 million in new Critical Strategic Expenditures, the Mayor has proposed a total of \$209.0 million in mitigating actions in order to balance the FY 2022 Proposed Budget. The vast majority of the mitigation is through the use of \$141.3 million in federal money from the American Rescue Plan, which covers 67.6% of the projected deficit.



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Other actions included:

- \$15.0 million in budget reductions, which is a combination of \$11.7 million in ongoing reductions, \$1.6 million in one-time reductions, and \$1.7 million in departmental revenue enhancements.
- Waiving the Infrastructure Fund contribution, which is estimated to be \$20.3 million for FY 2022.
- Use of the General Fund portion of the Pension Payment Stabilization Reserve, at \$7.9 million to help pay for the increase in the General Fund portion of the pension payment.
- Use of \$8.8 million from the minimum bid for the gas and electric Franchise Agreements.
- Use of \$6.6 million from various fund balances, including the Environmental Growth Fund, Emergency Medical Services Fund, the Stadium Operations Fund, and the Public Safety and Debt Fund.
- Use of \$9.0 million from a class action settlement against the company Monsanto.

Our Office supports the Mayor's use of these mitigating actions. More information on all of the FY 2022 mitigations can be found in the **Mitigating Actions** section, as well as in other sections of this report.

## Notable FY 2022 Budget Issues

### Funding for New Commission on Police Practices

The new Commission on Police Practices (CPP) – created due to the passage of Measure B – is funded in the FY 2022 Proposed Budget and includes 6.33 FTE positions and \$1.1 million in expenditures. The 6.33 FTE positions reflect fractional FTEs which are prorated based on the anticipated start dates for a staff

that will ultimately total 12 positions. Each position and their anticipated roles are described within the **Department Review: Commission for Police Practices** section of this report. We note that funding for the Commission on Police Practice was unanimously prioritized in Councilmember budget priority memoranda.

### Back to Work SD Program

The Mayor has included \$15.0 million for the Back to Work SD program. This initiative is designed to help mitigate the various impacts to City residents and businesses from the COVID-19 pandemic, and it includes funding for various programs in various City departments. The following table provides a summary of the programs, funding allocations, and implementing departments. Additional information on each of these allocations can be found in the corresponding Departmental Review sections later in this report.

Back to Work SD		
Program	Amount	Department
Small Business Relief	\$ 10,000,000	Economic Development
City Council Discretionary Grants	900,000	City Council
Restoration of SBEP	750,000	Economic Development
Connect2Careers	750,000	Economic Development
Youth Diversion Programming	500,000	Economic Development
Library Summer Camp	499,881	Library
SDAccess4All Initiative	450,000	Information Technology
Summer Youth Recreation	400,000	Parks & Recreation
Assistance for Street Vendors	250,000	Economic Development
No Shots Fired	250,000	Police
Summer Youth Environmental/Recreation Corps Program	250,000	Parks & Recreation
<b>Total</b>	<b>\$ 14,999,881</b>	

### Stormwater Funding Additions and Needs

The Stormwater Department received numerous additions in the FY 2022 Proposed Budget, including 25.00 FTE positions and \$2.4 million in funding for a new Pipe Repair team, \$2.5 million in funding to support the Funding Strategy development, and 7.00 FTE positions and \$1.4 million in additional

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funding related to bacteria assessments and other activities related to a San Diego River Investigative Order. However, even with these and other additions, there remain numerous unfunded requests and operating funding is still \$27.3 million below what was included in the latest Watershed Asset Management Plan. This does not include unfunded infrastructure assets, which represented \$1.3 billion of the \$3.0 billion in unfunded needs in the latest Capital Outlook.

In order to begin planning for addressing all of these needs, staff prepared an initial Funding Strategy document, which was presented to Council in February. Following Council approval of the document, Stormwater staff are currently assessing actual projects that will need to be funded, as well as a more accurate assessment of the level of funding that is required to complete these projects. Future work plans and products line up with an overall strategy to potentially ready a ballot measure to implement a new funding mechanism for the November 2022 ballot. Please refer to the ***Departmental Review: Stormwater*** section later in this report for additional information.

## **Sexy Streets #ForAllofUs Initiative**

The Proposed Budget includes a new \$10.0 million initiative to resurface and reconstruct streets in communities of concern. Projects would incorporate complete street components like traffic calming and congestion improvements, new sidewalks, sidewalk repairs, streetlights, bicycle infrastructure, and stormwater improvements. This one-time investment is anticipated to be paired with nearly \$30.0 million in Commercial Paper financing which will come to Council for approval in May or June. For more information about the Sexy Streets proposal, please refer to the ***Transportation Department*** review and the ***Capital Improvements Program*** section of this report.

## **Complying with State Bill 1383 – Organics Collection**

The FY 2022 Proposed Budget contains \$7.0 million and 9.83 FTE positions to begin preparing the City for the requirements of SB 1383 to collect organics and food waste. The additions for FY 2022 mostly include \$5.5 million in General Funds for various capital improvements for City facilities to accommodate the increase in sanitation drivers and trucks needed to comply with the new mandate. There is an additional \$554,000 in the Recycling Fund for these purposes as well. In addition, there are significant increases for food waste pails (\$495,000) education (\$522,000), and 9.83 FTE positions (\$552,000), which include Code Compliance Officers, Recycling Specialists, and Sanitation Drivers and Supervisors. We note that these positions are only a portion of the positions that will be required in FY 2023 and beyond.

## **Homelessness Programs and Expenditures**

The Proposed Budget includes \$10.0 million in one-time expenses for several initiatives including: the addition of 300 interim shelter beds, a new program providing substance use disorder interventions, an expansion of the coordinated street outreach and rapid rehousing programs, and support for a community college course that aims to develop the workforce needed for homelessness programs and services. It also adds three management positions to the Homelessness Strategies Department that align with recommendations from the City's homelessness consultant.

An additional \$24.7 million is also planned to be spent in FY 2022 on homelessness programs but these allocations are not available for review during the budget process. Some of this funding will need Council approval to be allocated. Staff anticipate bringing forward a request in either May or June. Our Office



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believes Council would benefit from having all planned homelessness expenses available so that funding decisions can be made within a broader context. Please refer to our department review of the *Homelessness Strategies Department* and the *Key Citywide Issues: Homelessness* section for additional information.

## Capital Infrastructure

The Proposed Capital Improvements Program (CIP) Budget adds \$747.5 million to 51 projects. Of the total CIP budget, 95% will support water and sewer projects, including the Pure Water Project. We note that the most recent FY 2022 – FY 2026 Five-Year Capital Infrastructure Planning Outlook (Capital Outlook) projected that capital infrastructure funding needs will exceed available resources by \$3.02 billion over the next five years. Driving the entirety of this funding gap are General Fund infrastructure asset types, since they do not have a dedicated funding source like water and sewer. The Proposed Budget includes about \$50.0 million for General Fund infrastructure, while the Capital Outlook identified \$661.3 million in General Fund infrastructure funding needs in FY 2022. Every year the funding gap is not addressed, it is expected to continue to grow. Please refer to the *Key Citywide Issues: Infrastructure Needs* and *Capital Improvements Program Review* sections of this report for additional information.

## Reduced Library Hours

To help balance the FY 2022 shortfall, the Mayor's Proposed Budget includes a reduction of all Sunday and Monday library hours system-wide as proposed by the Library Director. The Director stated this action is necessary to address long standing scheduling difficulties, as well as personnel matters, including the impact of hourly employees receiving no benefits and a significant number of hourly vacancies post COVID-19. The Director also has stated that given their existing

challenges, it is problematic at this point to maintain Sunday and Monday hours at libraries until issues, such as converting hourly employees to benefitted positions, are addressed and even then maintaining Sunday and Monday hours would likely not be possible until the fall.

This same reduction - to eliminate all Sunday and Monday library hours system-wide - was proposed last year by the Library Director and was included in the Mayor's FY 2021 Proposed Budget in April of 2020. Mayor Falconer did not restore any of the reduced hours in his May Revision. Based on community feedback at budget hearings and town halls, the City Council and our Office, identified \$6.3 million in funding to fully maintain all Sunday and Monday library hours. The Council vote occurred on June 8, 2020 as part of the Final Modifications to the FY 2021 Budget. While it was understood that COVID-19 would be interrupting all library openings temporarily, it was Council's intention that, when re-openings occur, Sunday and Monday hours would be maintained.

The expenditure reduction in the Mayor's Proposed Budget shows a savings of \$6.9 million; however, this assumes a July 2021 full opening which, is likely not feasible until the fall as noted by the Library Director. 100.92 FTE positions are proposed to be eliminated, 56.75 FTE positions are currently filled. The 56.75 filled FTE equate to 143 positions, 109 of which are hourly. This action will reduce system-wide hours from 1,904.5 hours to 1,530.0 hours per week, a 19% decrease. The Proposed Budget returns \$1.5 million of savings to the Library for electronic materials; increased Library programming for a wide range of children, teens and adults; Library camps; and a trial program featuring keypads installed on the doors that will allow patrons access to some libraries (initially for Council Districts 4, 8, and 9). More information about

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this reduction and suggested issues to discuss with the Library Director can be found in the *Department Review: Library* section of this report.

## Police Budget

The Police Department's General Fund Proposed Budget totals \$591.8 million which represents an increase of \$23.5 million, or 4.1%. This increase is due in large part to pension costs which, when Citywide ADC obligations increase, have a direct effect on the Department's budget given the significant portion of the General Fund that it constitutes and the fact that it is the only Department that continues to provide pension benefits to new hires.

We note that a majority of Councilmembers addressed the issue of police reform within their budget priority memoranda; specifically, the reallocation of Police Department funding and the reassignment of services currently being conducted by law enforcement. This priority is largely unaddressed in the Proposed Budget. While there are \$4.0 million in ongoing reductions to police overtime, the funding was not reallocated for a specific use, nor were services currently being performed by the San Diego Police Department (SDPD) reassigned to non-law enforcement service providers.

The Police Department's budget primarily consists of personnel expenditures associated with its 2,634 budget FTE positions, representing more than 86% of the Department's proposed budget. As such, if the Council wishes to pursue further programmatic reductions beyond what is included in the Proposed Budget, it is likely to involve the reduction of personnel. We would advise the Council to review [\*IBA Report 20-21: Analysis of the Police Department's FY 2021 Budget\*](#), which breaks down SDPD's functions and allocation of resources on a unit-by-unit basis. This resource will continue to prove beneficial for the Council as it evaluates the Police Department's FY 2022 Proposed Budget and

explores options for reallocation and reassignment.

## Citywide Staffing Increases

As previously discussed, the FY 2022 Proposed Budget required several mitigations to cover the revenue shortfall. A portion of the mitigations include eliminating 114.33 FTE existing positions including 100.92 FTE positions from the Library Department. At the same time 114.33 FTE positions are proposed to be reduced, 125.20 new FTE General Fund positions have been added throughout departments and offices at a cost of \$10.6 million.

Fifty-seven of the new positions are slated for Stormwater and Environmental Services to ensure the City continues to comply with new State mandates and existing regulatory requirements. The new Commission on Police Practices - approved recently by the voters - is funded for 6.33 FTE new positions to ensure the commission can fully carry out their voter mandate. The other 68.00 new FTE positions will provide support throughout 15 other departments. While almost all departments need additional staff, during the budget hearings Council may want to get a better understanding of the need for 68 new positions given our current financial environment and numerous existing vacancies. More detailed information on new and reduced positions is available in the *General Fund: Expenditure Overview* section of this report.

## Comparing the Proposed Budget to City Council's Budget Priorities Resolution

The FY 2022 City Council Budget Priorities Resolution (R-313428), which identifies the highest priority fiscal and policy items identified by Councilmembers for the upcoming fiscal year, was adopted by Council on February 2, 2021. The table on the following pages compares the City Council's FY 2022 Budget

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Priorities to the Mayor's FY 2022 Proposed Budget. The status of each budget priority is categorized as an addition or increase over FY 2021 budget or service levels (A), maintained at FY 2021 levels (M), reduced from what was included in the FY 2021 Adopted Budget (R), or a new item which was not added to the Proposed Budget (NA). The Mayor has added or

maintained funding for many of the City Council's priorities as shown on the table. The Mayor has significantly reduced library hours which are a top priority of the City Council. Also, the weed abatement contract will be reduced through the 2.6% citywide contract reduction and arts and culture funding has been reduced.

COMPARISON OF COUNCIL FY 2022 BUDGET PRIORITIES TO MAYOR'S FY 2022 PROPOSED BUDGET (A=Added, M=Maintained, R=Reduced, NA=Not Added)		
City Council Operating Budget Priorities	Status	Notes
<b>Maintain Core Services/Clean Communities</b>		
Maintain Library Department service levels, including library hours and programming	R	Library hours significantly reduced; Central and Branch libraries all closed on Sunday and Monday
Maintain open space brush management service levels at 509 acres	M	Brush Management service levels maintained at 509 acres
Continued funding for Neighborhood Code Enforcement	M	Maintained with \$619,000 Civil Penalty Fund transfer
Maintain Parks and Recreation Department services, including Recreation Center hours and programming	A	Recreation Center hours are maintained; services added to include \$400,000 for summer youth programming
Maintain service levels for weed abatement in the right-of-way	R	The FY 2021 2.6% across-the-board contract reduction allocation will reduce weed abatement.
<b>Homelessness and Housing</b>		
Homeless outreach program	A	Adds \$1.0 million to existing program for a total of \$2.5 million
Tenant and landlord outreach for housing education, counseling and outreach to deter evictions	NA	City will receive additional resources for rent relief through the American Rescue Plan
<b>Equity and Relief Programs</b>		
Pursue equity in spending, mitigate disparate impacts to low- and moderate-income communities by utilizing an equity analysis in administering budget cuts, and maintain service levels in those communities	NA	The Mayor and staff are reviewing and considering equity budgeting for FY 2023.
Fund and implement the new Commission on Police Practices	A	New Commission on Police Practices funded
Additional funds for rental relief to assist those economically impacted by the COVID-19 pandemic	NA	City will receive additional resources for rent relief through the American Rescue Plan
Additional resources for the Small Business Relief Fund	A	\$10 million in General Funds
Reallocation of Police Department funding and the reassignment of services	R	\$4.0 million in ongoing reductions to Police Overtime expenditures; no reassignment of services
Establish an Office of Child and Youth Success to centralize and coordinate existing services spread across various City departments	NA	Not Funded
Create a new Youth Environmental/Recreation Corp program in the Parks and Recreation Department for youth employment and scholarship opportunities	A	\$250,000 in one-time expenditures is included for a new Youth Environmental/Recreation Corps Program
Continue providing internet access options for low-income communities	M	\$450,000 to continue and possibly enhance the services initiated in FY 2021
Continue the Office of Race and Equity	M	Funding is maintained for Office of Race and Equity (ORE). The FY 2022 Proposed Budget allocates \$3.8 million and maintains 3.00 positions for ORE. Additionally, the Community Equity Fund maintains a fund balance of \$3.0 million. The new Chief of Race and Equity is expected to be hired and begin early in FY 2022.
Fund a study on the feasibility/viability of creating a public bank for the City of San Diego	NA	The FY 2022 Proposed Budget does not include funding to study the feasibility/viability of creating a public bank for the City of San Diego.
Create an Office of Labor Standards Enforcement to consolidate various labor law and workers' rights and safety programs into one department	A	Many programs identified by Council are consolidated in the Compliance Department. The Equal Opportunity Contracting Program remains in the Purchasing and Contracting Department.

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COMPARISON OF COUNCIL FY 2022 BUDGET PRIORITIES TO MAYOR'S FY 2022 PROPOSED BUDGET (A=Added, M=Maintained, R=Reduced, NA=Not Added)		
City Council Operating Budget Priorities ( <i>continued</i> )	Status	Notes
<b>Climate Action</b>		
Maintain budget resources for implementation of the Climate Action Plan and the Sustainability Department	M	No significant reductions
Establish and fund a Climate Equity Fund	A	Revenue diversion of \$5.0 million
Increase budget for the Urban Forestry Program	M	No reductions or additions
<b>Human Capital and Employee Compensation</b>		
Address City employees' compensation	A	\$22.1 million estimate included. Final cost unknown, as negotiations with employee organizations are ongoing.
<b>Arts and Culture Programs Funding</b>		
Sustain or increase funding for arts and culture programs, consistent with the City's "Penny for the Arts" commitment	R	Arts, Culture, & Community funding reduced by \$654,000. Total proposed funding is \$7.1 million, \$10.3 million below the "Penny for the Arts" target of \$17.4M.
<b>Constituent Relations Management Platform</b>		
One-time funds of \$15,000 to each Council Office to develop a constituent relations management platform to replace the current IQ system and better integrate with the City's Get It Done platform	A	Each Council Office received a one-time allocation of \$15,000 in the FY 2022 Proposed Budget for development and licensing of a constituent relations management platform.
City Council Infrastructure Budget Priorities	Status	Notes
<b>Transportation Safety and Mobility</b>		
Pedestrian and bicycle safety measures	A	Adds \$6.0 million for Coastal Rail trail, \$2 million for medians, \$200,000 for bicycle counters, striping, and racks
Traffic calming measures to reduce the speed of traffic	A	Adds \$200,000
Additional streetlights	A	Adds \$1.2 million
Traffic signal modifications and upgrades to increase efficient flow of traffic and pedestrian safety	A	Added \$2.5 million for new traffic signals and \$1.7 million for modifications
<b>Sidewalks</b>		
New sidewalks and addressing the backlog of sidewalk repairs	A, R	Adds \$4.5 million for new sidewalks, nothing for repair
<b>Streets</b>		
Investments in streets, including street resurfacing and slurry sealing	A	Total anticipated budget for streets is \$123 million. Additional \$10 million for Sexy Streets
<b>Parks and Recreation Facilities</b>		
New or improved parks and recreation facilities	R	Less funding available largely driven by no transfer to Mission Bay Improvement and Regional Parks Improvement Funds. \$100,000 is included for Sunset Cliffs
<b>Stormwater</b>		
Stormwater infrastructure	A	Adds stormwater pipe repair team (\$2.5 million), \$1 million for drainage capital projects
<b>Library Facilities</b>		
New or improved libraries	M	Maintains/no funding
<b>Fire-Rescue Facilities</b>		
New or improved fire stations	M	Maintains/no funding
<b>Transit Infrastructure</b>		
Infrastructure for public transit	M	Maintains/no funding
City Council Budget Mitigation Priorities	Status	Notes
Use General Fund Reserves and/or Excess Equity	NA	Excess equity anticipated to be utilized for FY 2021 revenue shortfall, no General Fund Reserves used.
Use Pension Payment Stabilization Reserve to mitigate increases in the annual pension payment	A	Included in the FY 2022 Proposed Budget.



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## Identifying Potential Resources for Council Modifications to the Mayor's FY 2022 Proposed Budget

The Mayor's Proposed Budget has incorporated many of the Council's and community's priorities. Nonetheless, the City Council's consideration of possible modifications to address identified public needs is important.

As such, Council's authority to make modifications is a critical part of the budget process. After analyzing the budget, holding numerous hearings and soliciting input from the public, Councilmembers will be in a position to consider the public's feedback, and determine whether significant community priorities have been omitted from the FY 2022 Proposed Budget. For the budget to remain balanced, Council modifications will require that appropriate funding be identified.

The FY 2022 Proposed Budget projects large, but declining, revenue shortfalls through FY 2026. An expected \$306.1 million of American Rescue Plan Act (ARP) COVID-19 relief funding is a tremendous one-time resource that will enable the City to balance its budgets for FY 2021 and FY 2022. It is important to note, however, that a large amount of ARP funding will be needed to help reconcile a projected revenue shortfall of \$116.5 million in FY 2023; therefore, the Mayor has proposed saving \$113.7 million of ARP funding for FY 2023.

Given these circumstances, our Office continues to explore and identify potential resource options the City Council could consider in contemplating possible modifications to the Mayor's FY 2022 Proposed Budget. The potential resource options we have identified are briefly discussed as follows.

## American Rescue Plan Act Funds

As discussed in detail in the *Key Citywide Issues* section later in this report, the Mayor is proposing to use \$141.3 million of American Rescue Plan Act (ARP) funding in FY 2022 and save \$113.7 million to help address a projected shortfall of \$116.5 million in FY 2023, which is a prudent plan. For the FY 2022 Proposed Budget the Mayor has added a net \$107.8 million of expenses. The City Council has authority to make reasonable final budget decisions beyond the Mayor's May Revision. If necessary, the Council could reasonably use slightly more than \$141.3 million ARP funds to address a significant need in the community. As we have mentioned numerous times in this report, it will be very important to acknowledge and monitor the amount of one-time resources being used to fund ongoing expenses.

## Potential Revenue Increases

Major General Fund Revenues (Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees) in the Proposed Budget total \$1.16 billion, and each includes growth over amounts in the FY 2021 Adopted Budget. Growth here is consistent with the City gradually recovering from the COVID-19 pandemic and several positive economic indicators. Our report identifies a range of potential increases to major General Fund Revenues of \$0.8 to \$2.0 million due to Sales Tax and Transient Occupancy Tax receipts received after preparation of the Proposed Budget coming in higher than projected. Additional information on Major General Fund Revenues, the City's economic outlook, and potential revisions to revenue projections, can be found in the *General Fund: Revenue Overview* section of this report.

## Redevelopment Property Tax Trust Fund

Total distributions from the Redevelopment Property Tax Trust Fund (RPTTF) are

# Overview: IBA Review and Analysis of the Mayor's FY 2022 Proposed Budget

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projected at \$41.6 million in the FY 2022 Proposed Budget. However, subsequent to the release of the budget, the State Department of Finance (State DOF) informed the Successor Agency that it is disallowing numerous expenditures, as well as making a significant adjustment based on prior year period actuals, to the latest Recognized Obligation Payments Schedule (ROPS). While these determinations have not been finalized, and the City and Successor Agency are attempting to appeal some of the determinations, those that will not be contested are large enough to materially impact the amount of General Funds available in FY 2021 and FY 2022. Our initial estimates for the revenue impact for FY 2021 range from an increase of \$2.9 million to \$3.8 million, while the potential impact for FY 2022 would be an increase of \$1.3 million to \$1.8 million. For more discussion of this revenue source, see the Property Tax discussion in the **General Fund: Revenue Overview** section of this report.

## **Adjust Debt Service**

In April 2021, City of San Diego Lease Revenue Bonds, Series 2021A were issued, yielding \$145 million in bond proceeds for the deferred capital program. The debt service included in the Proposed Budget for these bonds had been estimated before the bond issuance occurred and is approximately \$8.4 million. Due to changes in rate and debt structure assumptions in the final issuance, the actual debt service for FY 2022 is approximately \$5.5 million. The \$3.0 million difference could be considered in the final Adopted Budget for other programs and services. We note that the Department of Finance has indicated that they will be including this \$3.0 million expenditure reduction in the Mayor's May Revision to the FY 2022 Proposed Budget.

## **May Revision / Excess Equity**

On May 18<sup>th</sup>, the Mayor will be issuing his May Revision Report which allows the Mayor

an opportunity to make modifications to his Proposed Budget based on a number of factors such as new information since release, important operational issues, public input, adjustments to capital improvement projects, and City Council priorities not yet addressed. If the Mayor identifies resources at this stage in the process, it is not uncommon for the Mayor to address priorities of significant importance to the City Council and the communities they serve.

Also, during this time our Office will continue to work with the Department of Finance to assess revenue estimates and availability of other resources including those we have discussed in this section. In some years, the Third Quarter Budget Monitoring Report, which updates the status of expenditures and revenues, reveals some resources that can be utilized by the Mayor or Council to expend or carry over to the next fiscal year.

## **Council Adjustments to the Mayor's Proposed Budget**

The City Council has authority to make changes to the Mayor's Proposed Budget and the May Revision. This allows Council to decrease funding for any line items in the Proposed Budget and apply the funds to Council priorities.

The Charter reads as follows:

*"On or before June 15<sup>th</sup>, the Council shall approve the budget as submitted by the Mayor or modify the proposed budget in whole or in part. The Council may increase or decrease any item or add or remove any item provided that the budget must remain balanced."*

## **Critical Need for Resources**

While the Mayor has proposed a balanced budget for FY 2022, the City's needs are substantially larger than existing resources can support. Revenues are projected to recover from many of the large declines brought on by

# Overview: IBA Review and Analysis of the Mayor's FY 2022 Proposed Budget

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the COVID-19 pandemic, but additional resources beyond existing revenues will be needed to meet critical upcoming needs. Federal relief money from the American Rescue Plan Act is anticipated to help close City deficits in FYs 2022 and 2023, but the City's Five-Year Financial Outlook projected deficits through FY 2025. Further funding needs, such as expanded homelessness programs, the \$3.02 billion infrastructure funding gap over the next five years, pending stormwater compliance deadlines, full funding for libraries, and arts and cultural programs - demand additional resources. In order to tackle those issues, the City will have to consider finding new funding sources, such as a refuse collection fee, a stormwater fee, or another revenue source. Further discussion of potential revenues can be found in [\*IBA Report 20-25: IBA Review of the Mayor's FY 2022-2026 Five-Year Financial Outlook\*](#).

## Next Steps in the Process – City Council's Role and Community Involvement

**May 5:** Budget Review Committee holds an evening hearing to receive input from the public.

**May 5-7 and 10-11:** Budget Review Committee hears "IBA Review of the FY 2022 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals.

**May 17:** City Council holds an evening hearing to receive further input from the public.

**May 20:** Budget Review Committee hears the Mayor's May Revision and Third Quarter Budget Monitoring Report for consideration in final budget decisions.

**May 26:** City Councilmembers issue final budget modification priority memoranda,

including recommendations for potential budget revisions, to the Office of the IBA.

**June 9:** Office of the IBA issues final report on recommended revisions to the Mayor's FY 2022 Proposed Budget including the May Revision, based on input from City Council memoranda and feedback, public comment, and independent analysis.

**June 14:** City Council makes final FY 2022 budget decisions and takes action on any FY 2021 budget revisions.

**June 29:** City Council introduces and adopts the FY 2021 Appropriation Ordinance.

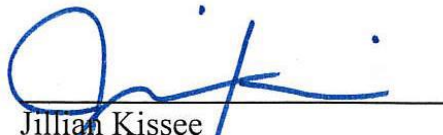
### Additional Reports

Our Office will also be issuing individual reports for the following City agencies prior to their budget hearings, scheduled for May 11, 2020:

- San Diego Convention Center Corporation
- San Diego Housing Commission
- San Diego City Employees Retirement System

## Overview: IBA Review and Analysis of the Mayor's FY 2022 Proposed Budget

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## General Fund Overview: Expenditures

# Expenditures Overview

As shown in the following table, total General Fund expenditures are increasing by \$107.8 million, or 6.6%, from \$1.62 billion to \$1.73 billion.

Non-Personnel Expenditures (NPE) changes net to a \$40.3 million increase. Larger changes are shown below. Personnel Expenditures (PE)

GENERAL FUND EXPENDITURE CHANGES				
<i>(dollars in millions)</i>	FTE	PE	NPE	TOTAL
FY 2021 Adopted Budget	7,640.02	\$1,139.8	\$481.1	\$1,620.9
<b>Budget Change Highlights</b>				
<i>FY 2022 PE Increase (See Next Page for Listing)</i>	10.87	67.5	-	67.5
<i>Increase in Deferred Capital Debt Service (incl. bond payment incr.: \$8.0m; incr. for FY 2021 payments covered by Stadium sale proceeds: \$14.5m)</i>	-	-	21.9	21.9
<i>Convention Center Operational Support (one-time)</i>	-	-	10.2	10.2
<i>"Sexy" Streets #ForAllOfUs Initiative (one-time, thru Infrastructure Fund)</i>	-	-	10.0	10.0
<i>Funding for Homelessness Programs (one-time)</i>	-	-	10.0	10.0
<i>Back to Work SD - Small Business Forgivable Loans (one-time)</i>	-	-	10.0	10.0
<i>Citywide Non-Discretionary IT Cost Increases (Help Desk: \$3.7m; Data Center: \$1.9m; IT Services: \$914k; Cyber Security: \$682k)</i>	-	-	7.2	7.2
<i>Costs Related to Organics Collections - SB 1383 (including \$5.4m in one-time facility upgrades and \$544k other one-time costs)</i>	-	-	6.5	6.5
<i>Fleet Fees Increases for Vehicle Replacements</i>	-	-	6.3	6.3
<i>Climate Equity Fund Contribution (one-time)</i>	-	-	5.0	5.0
<i>Increase for Public Liability Insurance Expense</i>	-	-	3.4	3.4
<i>Net Capital Lease Increase (increases include public safety radio replacement and departmental PC replacement)</i>	-	-	2.6	2.6
<i>Stormwater Funding Strategy Consulting Services (one-time)</i>	-	-	2.5	2.5
<i>Back to Work SD - Youth Programming (one-time)</i>	-	-	2.4	2.4
<i>Public Liability (PL) Costs Covered in FY 2021 with Excess PL Funds</i>	-	-	2.0	2.0
<i>Stormwater Permit Compliance Contracts (incl. \$550k one-time costs)</i>	-	-	1.5	1.5
<i>Back to Work SD - One-time Costs for Small Business Enhancement: \$750k; SDAccess4All: \$450k; Assistance for Street Vendors: \$250k</i>	-	-	1.5	1.5
<i>NPE to Support New/Other Parks &amp; Rec Facilities (\$884k one-time)</i>	-	-	1.4	1.4
<i>Legal and Labor Negotiations Consulting (\$900k and \$386k, respectively)</i>	-	-	1.3	1.3
<i>Back to Work SD - City Council Funds for COVID-19 Impacted Businesses and Non-Profits (one-time)</i>	-	-	0.9	0.9
<i>NPE for 2d and 3d Fire Academies (additional 36-member academies)</i>	-	-	0.9	0.9
<i>Increased Lease Costs for Police "Ruggedized" Laptops</i>	-	-	0.8	0.8
<i>Library Materials Addition</i>	-	-	0.8	0.8
<i>Police Computer Aided Dispatch (CAD) Upgrade (\$500k one-time)</i>	-	-	0.6	0.6
<i>Stormwater Pipe Repair Crew (\$500k one-time)</i>	-	-	0.5	0.5
<i>Homeless Services - Bldg. Repair, Maintenance, Etc. (\$50k one-time)</i>	-	-	0.5	0.5
<i>Decrease in Clean SD Contract Service Operations</i>	-	-	(0.9)	(0.9)
<i>Library Hours Reductions - NPE Cost Decrease</i>	-	-	(0.9)	(0.9)
<i>Decrease in Corporate Master Lease Rent (incl. CCP, 101 Ash, etc.)</i>	-	-	(1.4)	(1.4)
<i>Removal of FY 2021 One-time Cost: Person-Centered Unsheltered Outreach</i>	-	-	(1.5)	(1.5)
<i>Decrease in Citywide Elections Costs</i>	-	-	(1.5)	(1.5)
<i>Citywide Wireless Communication Cost Decrease (Non-Discretionary)</i>	-	-	(1.7)	(1.7)
<i>Removal of FY 2021 One-time Cost: COVID-19 Operational Costs</i>	-	-	(1.8)	(1.8)
<i>Removal of FY 2021 One-time Cost: Energy Franchise Consultant (\$750k); Transfer to Capital Budget (\$547k); Low-Income Internet Access (\$500k)</i>	-	-	(1.8)	(1.8)
<i>Decrease in Transfers to Parks Improvement Funds</i>	-	-	(2.4)	(2.4)
<i>Removal of FY 2021 One-time Cost: Community Equity Fund</i>	-	-	(3.0)	(3.0)
<i>Removal of FY 2021 One-time Cost: Transfer to Infrastructure Fund</i>	-	-	(5.7)	(5.7)
<i>Removal of Other FY 2021 One-time Costs *</i>	-	-	(52.5)	(52.5)
<i>Net Other Budget Changes</i>	-	-	4.9	4.9
<b>FY 2022 Proposed Budget</b>	<b>7,650.89</b>	<b>\$1,207.3</b>	<b>\$521.4</b>	<b>\$1,728.7</b>
<b>Net Increase (Decrease): FY 2021 to FY 2022 (Total incr. is 6.6%)</b>	<b>10.87</b>	<b>\$ 67.5</b>	<b>\$ 40.3</b>	<b>\$ 107.8</b>

Note: Table may not total due to rounding.

\*Other FY 21 One-times - Operation Shelter to Home: \$30.0m ; Small Business Relief Fund: \$12.8m; Rent Relief Fund: \$9.7m.

# General Fund Overview: Expenditures

changes net to a \$67.5 million increase and are shown in the following table. A brief discussion of

some of these changes begins on the third page of this section.

<b>General Fund Personnel Expenditure (PE) Changes (Salaries/Wages &amp; Fringe Benefits)</b>				
<i>(dollars in millions)</i>	<b>FTE</b>	<b>Wages</b>	<b>Fringe</b>	<b>Total PE</b>
FY 2021 Adopted Budget	7,640.02	\$ 647.9	\$ 491.9	\$ 1,139.8
<b>Net Departmental Position Additions, Reductions, Transfers</b>				
<i>City Treasurer</i>	(4.00)	(0.4)	(0.2)	(0.6)
<i>Commission on Police Practices</i>	6.33	0.5	0.2	0.7
<i>Communications</i>	4.00	0.4	0.1	0.5
<i>Compliance Department</i>	15.00	1.3	0.7	2.0
<i>Council Administration</i>	(0.37)	(0.0)	(0.0)	(0.0)
<i>Department of Finance</i>	4.00	0.3	0.1	0.4
<i>Economic Development</i>	2.00	0.2	0.1	0.3
<i>Environmental Services</i>	17.83	0.8	0.4	1.2
<i>Ethics Commission</i>	(0.25)	(0.0)	(0.1)	(0.1)
<i>Fire-Rescue</i>	4.33	0.2	0.0	0.2
<i>Fleet Operations-Facilities</i>	(1.83)	(0.1)	(0.0)	(0.1)
<i>General Services</i>	(1.50)	(0.2)	(0.3)	(0.5)
<i>Homelessness Strategies</i>	3.00	0.4	0.1	0.5
<i>Human Resources</i>	3.00	0.3	0.1	0.4
<i>Library</i>	(94.49)	(3.8)	(1.6)	(5.4)
<i>Mobility</i>	1.50	0.0	0.0	0.0
<i>Neighborhood Services</i>	(1.50)	(0.2)	(0.1)	(0.3)
<i>Office of Boards &amp; Commissions</i>	(1.00)	(0.1)	(0.0)	(0.2)
<i>Office of Homeland Security</i>	1.00	0.1	0.0	0.2
<i>Office of the Assistant COO</i>	(2.00)	(0.3)	(0.3)	(0.6)
<i>Office of the Chief Financial Officer</i>	(2.00)	(0.3)	(0.3)	(0.6)
<i>Office of the Chief Operating Officer</i>	9.00	1.2	1.0	2.2
<i>Parks and Recreation</i>	16.02	0.7	0.3	1.0
<i>Personnel</i>	2.00	0.2	0.1	0.3
<i>Police</i>	2.00	0.1	-	0.1
<i>Public Works &amp; Utilities</i>	(1.50)	(0.2)	(0.1)	(0.3)
<i>Purchasing &amp; Contracting</i>	(4.96)	(0.3)	(0.1)	(0.4)
<i>Real Estate Assets</i>	1.00	0.1	0.0	0.1
<i>Smart &amp; Sustainable Communities</i>	(10.50)	(1.0)	(0.5)	(1.4)
<i>Stormwater</i>	39.50	2.0	0.9	2.9
<i>Sustainability</i>	1.00	0.1	0.0	0.2
<i>Transportation</i>	4.25	0.2	0.1	0.3
<b>Subtotal - Net Departmental Position Changes</b>	<b>10.87</b>	<b>2.3</b>	<b>0.5</b>	<b>\$ 2.8</b>
<i>Removal of Fringe Above (avoids double counting in this table)</i>	-	-	(0.5)	(0.5)
<i>Actuarially Determined Contribution (ADC) Increase</i>	-	-	36.8	36.8
<i>Estimated Compensation Increases (subject to labor negotiations)</i>	-	22.1	-	22.1
<i>Budgeted PE Savings Reduction (increases wages)</i>	-	5.4	-	5.4
<i>Neighborhood Policing Overtime (OT) Covered by the Seized Assets Fund in FY 2021</i>	-	4.3	-	4.3
<i>Increases to Vacation Pay-in-lieu of Annual Leave &amp; Termination Pay</i>	-	2.1	-	2.1
<i>Fire-Rescue OT (largely for \$1.0m in COVID-19 expenditures)</i>	-	1.1	-	1.1
<i>Environmental Services Department OT (\$350k)</i>	-	0.4	-	0.4
<i>Removal of One-time Funding for COVID-19 Overtime (OT) - Police: \$2m; Fire-Rescue: \$1.6; Parks &amp; Rec.: \$400k</i>	-	(4.0)	-	(4.0)
<i>Police OT Reductions - Extension of Shift: \$2.0m; Clean SD: \$1.0m; Special Events: \$1.0m (one-time decrease due to COVID-19); Neighborhood Policing: \$1.0m; Other: \$329k</i>	-	(5.4)	-	(5.4)
<i>Net Other Wage and Fringe Adjustments</i>	-	0.7	1.6	2.3
<b>FY 2022 Proposed Budget</b>	<b>7,650.89</b>	<b>\$ 677.0</b>	<b>\$ 530.3</b>	<b>\$ 1,207.3</b>
<b>Net Increase/(Decrease) FY 2021 to FY 2022, 5.9% PE Increase</b>	<b>10.87</b>	<b>\$ 29.1</b>	<b>\$ 38.4</b>	<b>\$ 67.5</b>

Notes: Table may not total due to rounding.

# General Fund Overview: Expenditures

## Personnel Expenditures (PE)

As shown in the table on the preceding page, the net General Fund PE increase (salaries/wages and fringe benefits) from the FY 2021 Adopted Budget to the FY 2022 Proposed Budget is \$67.5 million. This net amount is comprised of a number of increases and offsetting decreases. The largest *increases* are listed below.

- The largest increase, \$36.8 million in the Fringe column, is the increase to the FY 2022 Actuarially Determined Contribution (ADC) pension payment, which was determined by the FY 2020 actuarial valuation. This increase is largely related to mortality assumption changes and FY 2020 investment return being lower than previously assumed. For more on the ADC and pension information, see the Pension section under Key Citywide Issues.
- The next largest increase, \$22.1 million in the Wages column, is for estimated increases in employee compensation. The City is currently negotiating with all six of its employee organizations regarding FY 2022 terms and conditions of employment for their members. The actual cost for compensation increases will not be known until the good faith bargaining process has been completed. See the Labor Negotiations section of this report for additional information.
- The third largest increase is a reduction of \$5.4 million in Budgeted PE Savings (which increases PE budget).
- The next largest increase, \$4.3 million is for neighborhood policing that was previously covered by the Seized Assets Fund (FY 2019 through FY 2021). Note that there are a number of offsetting

reductions in Police overtime (\$5.4 million) that are listed in the previous table. Please see the Police Department section for additional information.

- The fifth largest increase, \$2.8 million, relates to net departmental position additions. These net additions to the General Fund total 10.87 FTE and \$2.8 million, as shown in the “Net Departmental Position Additions, Reductions, Transfers” section of the previous table. The net additions include the following offsetting components:
  - Additions of 125.20 FTEs and \$10.6 million
  - Reductions of 114.33 FTE and \$7.8 million

The last several pages of this section includes four tables with details of FTE and corresponding PE expenditure changes. The first table includes a summary, by department, of the overall General Fund FTE changes, showing the FY 2021 FTEs, additions, reductions, General Fund transfers, the resulting FY 2022 FTEs, and the net change.

The second and third tables detail FTE additions and reductions for the impacted departments. Finally, the last table shows transfers among General Fund departments. Note that FTE transfers among General Fund departments do not affect the overall General Fund FTE count.

Also refer to the department sections of this report for further details and analysis of specific FTE and PE changes.

***Offsetting to the General Fund PE increases*** is a reduction of \$4.0 million for one-time COVID-19 overtime in FY 2021 (largely in

# General Fund Overview: Expenditures

the Police and Fire-Rescue Departments), as well as the previously mentioned \$5.4 million in other overtime reductions for the Police Department.

## Non-Personnel Expenditures (NPE)

Significant NPE changes are included in the table on the first page of this section. NPEs are increasing by \$40.3 million in the FY 2022 Proposed Budget. This *net increase* includes a number of large offsetting increases and decreases, and several are highlighted below.

The bulk of the *increases* are *one-time* in nature and are described in the Citywide Budget Overview Section, Volume I of the Proposed Budget. Some of the larger additions, which total \$70.6 million include:

- \$14.5 million increase in debt service because Stadium sale proceeds were used to cover debt service in FY 2021 – see the Citywide Program Expenditures Department section in this report for additional information
- \$10.2 million to support Convention Center operations
- \$10.0 million for the "Sexy" Streets #ForAllofUs Initiative – see our Transportation Department section
- \$10.0 million in funding for homelessness programs – see our Homelessness Strategies Department section
- \$10.0 million for small business forgivable loans – see our Economic Development Department section
- \$6.0 million for facility upgrades and other one-time costs related to organics collections (SB 1383) – see our Environmental Services Department section
- \$5.0 million contribution to the Climate Equity Fund – see our Sustainability Department section and our Climate Action Plan section, under Key Citywide Issues
- \$2.5 million for Stormwater funding

strategy consulting services – see our Stormwater Department section

- \$2.4 million in Back to Work SD Youth Programming – see our Economic Development Department section

Some of the larger *ongoing expenditure increases* include:

- \$8.0 million increase for debt service, largely related to the most recent bond issuance in April 2021
- \$7.2 million in non-discretionary IT cost, including help desk, data center, cyber security, and general IT services (The budget increase is largely due to increased vendor costs – see our IT Department section for more information).
- \$6.3 million in Fleet Fees increases for vehicle replacements – see our Fleet Operations Department section for additional information
- \$3.4 million for Public Liability (PL) insurance cost increases
- \$2.6 million in net capital lease increases, largely related to public safety radio replacements and departmental PC replacements

There are a number of large NPE *decreases* year-over-year which are offsetting to the NPE increases listed above. These larger decreases are related to the removal of FY 2021 one-time costs from the budget. The bottom three rows of decreases in the table on the first page of this section contain \$61.2 million of one-time cost removals.



# General Fund Overview: Expenditures

General Fund Full-Time Equivalent (FTE) Changes						
Department	FY 2021	Additions	Reductions	General Fund Transfers	FY 2022	Net Change
City Attorney	386.73	-	-	-	386.73	-
City Auditor	22.00	-	-	-	22.00	-
City Clerk	47.32	-	-	-	47.32	-
City Treasurer	118.00	-	-	(4.00)	114.00	(4.00)
Commission on Police Practices	-	5.33	-	1.00	6.33	6.33
Communications	32.00	4.00	-	-	36.00	4.00
Compliance Department	-	7.00	-	8.00	15.00	15.00
Council Administration	19.37	-	(0.37)	-	19.00	(0.37)
Council Districts 1-9	90.00	-	-	-	90.00	-
Debt Management	17.00	-	-	-	17.00	-
Department of Finance	106.00	4.00	-	-	110.00	4.00
Development Services	69.00	-	-	-	69.00	-
Economic Development	53.00	2.00	-	-	55.00	2.00
Environmental Services	172.90	17.83	-	-	190.73	17.83
Ethics Commission	6.25	-	(0.25)	-	6.00	(0.25)
Fire-Rescue	1,349.67	4.33	-	-	1,354.00	4.33
Fleet Operations-Facilities	176.33	-	(1.83)	-	174.50	(1.83)
General Services	1.50	-	-	(1.50)	-	(1.50)
Government Affairs	7.00	-	-	-	7.00	-
Homelessness Strategies	9.00	3.00	-	-	12.00	3.00
Human Resources	31.00	3.00	-	-	34.00	3.00
Library	444.22	6.43	(100.92)	-	349.73	(94.49)
Mobility	16.50	1.50	-	-	18.00	1.50
Neighborhood Services	1.50	-	-	(1.50)	-	(1.50)
Office of Boards & Commissions	6.00	-	-	(1.00)	5.00	(1.00)
Office of Homeland Security	18.98	1.00	-	-	19.98	1.00
Office of Race & Equity	3.00	-	-	-	3.00	-
Office of the Assistant COO	2.00	-	(1.00)	(1.00)	-	(2.00)
Office of the Chief Financial Officer	2.00	-	-	(2.00)	-	(2.00)
Office of the Chief Operating Officer	4.00	1.00	-	8.00	13.00	9.00
Office of the IBA	10.00	-	-	-	10.00	-
Office of the Mayor	20.00	-	-	-	20.00	-
Parks and Recreation	905.71	16.02	-	-	921.73	16.02
Performance & Analytics	15.00	-	-	-	15.00	-
Personnel	69.99	2.00	-	-	71.99	2.00
Planning	51.75	-	-	-	51.75	-
Police	2,632.14	2.00	-	-	2,634.14	2.00
Public Works & Utilities	1.50	-	(1.00)	(0.50)	-	(1.50)
Purchasing & Contracting	47.96	-	(0.96)	(4.00)	43.00	(4.96)
Real Estate Assets	26.00	1.00	-	-	27.00	1.00
Smart & Sustainable Communities	10.50	-	(8.00)	(2.50)	-	(10.50)
Stormwater	212.75	39.50	-	-	252.25	39.50
Sustainability	4.00	-	-	1.00	5.00	1.00
Transportation	420.45	4.25	-	-	424.70	4.25
<b>General Fund Totals</b>	<b>7,640.02</b>	<b>125.20</b>	<b>(114.33)</b>	<b>-</b>	<b>7,650.89</b>	<b>10.87</b>

Notes: Table may not total due to rounding.

FTE transfers between the General Fund and non-general funds are included as additions and reductions, as General Fund FTE counts are increased or decreased, accordingly.

# General Fund Overview: Expenditures

General Fund Full-Time Equivalent (FTE) Additions				
Department	FTE	Wages	Fringe	Total PE
<b>Communications</b>				
Program Coordinators (various functions)	3.00	\$ 335,301	\$ 85,160	\$ 420,461
Multimedia Production Coordinator	1.00	52,187	21,262	73,449
<b>Subtotal Communications</b>	<b>4.00</b>	<b>387,488</b>	<b>106,422</b>	<b>493,910</b>
<b>Department of Finance</b>				
Principal Accountant (external financial statements)	1.00	122,720	29,585	152,305
Program Coordinator (labor negotiations support)	1.00	112,486	28,473	140,959
Admin. Aide 2s (centralized invoice processing)	2.00	99,507	42,945	142,452
<b>Subtotal Department of Finance</b>	<b>4.00</b>	<b>334,713</b>	<b>101,003</b>	<b>435,716</b>
<b>Environmental Services Department (ESD)</b>				
Code Compliance Officers for Clean SD	8.00	317,824	166,199	484,023
Organics Collection/SB 1383 (full-year is 44.00 FTE)	5.33	278,740	126,393	405,133
Code Compliance Support for SB 1383 (half-year)	4.50	202,582	95,514	298,096
<b>Subtotal ESD</b>	<b>17.83</b>	<b>799,146</b>	<b>388,106</b>	<b>1,187,252</b>
<b>Fire-Rescue</b>				
Advanced Lifeguard Academy (hourly FTE)	3.00	118,435	18,654	137,089
Net Annualizations for FY 2021 Changes (3.00 FTE added for N. University Fire Station, 1.67 reduced for S. University City Fast Response Squad)	1.33	92,014	10,390	102,404
<b>Subtotal Fire-Rescue</b>	<b>4.33</b>	<b>210,449</b>	<b>29,044</b>	<b>239,493</b>
<b>Homelessness Strategies</b>				
Program Managers	2.00	240,000	58,520	298,520
Deputy Director	1.00	150,000	32,852	182,852
<b>Subtotal Homelessness Strategies</b>	<b>3.00</b>	<b>390,000</b>	<b>91,372</b>	<b>481,372</b>
<b>Human Resources</b>				
Program Coordinators for COVID-19/Other Support	2.00	190,000	52,724	242,724
Program Manager for ESD (position anticipated to be reimbursable )	1.00	123,968	29,734	153,702
<b>Subtotal Human Resources</b>	<b>3.00</b>	<b>313,968</b>	<b>82,458</b>	<b>396,426</b>
<b>Library</b>				
Do Your Homework at the Library (hourly FTE)	4.43	239,303	21,301	260,604
Deputy Library Director	1.00	128,066	30,226	158,292
Program Manager	1.00	112,000	28,302	140,302
<b>Subtotal Library</b>	<b>6.43</b>	<b>479,369</b>	<b>79,829</b>	<b>559,198</b>
<b>Parks and Recreation</b>				
Maintenance for Four New Facilities and Six Play All Day Sites	7.00	295,733	158,690	454,423
Standley Middle School Joint Use Pool (3.40 FTE are hourly)	3.98	141,107	23,673	164,780
Program Manager - Chief Ranger	1.00	118,263	29,052	147,315
Grounds Maintenance Worker 2s (partial year, various parks)	1.92	67,635	40,924	108,559
Annualizations (incl. Bay Terraces Senior Center)	0.91	32,553	25,934	58,487
Other Hourly Positions - Net Adjustments	1.21	89,178	9,810	98,988
<b>Subtotal Parks and Recreation</b>	<b>16.02</b>	<b>744,469</b>	<b>288,082</b>	<b>1,032,551</b>
<b>Personnel (Program Coordinator Positions)</b>				
Medical and Background Pre-employment Process	1.00	120,120	29,395	149,515
Data Analytics for Strategic Human Capital Management	1.00	120,120	29,395	149,515
<b>Subtotal Personnel</b>	<b>2.00</b>	<b>\$ 240,240</b>	<b>\$ 58,790</b>	<b>\$ 299,030</b>
TABLE CONTINUED ON THE FOLLOWING PAGE				

# General Fund Overview: Expenditures

General Fund Full-Time Equivalent (FTE) Additions (con't)				
Department	FTE	Wages	Fringe	Total PE
<b>Stormwater</b>				
Addition of Second Pipe Repair Team	25.00	\$ 1,332,281	\$ 563,717	\$ 1,895,998
Expansion of the Human Bacteria Source Investigation Team	6.00	304,761	136,366	441,127
Support for State-mandated Dig Alert Activities	5.00	195,125	109,170	304,295
Parking Enforcement Officers for Street Sweeping Enforcement	2.00	83,616	46,547	130,163
Code Compliance Officer for Water Quality Improvement Plan	1.00	39,728	20,774	60,502
Reinstate Word Processing Operator Position	0.50	16,806	17,509	34,315
<b>Subtotal Stormwater</b>	<b>39.50</b>	<b>1,972,317</b>	<b>894,083</b>	<b>2,866,400</b>
<b>Transportation</b>				
Support for State-mandated Dig Alert Activities	4.00	201,012	87,740	288,752
Right of Way Code Compliance Supervisor	0.25	12,563	16,704	29,267
<b>Subtotal Transportation</b>	<b>4.25</b>	<b>213,575</b>	<b>104,444</b>	<b>318,019</b>
<b>Other Departments</b>				
Commission on Police Practices (half year)	5.33	400,311	128,557	528,868
Compliance Department - Non-General Fund Transfer from Risk Management (Safety and Environment Program) <sup>1</sup>	7.00	609,185	330,325	939,510
Economic Development - Small Business Support	2.00	198,224	53,182	251,406
Mobility - Annualizations: for three positions budgeted one-half year in FY 2021 (Program Manager, Program Coordinator, Senior Management Analyst)	1.50	14,710	31,061	45,771
Police Department - Annualizations: for four Criminalist 2 positions budgeted one-half year in FY 2021 for Analysis of Sexual Assault Evidence	2.00	139,609	-	139,609
Office of Chief Operating Officer - Immigrant Affairs Manager	1.00	90,000	25,669	115,669
Office of Homeland Security - Executive Director	1.00	122,709	29,461	152,170
READ - Program Coordinator for Homeless Services Facilities	1.00	85,852	25,258	111,110
<b>General Fund Totals</b>	<b>125.20</b>	<b>\$ 7,746,334</b>	<b>\$ 2,847,146</b>	<b>\$ 10,593,480</b>

Notes: Table may not total due to rounding.

Table includes estimates for certain annualizations and hourly fringe.

<sup>1</sup> FTE transfers from non-general funds to the General Fund are included as additions, as General Fund FTE counts are increased.

# General Fund Overview: Expenditures

General Fund Full-Time Equivalent (FTE) Reductions				
Department	FTE	Wages	Fringe	Total PE
<b>Library (reduction to Tues. through Saturday schedule)</b>				
Hourly FTE Reductions	(77.92)	\$ (3,093,342)	\$ (288,563)	\$ (3,381,905)
Standard-Hour FTE Reductions	(23.00)	(1,177,681)	(1,390,694)	(2,568,375)
<b>Subtotal Library</b>	<b>(100.92)</b>	<b>(4,271,023)</b>	<b>(1,679,257)</b>	<b>(5,950,280)</b>
<b>Other Reductions</b>				
Assistant Chief Operating Officer	(1.00)	(229,424)	(269,785)	(499,209)
Council Administration - Removal of Hourly Positions: 0.25 Management Intern and 0.12 Clerical Assistant 2	(0.37)	(11,621)	(943)	(12,564)
Ethics Commission - Removal of 0.25 Executive Director (utilized in FY 2021 to overlap outgoing Executive Director with the successor Executive Director)	(0.25)	(34,597)	(87,632)	(122,229)
Fleet Operations-Facilities - Removal of FY 2021 FTE Addition for One Month of Support for the Stadium Operating Fund	(1.83)	(81,933)	(46,319)	(128,252)
Public Works & Utilities Deputy Chief Operating Officer	(1.00)	(219,000)	(65,575)	(284,575)
Purchasing & Contracting - Removal of 0.96 Management Intern (Hourly)	(0.96)	(26,952)	(2,210)	(29,162)
Smart & Sustainable Communities - Transfer of Urban Planning Review Program to Development Services Fund (Non-General Fund) <sup>1</sup>	(8.00)	(571,820)	(174,103)	(745,923)
<b>General Fund Totals</b>	<b>(114.33)</b>	<b>\$ (5,446,370)</b>	<b>\$ (2,325,824)</b>	<b>\$ (7,772,194)</b>

Notes: Table may not total due to rounding.

Table includes estimates for certain positions with partial FTE reductions.

<sup>1</sup> FTE transfers from the General Fund to non-general funds are included as reductions, as General Fund FTE counts are reduced.



# General Fund Overview: Expenditures

Full-time Equivalent (FTE) Transfers Among General Fund Departments				
Department	FTE	Wages	Fringe	Total PE
<b>Compliance Department</b>				
From Purchasing & Contracting - Program Manager, Program Coordinator, Senior Management Analyst, Supervising Management Analyst	4.00	\$ 312,312	\$ 98,849	\$ 411,161
From the City Treasurer - Program Manager, 2.00 Program Coordinators, and Associate Management Analyst	4.00	371,281	239,791	611,072
<b>Subtotal Compliance Department</b>	<b>8.00</b>	<b>683,593</b>	<b>338,640</b>	<b>1,022,233</b>
<b>Office of the Chief Operating Officer (COO)</b>				
From the General Service Branch - Deputy Chief Operating Officer (DCOO) and 0.50 Executive Assistant	1.50	242,234	274,200	516,434
From Neighborhood Services - DCOO and 0.50 Executive Assistant	1.50	242,233	60,983	303,216
From Office of the Assistant Chief Operating Officer (ACOO) - Associate Management Analyst	1.00	69,722	27,611	97,333
From the Office of the CFO - CFO and Executive Assistant	2.00	275,202	298,280	573,482
From the Public Works & Utilities Branch - Executive Assistant	0.50	23,233	10,408	33,641
From Smart & Sustainable Communities - DCOO and 0.50 Executive Assistant	1.50	242,234	269,272	511,506
<b>Subtotal Office of the COO</b>	<b>8.00</b>	<b>1,094,858</b>	<b>940,754</b>	<b>2,035,612</b>
<b>Smart &amp; Sustainable Communities</b>				
To the Office of the COO - DCOO & 0.50 Executive Assistant	(1.50)	(242,234)	(269,272)	(511,506)
To the Sustainability Department - Deputy Director	(1.00)	(139,506)	(33,974)	(173,480)
<b>Subtotal Smart &amp; Sustainable Communities</b>	<b>(2.50)</b>	<b>(381,740)</b>	<b>(303,246)</b>	<b>(684,986)</b>
<b>Other Departments</b>				
From Purchasing & Contracting to the Compliance Department - Program Manager, Program Coordinator, Sr. Mgmt. Analyst, Supervising Mgmt. Analyst	(4.00)	(312,312)	(98,849)	(411,161)
From the City Treasurer to the Compliance Department - Program Manager, 2.00 Program Coordinators, and Associate Management Analyst	(4.00)	(371,281)	(239,791)	(611,072)
From General Service Branch to the Office of the COO - DCOO and 0.50 Executive Assistant	(1.50)	(242,234)	(274,200)	(516,434)
From Neighborhood Services to Office of the COO - DCOO and 0.50 Executive Assistant	(1.50)	(242,233)	(60,983)	(303,216)
From the Office of the ACOO to the Office of the COO - Associate Management Analyst	(1.00)	(69,722)	(27,611)	(97,333)
From the Office of the CFO to Office of the COO - CFO and Executive Assistant	(2.00)	(275,202)	(298,280)	(573,482)
From the Public Works & Utilities Branch to the Office of the COO - Executive Assistant	(0.50)	(23,233)	(10,408)	(33,641)
To the Sustainability Department from Smart & Sustainable Communities - Deputy Director	1.00	139,506	33,974	173,480
From the Office of Boards and Commissions to the Commission on Police Practices - Executive Director	(1.00)	(122,699)	(38,110)	(160,809)
To the Commission on Police Practices from the Office of Boards and Commissions - Executive Director	1.00	122,699	38,110	160,809
<b>General Fund Totals</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Note: FTE transfers among General Fund departments do not affect the overall General Fund FTE count.

## General Fund Overview: Revenue

# Revenue Overview

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)					
	FY 2021 ADOPTED	FY 2021 MID-YEAR PROJECTED YEAR-END	FY 2022 PROPOSED	CHANGE, ADOPTED/ PROPOSED	CHANGE, MID-YEAR/ PROPOSED
<b>Major General Fund Revenues</b>	<b>\$ 1,063.2</b>	<b>\$ 1,039.7</b>	<b>\$ 1,161.7</b>	<b>\$ 98.5</b>	<b>\$ 122.0</b>
Property Tax	630.6	633.4	669.3	38.7	35.9
Sales Tax	274.4	283.3	320.8	46.4	37.5
Transient Occupancy Tax	90.5	54.6	95.5	5.0	40.9
Franchise Fees	67.7	68.4	76.1	8.4	7.7
<b>Other General Fund Revenues</b>	<b>\$ 557.7</b>	<b>\$ 495.3</b>	<b>\$ 567.0</b>	<b>\$ 9.3</b>	<b>\$ 71.7</b>
Federal COVID Relief (CARES, ARP)	146.1	146.1*	141.3	(4.8)	(4.8)
Other Revenues	411.6	349.2	425.7	14.1	76.5
<b>Total Revenue</b>	<b>\$ 1,620.9</b>	<b>\$ 1,535.0</b>	<b>\$ 1,728.7</b>	<b>\$ 107.8</b>	<b>\$ 193.7</b>

\*Note - this amount does not include the anticipated use of \$51.1 million in ARP funding to balance the FY 2021 Budget.

The FY 2021 Proposed Budget for the General Fund includes approximately \$1.73 billion in revenues, an increase of \$107.8 million or 6.7% above the FY 2021 Adopted Budget. The four largest General Fund revenues – property tax, sales tax, transient occupancy tax (TOT), and franchise fees – total \$1.16 billion, or 67.3% of all General Fund revenues. In FY 2022, major General Fund revenues are proposed to increase by \$98.5 million from the FY 2021 Adopted Budget, and \$122.0 million from year-end projections that were included in the Mid-Year Budget Monitoring Report.

This section provides a brief overview of the economic outlook included in the Proposed Budget and a discussion of each of the City's four major General Fund revenues.

## Economic Outlook

While the City's economy continues to feel the impacts of the COVID-19 pandemic, most economic sectors are moving into a recovery phase as the rate at which new COVID-19 cases are diagnosed decreases along with associated hospitalization and deaths. These, along with increasing vaccination rates in San Diego, have led to the lifting of various health orders that limited gatherings and travel and

further restricted retail, restaurant, and other business activities.

The easing restrictions and increased activity have led to several positive economic indicators. Unemployment, which peaked at 14.9% in May of 2020, has declined to 8.0%, and consumer confidence has grown by 3.7% since the initial impacts of the pandemic in April 2020.

Accordingly, the Proposed Budget projects growth in all four major General Fund revenues. This growth is a positive development and supported by the continued recovery from the pandemic. Nevertheless, it should be noted that the impacts of the pandemic on revenues continues to be felt, especially in Transient Occupancy Tax revenues which were most severely impacted by the pandemic.

Our Office believes that it may be appropriate to consider some increases in the Residual Re-development Property Tax Trust Fund (RPTTF) portion of Property Tax revenues, as well as in Transient Occupancy Tax revenues, above amounts included in the Proposed Budget, but we also caution that the recovery phase is still early, and the potential for setbacks that could further impact the City's economy – including the spread of new strains

# General Fund Overview: Revenue

of COVID-19 – still exists; the potential for future volatility should be considered along with any adjustments to revenue projections. Additional details on each of the major General Fund revenues follows.

## Property Tax

The FY 2022 Proposed Budget for property tax is \$669.3 million. This represents an increase of \$38.7 million from the FY 2021 Adopted Budget. The FY 2021 projection for property tax, as of mid-year, is \$633.4 million, which is slightly above the Adopted Budget.

The property tax budget is made up of the 1% tax assessed on property owners, revenue received in lieu of motor vehicle license fees, and residual Redevelopment Property Tax Trust Fund (RPTTF) distributions.

The FY 2022 Proposed Budget assumes a 4.0% growth in the 1% property tax and in lieu of motor vehicle license fees payment, which make up 94%, or \$627.8 million, of total property tax revenue. The growth rate represents a decline from the FY 2021 Adopted Budget, which assumed a 4.25% growth rate in receivables for these two components. However, this projection is the same as what was assumed in the most recent Five-Year Financial Outlook. This decline in the growth rate is based on the fact that, while home prices have been rapidly increasing, and the number of home sales has slightly increased, the assessed values of those properties neither sold nor improved is projected to be less than usual. Per Proposition 13, the assessed value of a home not otherwise sold or improved cannot increase beyond 2% or the level of inflation, whichever is lower. The latest calculation for inflation was only 1%, so assessed values on the majority of properties within the City will only increase by that amount, moderating the impact of increasing home sales and prices.

The Department of Finance (DOF) has

indicated that they are still considering a change to the projected growth rate of 4.00% for FY 2022 based on the most recent actuals from FY 2021. In particular, Current Secured taxes, which make up the vast majority of the 1% tax assessed, appear to be growing at 4.75% for the City in FY 2021. DOF will consider a change ahead of the May Revision, and our Office will work closely with them to see if a change in the growth rate is warranted.

DOF has also increased the collection rate for Current Secured taxes from 97.9% to 98.6% in the Proposed Budget. Historically, collection rates have been at 99.2%, but were revised downward in FY 2021 due to the COVID-19 pandemic. As the pandemic subsides, collection rates should return to normal, and our Office agrees with this change.

The remaining component of the property tax budget is the residual distributions from the RPTTF, which total \$41.6 million. This projection is slightly higher than the Five-Year Financial Outlook due to slightly higher residual payments following the formal adoption of the most recent Recognized Obligation Payments Schedule (ROPS), which included less enforceable obligations than forecasted.

Subsequent to the release of the Proposed Budget, the State Department of Finance (State DOF) informed the Successor Agency that it is disallowing numerous expenditures, as well as making a significant adjustment based on prior year period actuals, on the latest ROPS. The City and Successor Agency are attempting to appeal some of these determinations, and thus we are unable at this time to make a final determination of the impact for General Fund revenues. However, even if some of the determinations are reversed, those that are not being contested are large enough to dramatically impact the amount of General Funds available in FY 2021 and FY 2022. Our initial estimates for the revenue impact in FY 2021 range from an increase of \$2.9 million to \$3.8 million, while the potential impact for

# General Fund Overview: Revenue

FY 2022 would be an increase of \$1.3 million to \$1.8 million. Our Office and City DOF will continue to work with the Successor Agency to determine the ultimate impact following final decisions from the State.

## Affordable Housing Preservation

On October 27, 2020, the Council approved a resolution accepting numerous recommendations from the San Diego Housing Commission's Affordable Housing Preservation Study. One of these recommendations was to establish a strategic goal, with appropriations in one-year increments and within the framework of the City's annual budget process, of using at least 20% of the FY 2021 RPTTF residuals as an annual base figure, and adding any additional growth in RPTTF residuals in future years, for an appropriation to support numerous affordable housing preservation projects.

Our Office, as discussed in [IBA Report 20-15 Impacts of the Use of Residual Redevelopment Property Tax Trust Funds to Preserve Affordable Housing](#), noted that any amount redirected would have a corresponding negative impact to the General Fund, as the RPTTF residuals are all currently unrestricted General Fund revenue. Based on the methodology discussed in our report and as put forth in the resolution, 20% of the FY 2021 RPTTF residuals, as currently contained in the Adopted Budget, would be \$5.8 million. Adding the additional growth in FY 2022, but not considering any of the potential changes to the ROPS due to State DOF disallowances, an appropriation consistent with this policy would be \$8.3 million. Currently, the Proposed Budget does not contain any appropriation for this purpose.

\$37.3 million or 13.2% increase from the FY 2020 Mid-Year projection.

Sales tax revenue was impacted by the COVID-19 pandemic, with declines in sales tax revenue between FY 2019 and 2020 totaling \$21.6 million, or 7.1%, with a larger year-over-year drop of 9.1% occurring in the October-December quarter. Initial concerns that sales tax revenue would continue to experience year-over-year declines in subsequent quarters, however, were not realized with some retail sectors such as online sales and home improvement experiencing growth that helped offset declines in other areas.

Sales tax revenue is highly sensitive to economic conditions, including job growth, consumer spending, and business investment. As noted above in the Economic Outlook discussion, economic indicators such as employment, consumer confidence, and business activities are trending positively, with increases in vaccinations and continually lessening health-related restrictions. These indicators support growth in sales tax revenues.

The growth rate assumed in the Proposed Budget of 13.2% is high, but it is supported by these positive economic indicators, as well as projections by the City's sales tax consultant that mirror assumptions in the Proposed Budget. Additionally, FY 2021 sales tax revenues have continued to come in well above budgeted amounts, and even slightly above updated projections (sales tax revenue for the most recent month was actually \$0.3 million above recent projections).

Accordingly, we believe that sales tax receipts included in the Proposed Budget are optimistic but reasonable; the potential may also exist to increase projected sales tax revenue by \$0.3 to \$0.5 million to reflect more recent FY 2021 sales tax receipts.

## **Sales Tax**

The FY 2022 Proposed Budget for sales tax is \$320.8 million. This is a 16.9% increase over the \$274.4 million budgeted in FY 2021 and a



# General Fund Overview: Revenue

## Transient Occupancy Tax

The FY 2022 Proposed Budget for Transient Occupancy Tax (TOT) revenue is \$95.5 million. This is a \$5 million, or 5.5% increase over the FY 2021 Adopted Budget, but a \$40.9 million or 74.9% increase over the year-end projections that were included in the Mid-Year Monitoring Report.

TOT revenue has been the City's most volatile major General Fund revenue source over the past two years, and has borne the full brunt of the COVID-19 pandemic. TOT revenue is driven by demand for hotel rooms; that demand is in turn determined by leisure travel, international travel, business travel, and group travel. While San Diego has historically had high demand across all these travel types, at the height of the pandemic, demand for hotel rooms was nearly zero.

Before the outbreak of COVID-19, the FY 2020 Adopted Budget included \$135.8 million in General Fund TOT revenue. Actual General Fund TOT revenue in FY 2020, impacted by just over three months of lockdowns driven by the pandemic, came in at \$94.3 million. Current year General Fund TOT revenue is projected to decline by a 62.8% from that already lowered amount, with total FY 2021 General Fund TOT revenue projected at \$54.6 million as of the Mid-Year.

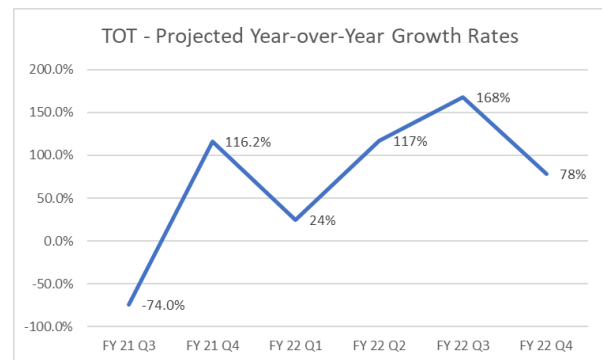
While there was a slowing of TOT revenue declines in the summer of 2020, increased restrictions on travel that were implemented in November of 2020 led to further declines in hotel stays and associated TOT revenue.

Recent trends, however, have been more positive. The regional stay-at-home order and travel restrictions implemented in November were lifted earlier than anticipated, and with the move of San Diego into the Orange Tier, hotel demand has begun to recover, though not yet to pre-pandemic levels.

The San Diego Tourism Marketing District (TMD), together with Tourism Economics, prepares hotel demand forecasts that take into account type of travel and projected room rates. These growth rates form the basis for TOT projections in the Proposed Budget.

It is currently anticipated that leisure travel will improve to 2019 levels by the end of FY 2021, with corporate, international, and group travel beginning to resume throughout early FY 2022.

The Proposed Budget uses different year-over-year growth rates for each month of FY 2022; average projected quarterly growth rates assumed in the Proposed Budget are shown below:



The third-quarter of FY 2021 continues to come in significantly below the third quarter of FY 2020 (Q3 of FY 2020 was only minimally impacted by the pandemic). However, there is growth in each subsequent quarter over pandemic-level-lows. While total growth projected for FY 2022 is nearly 75% above FY 2021 projections, it still remains roughly 25% below pre-pandemic highs. We believe these increases are reasonable provided the recovery from the pandemic continues, though we caution that setbacks to the recovery have the potential to lead to further volatility.

Our Office also notes that since the release of the Proposed Budget, the City has received additional TOT receipts for February and March of 2021 that were \$3.7 million above the Mid-Year projections that form the base-year for the FY 2022 Proposed Budget. We

# General Fund Overview: Revenue

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believe that adjusting the base budget, off of which FY 2022 projections are generated, could lead to an increase in TOT revenue, although because the Proposed Budget assumes a significant growth rate in these months for FY 2022, the growth rate for those periods may need to be adjusted down, offsetting some of these increases. Our office believes that the net result of these changes may support adjusting TOT revenue for FY 2022 by between \$0.5 and \$1.5 million; our office will work with the DOF to further review this possibility.

## Franchise Fees

The FY 2022 Proposed Budget projects General fund major franchise fees to total \$76.1 million. This is an increase of \$8.4 million, or 12.4% from the FY 2021 Adopted Budget.

Franchise fee revenue is derived primarily from three sources: 1) a 3% SDG&E surcharge on total gross sales; 2) a 5% surcharge on cable television provider subscriptions in the City; and 3) charges to private refuse haulers based on tonnage of refuse disposed. Additional smaller franchise fees are received from other energy, railroad, and towing franchises in the City.

### SDG&E

The largest source of General Fund franchise fee revenue is the surcharge on SDG&E, which accounts for \$49.7 million or 65.3% of major General Fund franchise fees included in the FY 2022 Proposed Budget. This amount is \$8.4 million higher than what is contained in the FY 2021 Adopted Budget based on two factors.

The first factor contributing to higher franchise fee revenues from SDG&E is that the most recent quarterly payment from SDG&E came in \$6.3 million higher than expected, representing a calendar year increase of

0.27%. The FY 2021 Adopted Budget had assumed a projected decline of -9.47%.

The assumed rate of decline included in the FY 2021 Adopted Budget was based on a historical analysis of the performance of electric and gas franchise fees during previous recessions. However, after a year of experience with the COVID-19 pandemic, overall energy usage ended up being mostly flat, and did not perform like a typical recession. Further, it is not unusual for this franchise fee to vary significantly from its projected growth rate, since historically SDG&E franchise fees have been hard to predict. This is due to both substantial volatility in the energy market, and because SDG&E, as a publicly traded company, does not share its financial forecasts for electricity and natural gas rates or sale volume with the City. Previous variations in SDG&E franchise fee revenue have gone from a 6.9% annual decline in receipts in FY 2017, up to a 7.1% increase the following year in FY 2018.

In addition to this most recent calendar year increase, the second factor contributing to the increasing projection is that the Department of Finance is projecting that the next year of SDG&E franchise fee revenue will increase by 1.9%. This projection is based on previous experience with this revenue source following a potential recessionary period.

As mentioned, historically there has been high volatility when it comes to year over year changes with SDG&E franchise fees. Given that level of uncertainty, our Office generally agrees with the projection for this revenue.

### Cable

The second largest portion of franchise fee revenue is from cable television franchise fees, which total \$13.0 million or 17.1% of major General Fund franchise fees in the Proposed Budget. This amount assumes a 4.6% decline in cable franchise fee revenue from current FY 2021 projections.

Cable television franchise fee revenue has

## General Fund Overview: Revenue

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shown consistent year-over-year declines since FY 2011 (with one small exception in FY 2015). The decline in the Proposed Budget continues this trend, with the overall decline based on the rate of decline experienced in the past four years. Our Office agrees with this projection.

### **Refuse Hauling**

The third largest portion of the franchise fee revenue is derived from refuse hauler and landfill disposal fees. The Proposed Budget includes \$12.8 million, or 16.9% of major General Fund franchise fees, from this source. This amount is the same as what was included in the FY 2021 Adopted Budget.

Refuse hauling franchise fees are based on the tonnage of refuse disposed. With the onset of the COVID-19, and the various stay-at-home orders, it was expected that residential tonnage would increase, while commercial tonnage would decline. While this has happened, the impact on refuse hauling fees has not been as dramatic as predicted, and the most recent mid-year projection had refuse hauling fees at budget. As the pandemic subsides, the impact to these fees will have to be monitored closely. At this time, our Office agrees with this projection.

# Mitigating Actions for FY 2022

## FY 2022 Mitigating Actions

As presented in the Mayor's FY 2022 Proposed Budget, City revenues are continuing to feel the impact of the COVID-19 pandemic. Sales tax and Transient Occupancy Tax (TOT) revenues have not returned to their pre-pandemic levels, and in the case of TOT are not projected to for many years. While some revenue increases decreased the projected FY 2022 shortfall from \$124.1 million in the latest Five-Year Financial Outlook down to \$107.6 million, the Mayor included a total of \$44.0 million in to maintain current services, and \$57.5 million in new or enhanced services within his Proposed Budget. This required the Mayor to identify up to \$209.0 million in mitigating actions in order to balance the Proposed Budget. This section of the report will highlight those actions and provide more detail on how these mitigations may impact future budget years.

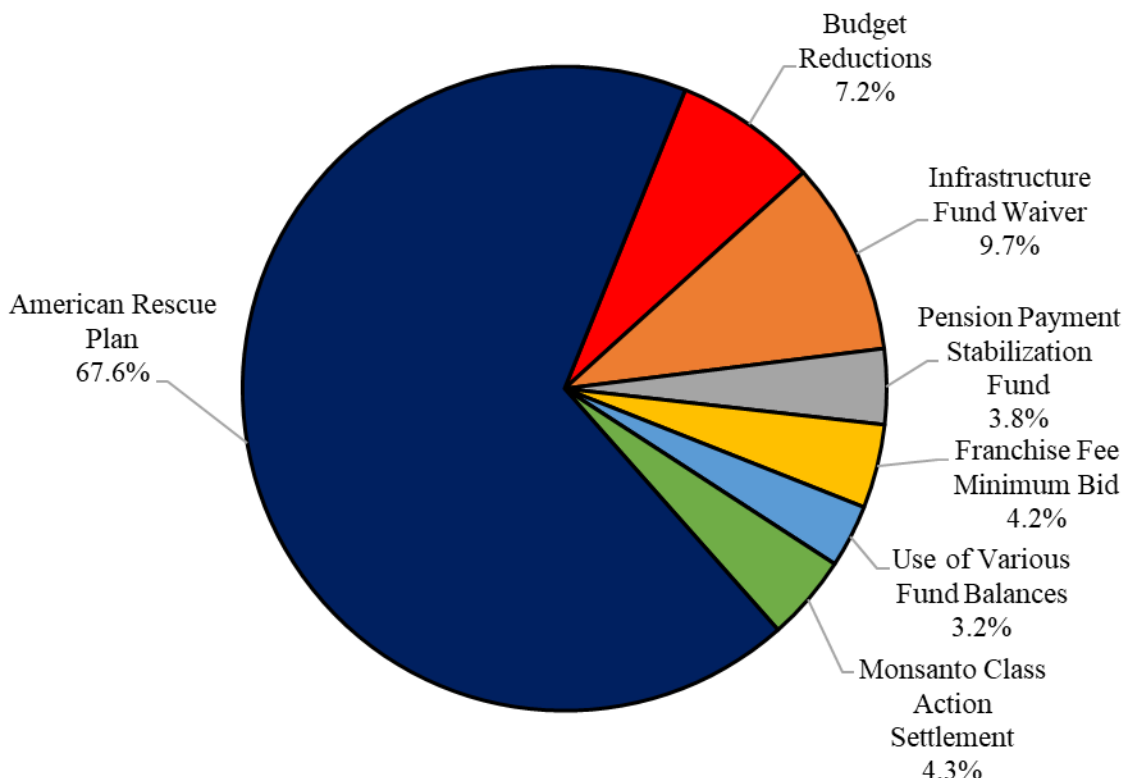
## Budget Reductions

The Mayor's Proposed Budget includes \$15.0 million in budget reductions in order to mitigate the projected shortfall. We divided these reductions up into three distinct categories: ongoing reductions (\$11.7 million), one-time reductions (\$1.6 million), and revenue enhancements (\$0.9 million ongoing, and \$0.8 million one-time). It is important to distinguish the ongoing from the one-time actions, as ongoing reductions or revenue enhancements will positively impact future year projected shortfalls as well.

### Ongoing Reductions

The largest category of reductions are the ongoing spending reductions. These reductions include:

- \$6.9 million for the Library to reduce hours. This reduction also includes 100.92 FTE, and is discussed further in the Departmental Review of the Library.



## Mitigating Actions for FY 2022

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- \$4.0 million in Police Overtime reductions, including \$2.0 million for Extension of Shift, \$1.0 million for CleanSD, and \$1.0 million from Neighborhood Policing.
- \$784,000 and 2.00 FTEs within the Office of the Chief Operating Officer associated with a restructure of operations and changes in organizational management. The two positions are for an Assistant Chief Operating Officer and a Deputy Chief Operating Officer, which are no longer required under the new management structure.
- \$606,000 in ongoing revenue for the Planning Department from the General Plan Maintenance Fund and the Facilities Financing Fund.
- \$325,000 in ongoing revenue for the Mobility Department. This is due to funding from SANDAG that will pay up to \$275,000 in staff costs for the next five years, as well as some additional impound fees related to Shared Mobility Devices.
- \$200,000 in one-time revenue for the Economic Development Department from the Small Business Enhancement Program fund, which will fund SBEP activities in FY 2022.

### One-Time Reductions

Reductions that are only scheduled to take place in FY 2022 include:

- \$878,000 for the Clean SD Program within the Environmental Services Department. This reduction takes advantage of efficiencies that have been realized due to the COVID-19 pandemic, by reducing the number of sprayings on sidewalks per week and the size of crews, without losing efficacy.
- \$680,000 for the Equipment Rate Reduction. This reduction results from the Fleet Operating Department reviewing rental rates charged when departments use a rental pool vehicle compared to the cost of maintenance, replacement and future acquisitions for the rental pool. The Department indicates they will not be purchasing new vehicles for the rental pool in FY 2022 and the reduced rates better align with anticipated costs for FY 2022.

### Revenue Enhancements

There is a total of \$1.8 million in revenue enhancements proposed in lieu of budget reductions. These include

- \$619,000 in one-time revenue within the Development Services Department from a transfer from the Civil Penalty Fund to the Code Enforcement Division.

### **Infrastructure Fund Waiver**

The FY 2022 Proposed Budget states that the Mayor is requesting a one-year suspension of the requirements of Charter Section 77.1 which governs how much General Fund revenue must be transferred into the Infrastructure Fund for improvements to infrastructure such as streets, sidewalks, bridges, bike paths, stormwater systems, and public buildings like libraries. For FY 2022, the estimated required deposit into the Infrastructure Fund is approximately \$20.3 million. By waiving the contribution, funds would go to other General Fund purposes to mitigate the FY 2022 projected shortfall. Suspension of the Infrastructure Fund requires a two-thirds vote of the City Council.

### **Pension Payment Stabilization Reserve**

The Mayor is proposing to utilize the \$7.9 million General Fund portion of the Pension Payment Stabilization reserve to help pay for the \$36.8 million increase in the General Fund portion of the pension payment. See the *Pension Payment Stabilization Reserve* section of this report for additional information.

### **Franchise Fee Minimum Bid**

The City is currently negotiating with San Diego Gas & Electric (SDG&E) for new



## Mitigating Actions for FY 2022

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agreements to operate gas and electric franchises within the City. As part of the recently concluded Invitation to Bid process, SDG&E was the sole submitter, and has agreed to pay the minimum bid of \$10 million for the gas franchise, and \$70 million for the electric franchise. This \$80 million total may be paid over the course of 10 years, with interest, or it could potentially all be paid in one lump sum up front. For FY 2022, the Mayor is proposing to utilize \$8.8 million of the bid proceeds for the General Fund.

The Mayor is currently proposing to bring the final franchise agreements to the City Council sometime within the month of May, as the current agreements expire on June 1, 2021. It will be known at that time what the final bid proceeds will be, and over what timeframe SDG&E will be proposing to pay the bid. Approval of the franchise agreements does require a two-thirds vote of the City Council.

### **Use of Various Fund Balances**

In the Proposed Budget, the Mayor has proposed to use up to \$6.6 million from various fund balances to mitigate the projected shortfall within the General Fund. These fund balances include:

- \$3.4 million from the Environmental Growth Fund, of which \$0.6 million is one-time only and \$2.8 million is ongoing. These revenue transfers are accounted for in the Parks & Recreation Department.
- \$1.5 million from the Emergency Medical Services Fund. This revenue transfer is accounted for in the Fire-Rescue Department.
- \$1.1 million from the Stadium Operations Fund due to the closeout of the fund. This revenue transfer is within Citywide Revenues.
- \$0.6 million from the Public Safety Services and Debt Fund. This revenue transfer is accounted for evenly between the Fire-Rescue and Police departments.

### **Monsanto Class Action Settlement**

The City recently part of a class action lawsuit against the company Monsanto, which sought compensatory damages and relief for chemicals that caused environmental impairment. The amount associated with this settlement is \$9.0 million, which the proposed budget utilizes to cover the FY 2022 projected shortfall.

### **American Rescue Plan**

The largest mitigation action is the utilization of \$141.3 million from the federal relief that the City received under the American Rescue Plan. For more information on how the Mayor plans to utilize these funds, please refer to the *American Rescue Plan Funding* section of this report.

## **Carried Over from FY 2021 Adopted Budget**

While the preceding actions were proactively proposed in the FY 2022 Proposed Budget, there are other mitigation actions that have been included within the Proposed Budget that have been carried over from the FY 2021 Adopted Budget. This next section will highlight these actions.

### **General Fund Reserve**

As a result of declining revenues due to the recent COVID-19 pandemic, the City did not budget a contribution to increase the General Fund Reserve to the FY 2021 Reserve Policy Target. The FY 2022 Proposed Budget also does not include a General Fund Reserve contribution. See the *General Fund Reserve* section of this report for additional information.

### **2.6% Across-the-Board Contracts Reduction**

As part of the Council's FY 2021 final budget actions, a 2.6% across-the-board contracts reduction was included in order to help balance the budget. This reduction has been made ongoing within the FY 2022 Proposed Budget, which takes the \$6.3 million that was reduced in FY 2021 and placed only within Citywide Expenditures and allocates the reduction

## Mitigating Actions for FY 2022

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across all of the General Fund departments. As we discussed in [IBA Report 21-05](#) on the Mid-Year Budget Monitoring Report, in FY 2021 this reduction across the entire City General Fund is being managed by utilizing underspending within other expenditure categories to cover the reduction. Many departments within FY 2021 also utilized underspending within contracts commitment items such as travel and training expenses. Since this reduction will now be ongoing, the Council may wish to inquire with those departments that took larger reductions how they are planning on absorbing this reduction in FY 2022 and moving forward.

### **4% Reduction to Non-Mayoral Departments**

As part of the FY 2021 Proposed Budget, 4% budget reductions were included for all non-Mayoral departments. While Council restored these reductions for certain departments (Office of the City Auditor and City Clerk), the FY 2021 Adopted budget included \$3.5 million in reductions for the remaining non-Mayoral departments. The reduction that were included in the FY 2021 Adopted Budget have been maintained in the FY 2022 Proposed Budget.

## Reserves: General Fund Reserve

# General Fund Reserve

This section provides background information on the City's General Fund Reserve policy and Reserve target amounts, which are based on that policy. Following the policy discussion, we review the Reserve's funding status.

### Background: General Fund Reserve Policy and Reserve Policy Targets

The City Reserve Policy<sup>1</sup> goal for the General Fund Reserve is to reach 16.7% of operating revenues, which is to be phased-in through FY 2025. To realize this phase-in, over the past several years, the Policy's Reserve target percentage has been increasing by 0.25% annually. For FY 2021, which ends June 30, 2021, the Reserve Policy's General Fund target increased from 15.5% to 15.75% of operating revenues, as shown in the right-most column of the following table.

City Reserve Policy: General Fund Reserve Funding Schedule			
Target Date	Emergency Reserve Target Percent	Stability Reserve Target Percent	Total Reserve Target Percent
June 30, 2019	8%	7.25%	15.25%
June 30, 2020	8%	7.5%	15.5%
June 30, 2021	8%	7.75%	15.75%
June 30, 2022	8%	8%	16%
June 30, 2023	8%	8.25%	16.25%
June 30, 2024	8%	8.5%	16.5%
June 30, 2025	8%	8.7%	16.7%

The General Fund Reserve has two components: the Emergency Reserve, which is 8% of operating revenues, and the Stability Reserve,

for which the ultimate Policy goal is to reach 8.7%.<sup>2</sup> The preceding table shows the Reserve components and scheduled timeframe for reaching the 16.7% total Reserve goal.

The amount of each year's Reserve target is based on the audited General Fund operating revenues for the prior three fiscal years. It is the product of the three-year revenue average and the City Reserve Policy's target percentage for the applicable year.

In the following table, the bottom three rows show the applicable three-year average revenues, as well as Reserve target percentages and target amounts, for FY 2020 through FY 2022. The FY 2020 target percentage was 15.5% of operating revenues, which equates to \$205.7 million. In accordance with the

City Reserve Policy: General Fund Reserve Target Calculation ( <i>\$ in millions</i> )			
	FY 2020	FY 2021	FY 2022
<i>Revenues</i> <sup>1</sup>			
FY 2021			\$ 1,292.9
FY 2020		\$ 1,357.0	\$ 1,357.0
FY 2019	\$ 1,406.8	\$ 1,406.8	\$ 1,406.8
FY 2018	\$ 1,309.4	\$ 1,309.4	
FY 2017	\$ 1,264.2		
<i>3-Year Average of Revenues</i>	\$ 1,326.8	\$ 1,357.7	\$ 1,352.2
Reserve Target %	15.5%	15.75%	16%
<b>Reserve Target</b>	<b>\$ 205.7</b>	<b>\$ 213.8</b>	<b>\$ 216.4</b>

Note: Table may not total due to rounding.

<sup>1</sup> FY 2017 to FY 2020 revenues are based on actual operating revenues, and FY 2021 revenues are based on the current projection for FY 2021.

<sup>1</sup> The City Reserve Policy is delineated in Council Policy 100-20.

<sup>2</sup> Per the City Reserve Policy, the "Emergency Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event", and the "Stability Reserve will be maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures."

## Reserves: General Fund Reserve

Reserve Policy's phase-in plan, the FY 2021 Reserve target increases to 15.75%, or \$213.8 million; and the FY 2022 Reserve target increases to 16% and, based on the current FY 2021 General Fund operating revenue estimate<sup>3</sup>, is projected to be \$216.4 million.

available fund balance is known as Excess Equity. The Department of Finance plans to utilize the \$14.5 million Excess Equity (among other balancing actions) to help mitigate the FY 2021 revenue shortfall.

### Reserve Funding Status

As a result of declining revenues due to the COVID-19 pandemic, the City did not budget a General Fund Reserve contribution in the FY 2021 Adopted Budget. The FY 2022 Proposed Budget also does not include a Reserve contribution.

Thus, the FY 2021 and FY 2022 Reserve is projected to remain at the FY 2020 balance of \$205.7 million, as shown in the third row of the following table. The fourth row shows that, in the absence of a FY 2021 Reserve contribution, the FY 2021 Reserve is \$8.2 million less than the Reserve Policy target; and the FY 2022 Reserve is projected to be \$10.7 million less than the Reserve Policy target.

### Excess Equity

We would note that the FY 2020 General Fund fund balance was approximately \$14.5 million higher than the current \$205.7 million General Fund Reserve. This \$14.5 million of

General Fund Reserve Policy vs Reserve Projection <sup>1</sup> (\$ in millions)			
	FY 2020	FY 2021	FY 2022
<b>Reserve Policy Target Percent</b>	<b>15.5%</b>	<b>15.75%</b>	<b>16%</b>
Reserve Policy Target <sup>2</sup>	\$ 205.7	\$ 213.8	\$ 216.4
Reserve Balance (FY 2020) / Reserve Projection (FY 2021 and FY 2022)	\$ 205.7	\$ 205.7	\$ 205.7
<b>Difference: Amount Reserve Projection Is Below the Policy Target</b>	<b>\$ -</b>	<b>\$ (8.2)</b>	<b>\$ (10.7)</b>
<b>Reserve Projection as Percent of Operating Revenues</b>	<b>15.5%</b>	<b>15.1%</b>	<b>15.2%</b>

Note: Table may not total due to rounding.

<sup>1</sup> The Reserve Projection is based on the approach presented in the FY 2022-2026 Five-Year Financial Outlook, for which there is no contribution to the General Fund Reserve for FY 2021 through FY 2023.

<sup>2</sup> For FY 2020 and FY 2021, the Reserve Policy targets are based on the average of the prior three years' actual operating revenues. The FY 2022 Reserve Policy target is based on actual operating revenues for FY 2019 and FY 2020 and estimated operating revenues for FY 2021.

<sup>3</sup> The current FY 2021 General Fund operating revenue estimate is based on the Department of Finance's revenue projections in its FY 2021 Revenue Update Report, dated March 2021.

# Public Liability Funds

The Public Liability (PL) Funds support costs to the City related to claims against the General Fund. The PL Funds are therefore supported entirely by General Fund contributions, specifically from the Citywide Program Expenditures budget. PL Funds will be discussed in the PL Operating Fund and PL Reserve Fund sections below.

### PL Operating Fund

#### FY 2021 Estimates

The PL Operating Fund's expenses, claims payouts, and insurance for FY 2021 are anticipated to be covered by the following estimated resources, totaling \$43.9 million:

- \$29.4 million in budgeted FY 2021 transfers from the General Fund
- \$14.3 million in beginning cash balance
- \$263,000 in other revenue

The Risk Management Department is currently working on PL operating projections for FY 2021 year-end. There is uncertainty as to the ultimate costs and timing for resolution of various claims cases; and therefore, FY 2021 estimated PL operating costs are unknown at this time. Additional discussion is included at the end of this section.

It is important to note that the PL Operating fund can be very volatile and needs to be continually monitored throughout the year.

#### FY 2022 Mayor's Proposed Budget

The FY 2022 Proposed Budget includes transfers to the PL Operating Fund totaling \$34.8 million – up \$5.4 million from the \$29.4 million in the FY 2021 Adopted Budget. This increase includes \$3.4 million for higher insurance premiums, which is based on premium estimates that incorporate loss development

trends in the insurance market. The increase also includes \$2.0 million related to the use of excess PL operating funds to cover a portion of operating expenses in FY 2021.

### PL Reserve Fund

The PL Reserve goal is specified in the City Reserve Policy (Council Policy 100-20). The goal is to maintain a balance equal to 50% of the PL actuarial liability, which is based on the most recent three-year average of actuarial liabilities (FY 2018 through FY 2020).

This 50% Reserve policy goal equates to a \$36.0 million target for FY 2021. Previously, as of the FY 2021 Adopted Budget, the Reserve target was estimated to be \$33.8 million. However, it was increased by \$2.2 million in the fall of 2020 after receipt of the FY 2020 PL actuarial valuation.

Because of the increase to the Reserve target, the PL Reserve was projected to be underfunded by \$2.2 million as of the FY 2021 Mid-Year Budget Monitoring Report – as shown in the following table. Note that the FY 2022 Reserve target will not be known until the FY 2021 PL valuation is completed in the fall of 2021.

Mid-Year Projected Deficit in Public Liability Reserve (\$ in millions)	
FY 2021 Reserve Projection	\$ 33.8
FY 2021 Reserve Target	36.0
<b>Projected Surplus/(Deficit)</b>	<b>\$ (2.2)</b>

Although there is a projected PL Reserve deficit as of the FY 2021 Mid-Year Budget Monitoring Report, there is no amount included in the FY 2022 Mayor's Proposed Budget for a contribution to the PL Reserve. The Proposed Budget is forgoing funding of the Reserve,



## Reserves: Public Liability

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which provides budget relief for the General Fund.

Additionally, as mentioned earlier in the PL Operating Fund section, there is uncertainty as to ultimate costs and timing for resolution of various claims cases. If claims costs are less than previously projected at mid-year, for example, there could be available funds to help reduce the PL Reserve deficit, or further, balance the FY 2022 General Fund budget. However, the anticipation is that this scenario will not be the likely outcome.

More likely, there is potential for public liability costs to come in higher than previously projected; and if there are more claims and operating costs than resources, additional funding may be needed. Funding could be taken from the PL Reserve, putting it further in deficit; or it could be provided by the General Fund. More information will be available in the Third Quarter Budget Monitoring Report, which is expected to be released mid-May.

# Workers' Compensation Fund

Estimated costs for Workers' Compensation (WC) are based on a three-year average of actual annual payments. WC rates are applied to employees' salaries and reflect a blend of claims cost estimates (which are allocated by job classification) and the allocated Reserve contribution, as necessary. The estimated costs are distributed accordingly in the budget system and categorized as fringe benefits expenditures.

### Citywide Budget

Total WC Fund operational costs are estimated to be \$34.8 million in FY 2022, which corresponds to the \$34.8 million included in the FY 2022 Proposed Budget for citywide fringe payments to the WC Fund. There is no budgeted contribution to the WC Reserve.

The WC budget has increased \$1.1 million from \$33.7 million in the FY 2021 Adopted Budget, largely due to increasing medical costs. Costs may be even higher in FY 2022, because during COVID-19 many medical procedures were postponed. Risk Management will be monitoring costs during the year.

### General Fund Budget

The General Fund portion of the WC fringe expenditures budget is increasing by \$715,000, from \$29.3 million to \$30.0 million. This General Fund portion is 86.3% of the citywide WC fringe budget for FY 2022 – down from 86.9% in FY 2021.

### WC Reserve

The WC Reserve goal is specified in the City Reserve Policy (Council Policy 100-20). The goal is to maintain a balance equal to 12% of the WC actuarial liability, which is based on the most recent three-year average of actuarial liabilities (FY 2018 through FY 2020). This 12% Reserve policy target equates to \$32.5

million for FY 2021.

WC operating costs in FY 2021 may be less than the citywide budgeted fringe benefits payments to the WC Fund. If that is the case, and all FY 2021 budgeted fringe benefits payments are transferred to the WC Fund, there would be excess WC Fund balance. However, due to the City's projected General Fund deficit for FY 2021, citywide fringe payments to the WC Fund may be reduced. More information will be available in the Third Quarter Budget Monitoring Report, which is expected to be released mid-May.

# Long-Term Disability Fund

Estimated costs for Long-Term Disability (LTD) are based on a three-year average of actual annual payments combined with an annual reserve contribution, as necessary. A single LTD rate is determined and applied to employees' salaries. Estimated costs are distributed accordingly in the budget system and categorized as fringe benefit expenditures.

### **Citywide Budget**

The FY 2022 Proposed Budget for citywide fringe payments to the LTD Fund is \$3.3 million, to be used for estimated LTD operating costs, an increase from the \$2.7 million included in the FY 2021 Adopted Budget. There is no estimated contribution for the LTD Reserve.

### **General Fund Budget**

The General Fund portion of the LTD fringe expenditures budget is increasing from \$1.9 to \$2.3 million. The General Fund portion is 68.2% of the citywide LTD fringe budget for FY 2022.

### **LTD Reserve**

Per the City Reserve Policy (Council Policy 100-20), the LTD Reserve goal is to maintain a balance equal to 100% of the LTD actuarial liability, which is based on the most recent three-year average of actuarial liabilities (FY 2018 through FY 2020).

This 100% Reserve policy target equates to \$4.2 million for FY 2021; and the projected Reserve balance of \$4.1 million is approximately \$100,000 less than the Reserve target for FY 2021. Note that the FY 2022 Reserve target will not be known until the FY 2021 LTD valuation is completed in the fall of 2021.

# Pension Payment Stabilization Reserve

The purpose of the Pension Payment Stabilization Reserve (PPSR) is to have a source of funds available “to mitigate service delivery risk due to increases in the annual pension payment, the Actuarially Determined Contribution (ADC).” The PPSR was incorporated into the City Reserve Policy (Council Policy 100-20) in April 2016.

This section discusses only the General Fund portion of the PPSR.

### **Background / History**

For historical context, in FY 2016 the \$16.0 million General Fund portion of the PPSR was funded, and was subsequently fully employed in the FY 2018 Adopted Budget as a resource to mitigate the ADC increase. The FY 2018 General Fund portion of the ADC had increased by \$45.2 million, two-thirds of which was primarily related to mortality assumption changes.

Within a year of (full or partial) depletion of the PPSR, the Mayor is required, per the City Reserve Policy, to prepare a plan for its replenishment. A five-year plan to replenish the FY 2018 use of the PPSR was presented in the 2019-2023 Five-Year Outlook.

The objective of this plan was to increase the percentage of required funding on hand in the PPSR by 20% in each of the five replenishment years (i.e. 20%, 40%, 60%, 80%, 100% funded). The FY 2019 and FY 2020 Budget amounts for the General Fund PPSR were \$3.6 million and \$4.3 million – for a total of \$7.9 million. With FY 2021 being the third year of the replenishment plan, the anticipation was that the FY 2021 PPSR would hold

60% of the estimated funding requirement for FY 2023 (the fifth and final phase-in year).

However, as a result of declining revenue projections due to the COVID-19 pandemic, no contribution to the PPSR was funded in the FY 2021 Adopted Budget. Thus, the balance for the General Fund PPSR currently remains at \$7.9 million.

### **FY 2022 Budget Considerations**

There is no PPSR contribution included in the FY 2022 Proposed Budget. Additionally, the Mayor plans to utilize the \$7.9 million General Fund PPSR to help pay for the City’s General Fund pension costs in FY 2022.

The reason for having PPSR funds available is to mitigate service delivery risk caused by ADC increases. In accordance with the City Reserve Policy, there is further risk to City operations in FY 2022 resulting from the \$36.8 million General Fund ADC increase in FY 2022. Use of the \$7.9 million PPSR is a one-time resource.

# American Rescue Plan Act Funding

The President signed the American Rescue Plan Act of 2021 (ARP) into law on March 11, 2021. Similar to, but much larger than, last year's Coronavirus Aid, Relief, and Economic Security Act (CARES), the ARP is estimated to provide the City with \$306.1 million in Coronavirus State and Local Fiscal Recovery Funds.

The ARP federal recovery funds are expected to be deposited with the City in two equal installments. The first tranche (approximately \$158.5 million) is to be deposited within 60 days of ARP's passage (on or before May 11, 2020). The remaining \$158.5 million is to be provided to the City not less than one year from that date.

### Provisions on the Use of ARP Funds

While the United States Department of the Treasury has yet to release detailed guidelines on the use of ARP recovery funds, the following three key provisions are in accordance with ARP Act language:

- 1) ARP funds may be used through December 31, 2024 (midway through FY 2025).
- 2) ARP funds cannot be used to offset tax cuts or to pay for pension liabilities.
- 3) ARP funds can be used to provide government services to the extent of the reduction of revenue attributable to the COVID-19 public health emergency. The extent of the revenue loss is determined by comparison to the amount of revenue collected in the most recent full fiscal year prior to the COVID-19 emergency (FY 2019).

With respect to this third provision, the City's Department of Finance (DoF) has estimated the total projected loss of revenue in transient occupancy tax and sales tax to be

approximately \$368.6 million from FY 2020 through FY 2023 (as compared to FY 2019 levels). This is important because while there are other provisions that allow for the use of ARP funds, this one provision alone likely makes the entire \$306.1 million available for the provision of public services without significant additional restrictions.

### Mayor's Proposed Use of ARP Funds

To maintain services, address certain identified needs and balance the budget in fiscal years 2021 through 2023, the Mayor is proposing to use the \$306.1 million in ARP funds, in conjunction with other funds, as shown in the table below:

Mayor's Proposed Use of ARP Funds (\$ in millions)	
FY 2021	\$ 51.1
FY 2022	141.3
FY 2023	113.7
<b>Total</b>	<b>\$ 306.1</b>

FY 2021: Based on the March 22<sup>nd</sup> revenue update, DoF is projecting a revenue shortfall of \$76.9 million. After using FY 2020 excess fund balances (\$14.5 million) and potential current year savings (\$11.3 million), the plan is to use **\$51.1 million** of ARP funds to balance the FY 2021 Budget.

FY 2022: The FY 2022 Proposed Budget adds \$107.8 million of expenditures (some one-time and some ongoing). It proposes to use \$15.0 million of departmental budget reductions in conjunction with other one-time mitigating actions (fund balance, pension reserve, Infrastructure Fund waiver, settlement proceeds and potential franchise minimum bid) to reduce the projected revenue shortfall to \$141.3 million. ARP funds are proposed to cover the remaining **\$141.3 million** shortfall.

FY 2023: Based on DoF's presentation to the City Council on the FY 2022 Proposed



## Key Citywide Issues: American Rescue Plan Act

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Budget, the projected revenue shortfall for FY 2023 is \$116.5 million. The Mayor is proposing to save the remaining **\$113.7 million** of ARP funds to help balance the FY 2023 budget.

### **Use of ARP as a One-Time Resource**

ARP funds are one-time resource available for use through calendar year 2024. The federal government's hope in making these funds available is to help local government maintain critical services until their revenues recover/return to pre-pandemic levels.

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*"The City has a policy of supporting ongoing expenditures with ongoing resources to avoid the predicament of having ongoing expense commitments without accompanying resources in the following years."*

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After using an anticipated \$51.1 million to balance the FY 2021 Budget, the Mayor is proposing to use \$141.3 million of the remaining \$255.0 million to balance his FY 2022 Proposed Budget. Approximately 65% of the \$141.3 million will be used to cover ongoing expenses. The FY 2022 Proposed Budget notes that one-time resources exceed one-time uses by approximately \$91.7 million – this is the amount proposed for ongoing uses in FY 2022.

The City has a policy of supporting ongoing expenditures with ongoing resources to avoid the predicament of having ongoing expense commitments without accompanying resources in the following years. The FY 2022 Proposed Budget explains the use of \$91.7 million in one-time resources for ongoing expenses with the following statement: "The City believes that, as the pandemic subsides and the economy recovers, ongoing revenue will return to more normal levels, narrowing this gap."

Based on the information our Office has at this time, we do not believe it is unreasonable to assume the City's ongoing revenues will return close to pre-pandemic levels before the City's ARP funding is exhausted. We would also note there are other ways (often challenging) to bridge a gap between ongoing expenses and revenues:

- Consider reductions in ongoing expenses
- Develop new ongoing revenue sources
- Identify new one-time resources or use reserves as a last resort to buy more time for ongoing revenue to recover/grow.

The Mayor's FY 2022 Proposed Budget targets his identified areas of need. Many of these areas of need are budget priorities shared by the City Council. After offsetting proposed increases by proposed budget/service reductions, the Mayor is adding \$107.8 million of net annual expense in the FY 2022 Proposed Budget.

The City Council can make changes to the FY 2022 Proposed Budget so long as it remains balanced. The Council could cautiously consider using more than \$141.3 million of ARP funding in FY 2022 to add or restore critical public services or projects. Alternatively, they could elect to use less ARP funding in FY 2022 and save more for FY 2023.

Irrespective of the Council's final decision on the FY 2022 Budget, it will be important to acknowledge the amount of one-time resources being used to fund ongoing expenses in FY 2022 and closely monitor revenues going forward. We would also recommend that strategies for addressing a potential imbalance between ongoing revenue and expense be developed in the event City revenues recover more slowly than anticipated.

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# Key Citywide Issues: American Rescue Plan Act

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“...it will be important to acknowledge the amount of one-time resources being used to fund ongoing expenses in FY 2022 and closely monitor revenues going forward.”

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## **Other ARP Funding Resources That Might Benefit the General Fund or Otherwise Address Council Priorities**

There are other resources in the ARP, beyond the \$306.1 million, that might be considered in lieu of certain General Fund expenditures or otherwise help to address Councilmember priorities. Several of these other ARP resources are briefly described in the section below. The Council may wish to ask staff how, or if, these resources are being pursued at this time.

### Homelessness Assistance and Supportive Services Program

The City is expected to receive \$21.0 million for Homelessness Assistance and Supportive Services and can be used for the following activities:

- Tenant-based rental assistance,
- Development of affordable housing,
- Supportive services *for those not already receiving them* (includes housing counseling, homeless prevention services, and transitional housing),
- The acquisition and development of non-congregate shelter units which may be converted to permanent affordable housing, used as emergency shelter, be converted to permanent housing, or remain as non-congregate shelter units.

These funds are available until September 30, 2025. **It is anticipated that staff will bring forward a proposal for allocating these funds this coming May or June.**

### Emergency Housing Vouchers

The ARP includes a national allocation of \$5.0 billion for emergency housing vouchers, in which the City's portion will be awarded to the San Diego Housing Commission. According to the legislation, the Commission will be notified of the number of emergency vouchers provided with these funds within 60 days after enactment (on or before May 11). Vouchers may not be reissued when assistance for the family ends after September 30, 2023.

### Emergency Rental Assistance

The ARP also includes additional funding for emergency rental assistance, which will be disbursed in multiple tranches. Eligible uses include: rent and past rent, utilities and home energy costs and arrears, and other expenses related to housing. Because the ARP uses the same formula for allocating additional rental assistance funds as the last round, the City's next allocation should be roughly \$40 million. The City could receive even more if the State passes through some of its allocation as it did in the last round.

The first 40% of funds will be paid to the City within 60 days of enactment of the ARP (on or before May 11). Once 75% of funds have been obligated, the City will be able to receive more from the U.S. Treasury.

Depending upon the utilization rate of the existing \$92.2 million Emergency Rental Assistance Program, Council may wish to keep the following two provisions in mind when the allocation of ARP rent relief funds comes to Council for approval.

- The City may use up to 10% of funds for housing stability services, including case management and other services intended to help keep households stably housed.
- The City may use any unobligated funds by October 1, 2022 for affordable rental housing and eviction prevention purposes (to be defined)

# Key Citywide Issues: American Rescue Plan Act

serving very-low-income families, as long as the City has obligated at least 75% of its total allocation.

## Housing Counseling

The ARP provides \$100 million for grants to approved organizations to provide housing counseling services. At least 40% of the funds are reserved for organizations that target minority and low-income populations. Housing counseling and outreach was included as a priority among a majority of Councilmembers.

## Homeowner Assistance Fund

California will receive \$1.06 billion to help homeowners behind on mortgage and utility payments to avoid foreclosure and eviction.

## Funding for Small Businesses

The ARP provides several funding streams directly for small businesses, as reflected in the box to the right.

We note that the Proposed Budget provides \$10.0 million in General Funds, with an additional outside contribution of \$2.0 million for nonprofits, bringing the total to \$12.0 million for small business loans. The loans are forgivable to qualified businesses and nonprofits that COVID-19 has negatively impacted. Council may wish to keep in mind the federal ARP funds available for small businesses as it considers approving additional funds at the City level in the Proposed Budget.

## Energy and Water Assistance

ARP provides \$4.5 billion for Low-Income Home Energy Assistance Program, for which individuals may apply. Additionally, \$500 million is provided for new Low-Income Household Drinking Water and Wastewater Emergency Assistance Program. Grants will be provided to States to assist low-income households by providing funds to, in the City's case, the Public Utilities Department to reduce arrears of rates charged to respective households.

### ***\$7.25 billion for the Paycheck Protection Program (PPP)***

Provides loans that aim to help small businesses keep workers employed during COVID-19. Borrowers may be eligible for loan forgiveness. Nonprofits are eligible if federal lobbying activities are below a certain threshold.

### ***\$1.25 billion for Shuttered Venue Operators Grant Program***

Provides grants to shuttered venues equal to 45% of their gross earned revenue. Includes theatrical producers, operators of live venues, live performing arts organizations, museums etc.

### ***\$15 billion for Targeted Economic Injury Disaster Loan Advance***

Addresses previously unmet program demand for payments to small businesses in low-income communities that can demonstrate a 30% reduction in revenue during an eight-week period. Supplemental payments are available to small businesses with 10 or fewer employees and had losses of more than 50%. Payments do not need to be repaid.

### ***\$28.6 billion for a new Restaurant Revitalization Fund***

Provides emergency assistance for eligible restaurants, bars and other qualifying businesses. The program will provide restaurants with funding equal to their pandemic-related revenue loss up to \$10 million per business and no more than \$5 million per physical location.

### ***\$100 million for Community Navigator Pilot Program***

Grants to eligible organizations supporting efforts to improve access to and awareness of Small Business Administration programs.

## Broadband and Telecommunications

ARP provides \$7.17 billion for the Emergency Connectivity Fund to reimburse eligible schools or libraries for the purchase of eligible equipment (e.g., Wi-Fi hotspots, modems, routers, laptops, etc.) or advanced telecommunications and information services for remote learning and remote library services. For libraries, patrons must use the equipment or services at locations other than the library.

## Economic Adjustment Assistance

The ARP provides \$3 billion to the Department of Commerce Economic Development Administration to "prevent, prepare for, and respond to coronavirus and for necessary expenses for responding to economic injury as a

## Key Citywide Issues: American Rescue Plan Act

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result of coronavirus.” Twenty-five percent of the funds under this section are required to assist “States and communities that have suffered economic injury as a result of job and gross domestic product losses in the travel, tourism, or outdoor recreation sectors.”

## Key Citywide Issues: Climate Action Plan

# Climate Action Plan

In December 2015, the City Council adopted the Climate Action Plan (CAP) for the City of San Diego. The CAP is an organized plan with defined strategies, goals, actions, and targets. With a primary goal of greenhouse gas (GHG) reduction, the CAP establishes GHG reduction goals of 15% by 2020, 40% by 2030, and 50% by 2035 from measured 2010 baseline amounts.

The CAP includes a requirement for an Annual Monitoring Report to provide an updated status on the City's progress toward achieving identified goals. The most recent assessment is presented in the Appendix to the 2020 CAP Annual Report. Among other things, this Appendix provides GHG measurements for calendar year 2019.

The Appendix indicates GHG emissions in the City in 2019 represent a 25% decrease from the City's 2010 baseline. The 2019 measurement was 9.6 MT CO<sub>2</sub>e (metric tons of carbon dioxide equivalent), which is 1.0% lower than the revised 2018 estimate.

San Diego's GHG Emission Measurements & Targets				
	2010	2019	2020	2035
Communitywide greenhouse gas emission (MT CO <sub>2</sub> e)	13.0	9.6	11.0	6.5
*MT CO <sub>2</sub> e - Million metric tons of carbon dioxide equivalent, a standard unit of measurement for greenhouse gas emissions.				
Baseline/2019 measurements from 2020 Annual Report Appendix				

The 2020 CAP Annual Report indicates that the largest changes in emissions categories came from the electricity, natural gas end-use, and water related emissions. Electricity emissions decreased by approximately 4% in 2019, but natural gas end-use emissions increased by about 4%, offsetting one another. Water related emissions reduced significantly by 15% due to more local surface water supply which

lowered energy and emissions associated with importing water. It should be noted that more than two-thirds of the identified GHG emission targets in the CAP are to result from State and Federal actions (e.g., legislation mandating lower vehicle emission standards).

### CAP Strategies & Goals

The CAP seeks to leverage existing City programs (street/sidewalk repair, energy efficient streetlights, Free Tree Program) and also develop/implement new plans and programs (Pure Water Program, implementation of Advanced Metering Infrastructure, Mobility Action Plan, Climate Resiliency). While GHG reduction is a primary goal, the CAP is a diversified plan that additionally aspires to create well-paying green/clean jobs, address social equity, and achieve environmental sustainability. The following five CAP strategies establish goals, actions and targets for the City to pursue:

#### Strategy 1: Energy & Water Efficient Buildings

Goals: Reduce residential building consumption, establish a residential energy conservation ordinance, and reduce water consumption.

#### Strategy 2: Clean & Renewable Energy

Goals: Achieve 100% renewable energy by 2035, convert City passenger fleet to zero emission, convert municipal packers/vehicles to low emission fuel (CNG).

#### Strategy 3: Bicycling, Walking, Transit & Land Use

Goals: Increase mass transit, commuter walking, and bicycling; and reduce miles traveled by vehicle.

#### Strategy 4: Zero Waste

Goals: Divert solid waste from the landfills



# Key Citywide Issues: Climate Action Plan

and capture methane from Wastewater Treatment.

## Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage.

### CAP in the FY 2022 Proposed Budget

The FY 2022 Proposed Budget attributes \$447.9 million of new expenses to CAP-related projects, programs, and activities. These are new expenditures as opposed to pre-existing funding built into the base budget from prior fiscal years. This amount is up significantly from the FY 2021 Adopted Budget, which included \$10.6 million in new CAP-related expenditures. However, the majority of this increase is due to spending on the Pure Water Program.

The following tables provide a breakdown of the \$447.9 million in the FY 2022 Proposed Budget. The first table provides a breakdown of direct and indirect expenditures. The second table shows the amounts attributable to department operating budgets and the CIP.

FY 2022 Proposed Budget Direct or Indirect CAP Support	
Direct	\$50.1
Indirect	\$397.8
<b>Total</b>	<b>\$447.9</b>

FY 2022 Proposed Budget CAP Expense: Operating v CIP	
Project	Amount (millions)
Departments' Operating Budgets	\$53.2
Capital Improvement Projects	\$394.7
<b>Total</b>	<b>\$447.9</b>

Staff will post the supporting detail for the \$447.9 million figure in the FY 2022 Proposed Budget, including any changes, to the Sustainability page on the City's website following adoption of the budget. In reviewing this detail, CAP-related expenditures are found in several departments as shown in the following table:

FY 2022 Proposed Budget CAP Funding per Department	
Department	Amount (millions)
Public Utilities	\$411.8
Transportation	\$15.3
Environmental Services	\$11.5
Citywide Program Expenditures	\$5.0
Stormwater	\$1.3
Planning	\$0.9
Sustainability	\$0.8
Various Departments*	\$1.0
<b>Total</b>	<b>\$447.9</b>

\*Includes Park and Recreation, Fleet - Facilities, and Mobility

The following table shows how identified CAP-related expenditures are assigned to the five CAP strategies, including direct and indirect costs:

FY 2022 Proposed Budget CAP Funding Strategy		
Strategy	Amount (millions)	
	Direct	Indirect
<b>Strategy 1 - Energy &amp; Water Efficient Buildings</b>	\$20.9	\$3.9
<b>Strategy 2 - Clean/Renewable Energy</b>	-	-
<b>Strategy 3 - Transit &amp; Land Use</b>	\$11.0	\$0.1
<b>Strategy 4 - Zero Waste</b>	\$17.5	\$4.7
<b>Strategy 5 - Climate Resiliency</b>	\$0.7	\$384.1
Overarching Implementation	-	\$5.0
<b>Total</b>	<b>\$50.1</b>	<b>\$397.8</b>

The disproportional allocation in each of the above tables reflects the fact that \$355.6 million, or 79.4% of the \$447.9 million budgeted for the CAP is for the Pure Water Program in the Public Utilities Department – a program that provides indirect support.

# Key Citywide Issues: Climate Action Plan

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## **Additional CAP Related Plans and Funding**

### Climate Equity Index and Fund

There have been many programs and planning documents produced in recent years to help support the CAP. One of them was the release of the Climate Equity Report, in late 2019. This report scored every part of the City based on various indicators and census tracts to measure an area's relative access to opportunity and assess the degree of potential impact from climate change to these areas. The purpose of this report is to provide City staff a tool to assist them with targeting new programs and benefits into those communities of concern that are traditionally not able to benefit from new climate policies and programs. The plan, according to staff, is to refresh the index once every five years.

This report is timely as well, since FY 2022 is the first year of funding for the Climate Equity Fund. This fund was established by the City Council on March 9, 2021 via resolution. In the resolution, it requires that the Mayor and Council, at a minimum, provide funding equal to 10% of the General Fund distribution of franchise fees from the gas and electric franchise agreements, and 1% of the total annual revenue received through each of the TransNet and Gas Tax distributions, as well as any additional funding considered appropriate. These funds would then be used to provide targeted infrastructure and other CAP related improvements to communities of concern, including those identified in the Climate Equity Index.

For FY 2022, the Proposed Budget does account for a \$5.0 million revenue diversion from the General Fund to the Climate Equity Fund within the Sustainability Department. This amount is equal to 10% of the currently budgeted gas and electric franchise fees. However, the funding aligned with a 1% TransNet and a 1% Gas Tax diversion, which is an additional \$722,000 (\$365,000 for TransNet and \$357,000 from the Gas Tax) is

currently budgeted within the Gas Tax Fund and the TransNet Fund for this purpose. Due to auditing compliance and legal concerns, no direct allocation will be made to the Climate Equity Fund, but projects will be identified that adhere to the goals of the Climate Equity Fund that will be supported with these revenues.

As of this report, no projects or programs have been identified for any of funding. A call memo was issued by the Mayor's office on April 27<sup>th</sup> soliciting input from the various Council offices for project identification, with responses requested by May 5<sup>th</sup>. After reviewing the memo, it is our understanding that the funding allocations will be outlined for the May Revision.

### Climate Resilient SD

The City has also initiated a new program, known as Climate Resilient SD, which focuses on preparing the City for the impacts of climate change and is designed to guide future planning activities and help prepare the City for the future impacts of climate change in order to make the City more resilient to these impacts. This program, which is a collaboration between the Planning Department and Sustainability Department, has been developing numerous vulnerability assessments and has been recently engaging with the public in the lead up to the final release of the Climate Resilient SD Plan. This plan is expected to be released within FY 2022.

### Mobility Department

Further, as mentioned in the appropriate Departmental Review, the FY 2022 Proposed Budget still proposes to create the Mobility Department. First proposed for creation in the FY 2021 Proposed Budget, this department would emphasize the integration of mobility initiatives into Transportation and other projects, and could potentially help the City employ more mobility solutions than it has previously achieved, which should help with the further implementation of CAP goals and

# Key Citywide Issues: Climate Action Plan

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strategies, especially Strategy 3. This new department is mainly made up of transfers from Planning, Economic Development, and the Office of ADA Compliance, and would have oversight over such programmatic areas as Parking Meter Districts as well as Shared Mobility Devices.

## **Community Choice Aggregation**

The City's 100% renewable energy goal is a critical component of the City's CAP, and in particular is one of the largest contributors to the lowering of carbon emissions over the CAP timeframe. In pursuit of this goal, the Sustainability Department staff began working to assess the feasibility of Community Choice Aggregation (CCA). CCA is a policy that has been pursued in other cities within California where the City would procure its own energy from the wholesale market, thus giving the City the ability to control the sources of energy as well as potentially bring down the costs of that energy.

In September 2019, the cities of San Diego, Chula Vista, Imperial Beach, La Mesa, and Encinitas formed a new Joint Powers Authority (JPA), which is called San Diego Community Power. After finalizing all of the appropriate plans and receiving the appropriate authorization from the California Public Utilities Commission, the JPA began serving municipal customers in March 2021. Additional customers within the member cities will be further migrated in phases, with commercial accounts coming in June 2021, followed by residential service in 2022.

## **CAP 2.0 and Looking Forward**

In addition to all of the programs and updates previously mentioned, the Sustainability Department has also been working over the past couple of years to update the CAP, in what has become known as CAP 2.0. This report would update the City's baseline measurements and goals for GHG reduction, as well as potentially adapt and improve upon the City's current CAP strategies and plans. The draft

release of this report is anticipated to be released in July or August, with anticipated full Council adoption by the end of the calendar year. Following the adoption of the new CAP, the Sustainability Department will begin with the drafting and development of various implementation plans for the goals outlined in the new CAP. These implementation plans were recommended in the latest audit of the CAP.

Ahead of the development of CAP 2.0, the Office of the City Auditor released the Performance Audit of the City's CAP in February 2021. This audit included two main findings which were that 1) the City can strengthen its oversight mechanisms to ensure City departments stay on track to implement CAP actions, and can better inform key decisionmakers of implementation progress, and 2) the City should improve its fiscal planning efforts for CAP implementation by developing a prioritization mechanism and estimating costs. The audit also included six recommendations in relation to these two findings.

Recommendation #6 in particular suggested that the Sustainability Department develop an implementation plan, including an estimate of associated costs, information on funding sources, and identification of funding gaps. Included in the discussion of this recommendation and finding was a discussion of our Office's attempts at the development and publication of a five-year CAP Expenditure Outlook. On March 8, 2018, our Office presented an initial draft of a five-year CAP Expenditure Outlook to the Environment Committee. In making the presentation, our Office cited a number of challenges in developing the initial CAP Expenditure Outlook and made recommendations to assist in developing more useful CAP expenditure planning tools going forward.

One of our recommendations was to consider asking the CFO to incorporate anticipated CAP-related expenditures into an addendum

## Key Citywide Issues: Climate Action Plan

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to the annual Five-Year Financial Outlook. Another recommendation was to better develop implementation timelines and associated cost estimates for the City's existing strategic plans (e.g., the Bicycle Master Plan or the Urban Forestry Plan). While City staff initially agreed to develop such a plan and indicated that it would be included in either the Five-Year Financial Outlook or a pending CAP Annual Report, City staff has still not developed this outlook product. In response to the audit, City management noted that they see the value in developing an implementation plan and will target to develop such a plan by August 8, 2022.

A copy of the City's CAP and the 2019 CAP Annual Report can be found on the Sustainability page of the City's webpage using the following link:

<https://www.sandiego.gov/sustainability>

# Facilities Updates

Our office continues to monitor the status of several facility improvements which have had significant delays or funding shortfalls. Following are brief status updates on the 101 Ash Street Building and the Kearny Mesa Repair Facility.

## 101 Ash Street Building

In 2016, the City entered into a 20-year lease-to-own agreement to occupy and eventually take possession of the office building at 101 Ash Street, immediately north of the Civic Center Complex. The agreement called for the City to make \$6.4 million in rent payments each year. At the time the agreement was executed, it was anticipated that staff from several other buildings could be consolidated at 101 Ash in relatively short order.

However, staff later determined that substantial alterations and improvements to the building would be necessary to maximize use of the building. In 2018, City staff bid out work to renovate all floors of the building; in total costs to retrofit all floors of the building were estimated at an additional \$25.9 million.

In December 2019, after apparent completion of renovations, City staff began to move into the building, but subsequent discoveries of asbestos debris led to notices of violations and the evacuation of all employees from the building in January 2020. At that point the City hired a variety of experts to perform a forensic evaluation of what had gone wrong, and how to move forward.

In July of 2020, preliminary reports from consultants reviewing the operations were released, which our office summarized in [IBA Report 20-18](#). Consultant review focused on asbestos abatement preliminarily estimated that further remediation costs could total up to \$115.2 million, though we note that this amount included a significant amount of soft-

costs and contingency costs.

In September, 2020, the City entered into litigation against the lessor and ceased making rental payments (payments that would have otherwise gone towards rent for 101 Ash instead have been put into an escrow account pending resolution of litigation). Additional litigation from various parties surrounding the troubled acquisition is also ongoing.

No significant public updates on the status of 101 Ash have been made since then, though earlier this month, the City Council authorized the payment of \$1.8 million in expenditures to settle outstanding claims from two construction contractors for work done on the building. An updated plan for the building – including any additional remediation required and a timeline of when that remediation could be completed and the building could be occupied – has not yet been provided, nor has a recommendation for a path forward regarding the use or disposal of the building. While the need for office space has decreased during the COVID-19 pandemic, the City has in the interim leased additional office space to offset the lack of availability at 101 Ash, which results in some Departments (notably the Development Services Department) effectively paying rent for a building that cannot be occupied.

## Kearny Mesa Repair Facility (Othello Avenue Fire Fleet Repair Facility)

In April 2017, the City entered into a 10-year lease of the facility on Othello Avenue which is intended to serve as a new maintenance and repair facility for heavy-duty fire apparatus. This was in response to findings by CST Fleet Services, a fleet consultant hired by the City, that separate shop space would increase maintenance efficiency for the City's 100+ heavy duty fire-apparatus, rather than sharing



## Key Citywide Issues: Facilities Updates

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space with the refuse packers at the Miramar facility. The report, issued in April 2016, states that *“the current set up for performing the maintenance on both Fire and Refuse fleets at the Miramar Shop is not adequate to allow the technicians to be successful in keeping both fleets serviced, and meet the departments’ needs. ... In addition, without running a second shift, the Fire technicians do not have enough bay space to adequately do their jobs.”*

At the time City Council approved the lease, staff estimated the cost of improvements to be \$6.5 million. Subsequent estimates went as high as \$17.0 million, resulting in significant delays as the preliminary design plans for the site were re-evaluated, the initial \$6.5 million of construction funding was diverted to the General Fund, and the lease was extended up to 30 years. In the meantime, the facility was repurposed as warehouse space for other departments and for housing City employees who were moved out of the Executive Complex and awaiting office space at the 101 Ash Street Building.

The FY 2020 Capital Improvements Program Budget added \$1.0 million to design the facility, including refining the cost estimate for the project. As a result of that work, the total project cost estimate is now \$14.8 million with \$13.8 million currently unfunded. The FY 2021 Capital Improvements Program Budget anticipated that the project would receive the \$13.8 million of needed construction funding during FY 2021 when the next round of General Fund commercial paper debt financing was approved by City Council<sup>1</sup>. However, that funding has not yet been approved and is now reflected as anticipated funding in FY 2022.

The Fleet Operations Department indicated that design is almost finished, and plans are currently with the Development Services

Department for review. The project will be “shovel ready” soon. A few more things need to be done before the project can proceed to construction:

- A construction reimbursement agreement is needed with the property owner, who will be overseeing the construction and hiring the contractor.
- City staff currently housed at the site will need to be relocated elsewhere.
- The \$13.8 million of funding for construction needs to be allocated to the project.

The Fleet Operations Department also noted that the Environmental Services Department needs space at the Miramar facility for 43 additional packers and Compressed Natural Gas (CNG) facilities to address the organics diversion requirements of SB 1383. Fleet is looking at other locations to temporarily house the fire ready reserve fleet until the Kearny Mesa Repair Facility is ready. Once construction is initiated, it is expected to take 12-16 months.

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<sup>1</sup> The Kearny Mesa Repair Facility project is not eligible for debt financing because the City is leasing the property. Debt financing would replace budget in other projects, thereby freeing up eligible funding for this project.

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## Key Citywide Issues: Homelessness

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# Homelessness

In October 2019 the City Council approved the Community Action Plan on Homelessness (Action Plan), resulting in momentum for systematically addressing homelessness. The Action Plan includes three goals that can be achieved in three years, recommended actions, and key strategies. A year and a half later, the COVID-19 pandemic required the City to reevaluate its shelter system to protect the homeless population from the spreading disease. In response, 765 individuals were moved out of densely populated shelters and moved into the Convention Center where social distancing requirements could be met, and staff could be centralized. They stayed until March 24, 2021.

This program, referred to as Operation Shelter to Home, was made possible through a collaboration between the City, County, San Diego Housing Commission, Regional Task Force on the Homeless, and shelter providers. The program served 4,198 clients in the year it was running, of which 1,247 individuals and 29 families were placed in permanent housing. The Housing Commission acquired two hotels through the state's new HomeKey program which provided many of the permanent housing placements. Additionally, 175 individuals and 14 families moved to other long-term housing.

Looking forward to FY 2022, momentum for addressing homelessness has remained steady as it is a top priority for both the Mayor and City Council. However, public information on the outcomes of many of the City's investments in homelessness lacks transparency. Although we do appreciate monthly reports the Housing Commission does for the Bridge Shelters and storage facility. Tracking progress on implementing the Community Action Plan on Homelessness and reporting out on program outcomes are critical components of

keeping the City accountable on its investments in homelessness programs.

We note that the San Diego Housing Commission is making progress in this area as it currently publicly tracks activities being implemented that align with the Action Plan on its website. It is also working to make more information publicly available such as: program outcomes and progress towards achieving the goals in the Action Plan.

Although the pandemic has also brought unprecedented funding to the region for homelessness, it is one-time in nature, as is many of the City's other resources. The City will receive millions more in one-time funding from the American Rescue Plan, and the Proposed Budget includes a one-time investment of \$10 million for homelessness. Finally, the City's existing one-time state grants are expected to run out within the next few fiscal years.

The City is currently seeking a court determination that Measure C in the March 2020 election is an approved ballot measure and that the City's issuance of certain bonds under Measure C is valid. Until the City obtains a favorable trial court judgment or outcome in the lawsuit, the City will not take steps to implement Measure C. If a favorable outcome occurs, this could become a viable ongoing funding source for homelessness programs. Please refer to our review of the *Homelessness Strategies Department* for more information on homelessness in the Proposed Budget.

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*"Tracking progress on implementing the Community Action Plan on Homelessness and reporting out on program outcomes are critical components of keeping the City accountable on its investments in homelessness."*

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# Capital Infrastructure Needs

The most recent FY 2022 – FY 2026 Five-Year Capital Infrastructure Planning Outlook (Capital Outlook) projected that capital infrastructure funding needs will exceed available resources by \$3.02 billion over the next five years. This is the largest year-over-year increase in the funding gap since the City began doing this annual forecast in 2015.

Storm water capital needs make up over half of the increase, with the remaining increase largely attributed to street repaving and existing public facilities. There are still many other asset types with significant funding shortfalls including: streetlights, parks, traffic signals, bike facilities, and sidewalks.

It is important to note that General Fund infrastructure asset types make up the entire \$3.02 billion five-year capital infrastructure funding gap. These asset types do not have a dedicated funding source like water and wastewater, which are supported by fees charged to customers that use the systems.

Continuing to defer capital needs has led to an increase of storm water emergency projects in recent years. In order to fund these projects, flexible funding has been taken away from other planned storm water projects as well as other high priority projects, such as sidewalks, parks, library, and fire-rescue projects. This reactive approach to addressing infrastructure is an inefficient use of limited resources since emergency projects are paid at a premium cost. The City has also resorted to other inefficient temporary fixes that end up costing more than it would have otherwise cost to replace the failed storm water pipes.

The City is working towards pursuing a storm water funding strategy that will begin to address this huge need. However, it will take time to put in place since it will likely require the passage of a ballot measure. Every year the funding gap is not addressed, it will continue

to grow as capital needs continue to be deferred to future years. **To illustrate the impact in FY 2022, the Proposed Budget only includes \$49.0 million for General Fund infrastructure yet the Capital Outlook identifies \$661.3 million in General Fund capital needs for FY 2022.**

While closing the huge capital infrastructure funding gap for all asset types will require additional resources over time, it will also depend on the City's capacity to spend those additional funds. The Engineering & Capital Projects Department (E&CP) would have to dramatically increase its capacity to deliver capital projects to make a meaningful dent in the funding gap.

E&CP has indicated that its capacity to deliver projects has been limited by several factors. Because the demand on the construction industry has been strong regionally, there has been a shortage of qualified staff to hire, as well as contractors and consultants to carry out this work. Filling the Department's 169 existing vacancies is one way it will be able to increase its output on the implementation of the CIP.

For more detailed information on the City's capital budget and capacity to deliver projects, please refer to our reviews of the *Capital Improvements Program* and the *E&CP Department*.

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*"...General Fund infrastructure asset types make up the entire \$3.02 billion five-year infrastructure funding gap."*

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# Labor Negotiations

### Overview and Budget Considerations

The Meyers-Milias-Brown Act (MMBA) is the California law that governs collective bargaining for public agency employers, like the City of San Diego. The City must bargain in good faith, and in accordance with the MMBA, over the terms and conditions of employment for members of its recognized employee organizations (commonly referred to as unions).

The City is currently negotiating with all six of its recognized employee organizations regarding FY 2022 terms and conditions of employment for their members. These terms and conditions are contained within the employee organizations' labor agreements, or memoranda of understanding (MOUs). Current MOUs for four of the employee organizations (AFSCME Local 127, IAFF Local 145, DCAA, and MEA)<sup>1</sup> expire at the end of FY 2021 (June 30, 2021). For the other two employee organizations, POA and Teamsters Local 911<sup>2</sup>, agreement was not reached with the City on MOUs for FY 2021, and the

employment terms and conditions in the expired agreements remain in effect.

Although negotiations with the employee organizations have not been completed, the FY 2022 Proposed Budget includes \$22.1 million for estimated increases in employee compensation. The actual cost for compensation increases will not be known until the good faith bargaining process has been completed, which could be before the FY 2022 Adopted Budget is approved, or it could be afterward.

The Mayor is including an estimate for compensation increases in the Proposed Budget, as the City is endeavoring to take steps toward attaining a more competitive compensation position with respect to other agencies surveyed by the City of San Diego (including the largest California cities and largest cities in San Diego County). A brief background with respect to City compensation is discussed in the following paragraphs.

### Background / History

Although the City provided “across-the-board” salary increases for all employees in FY 2019 and FY 2020<sup>3,4</sup>, recent total

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<sup>1</sup> The four employee organizations include: AFSCME Local 127 (American Federation of State, County & Municipal Employees, Local 127); IAFF Local 145 (International Association of Fire Fighters, Local 145); DCAA (Deputy City Attorneys Association); and MEA (Municipal Employees Association).

<sup>2</sup> The other two employee organizations include: POA (Police Officers Association); Teamsters Local 911 which represents the Lifeguards.

<sup>3</sup> With respect to across-the-board increases, each non-POA labor agreement, except DCAA's, increased pensionable pay for fiscal years 2019 and 2020 by 3.3% for each fiscal year. DCAA increases were 3.3% (plus an additional 2% or 3% for certain grades within the DCA job classification) in FY 2019 and 7.5% or 8.5% in FY 2020 depending on job grade. POA represented employees' compensation increases for FY 2019 and FY 2020 totaled 25.6% to 30.6%, depending on the length of sworn service, beginning July 1, 2018. These POA increases ranged from 5.0% to 8.3% semi-annually through June 30, 2020, with an additional 5% in FY 2020 for employees with 20 or more years of sworn service.

<sup>4</sup> In addition to the across-the-board increases, there were a few other notable types of pensionable pay increases that occurred in FY 2019 and FY 2020 based on recruitment and retention issues. First, eligible engineers received various add-on pays, ranging from 5% to 26% of base salary. An eligible engineer can receive up to a maximum of 36% for more than one of these add-on pays, if applicable. Second, a number of other job classifications received

## Key Citywide Issues: Labor Negotiations

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compensation surveys have shown that the City's compensation levels for many employees are lower than the surveyed California public agencies. Additionally, in a report released in April 2020, the City Auditor examined compensation competitiveness and other related issues (see the [Performance Audit of the City's Strategic Human Capital Management](#)).<sup>5</sup> One of the City Auditor's recommendations was for the City to develop a total compensation strategy identifying the City's desired labor market position; and City management agreed to develop such a strategy by the end of FY 2021.

Prior to FY 2019, the City had implemented nine years of citywide freezes on across-the-board salary increases, from FY 2010 through FY 2018. These salary freezes excluded any salary increases for individual employees resulting from promotions and merit increases. There were also a number of reductions to retirement benefits, including pension and retiree healthcare plans.

The across-the-board salary freezes from FY 2010 through FY 2013 were implemented in conjunction with an approximate 6% reduction in compensation for employees.<sup>6</sup> Subsequently, there were five additional years of pensionable pay freezes following voter approval of Proposition B in June 2012.<sup>7</sup> Non-

pensionable compensation increases were provided during those five years<sup>8</sup>, and portions of the 6% compensation reductions ceased for some employees. The five years of non-pensionable compensation increases served to mitigate the compensation reductions that had occurred since FY 2010.

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specified add-on pays, ranging from 3% to 20% of base salary. Lastly, special salary adjustments (SSAs) ranging from 2% to 20% of base salary were implemented for dozens of other job classifications.

<sup>5</sup> The Office of the City Auditor also released a report in July 2018, [Citywide Human Capital Fact Book](#), which includes information on the City's workforce, retention and separations, employee satisfaction, compensation, and other matters. In November 2020, the Office released another human capital report, [Performance Audit of Strategic Human Capital Management Part II: Employee Performance Management](#), which discusses incentives and discipline in the City's workforce.

<sup>6</sup> This discussion is intended as a general overview. The City bargains separately with each employee organization, and although there were citywide salary freezes, the 6% citywide compensation reductions were implemented through varying provisions within the six employee organizations' MOUs.

<sup>7</sup> There was an exception to the Proposition B pensionable pay freezes (FY 2014 to FY 2018): Beginning in FY 2017, add-on pays for Police Dispatchers were increased by 15% of base salary.

<sup>8</sup> Non-pensionable compensation increases largely consisted of increases to flexible benefits allotments (used for healthcare, dental, and vision insurance etc.); certain types of overtime for Fire Fighters and Police Officers; and uniform allowances for certain employees.



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## Key Citywide Issues: Pension

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# Pension

This pension section includes the following topics:

- Defined benefit (DB) pension overview
- Causes of the FY 2021 to FY 2022 increase to the DB Actuarially Determined Contribution (ADC)
- Future ADC considerations
- Proposition B highlights – discussion regarding the defined contribution (DC) retirement plan
- Legal challenges to Proposition B and moving forward

### DB Pension – Overview

The FY 2022 Proposed Budget includes \$414.9 million for the ADC, which is the City's DB pension contribution requirement. This is an increase of \$49.3 million from the FY 2021 Adopted Budget amount of \$365.6 million.

The General Fund portion of the FY 2022 budgeted payment is \$314.5 million – an increase of \$36.8 million from the FY 2021 Adopted Budget of \$277.7 million. The General Fund portion is 75.8% of the FY 2022 budgeted payment.

The FY 2022 ADC of \$414.9 million is based on the FY 2020 actuarial valuation. The valuation shows that the pension system's Unfunded Actuarial Liability (UAL) totals \$3.3 billion as of June 30, 2020 – up from \$3.0 billion.

The City's pension system liabilities as of June 30, 2020 are funded at a rate of 70.2% – a decrease from the 71.6% funding ratio at June 30, 2019. The ADC is 9.1% of total FY 2022 budgeted expenditures for the City and

is 18.2% of budgeted expenditures for the General Fund.

### Increase to the DB ADC

As mentioned above, the FY 2022 ADC of \$414.9 million is \$49.3 million higher than the FY 2021 ADC. Changes to the ADC relate to two types of factors:

- Changes to assumptions, which were implemented in the actuarial valuation for FY 2020
- FY 2020 “experience gains and losses” (the differences between actual results and what was assumed in the FY 2019 valuation)

The *net \$49.3 million increase to the ADC* includes the following components:

- *A \$30.9 million ADC increase* related to demographic assumption changes, largely due to changes in mortality assumptions
- *A \$12.3 million ADC increase* related to asset experience loss, primarily related to investment returns (The actual FY 2020 investment return was determined to be 0.5%. This is 6.0% lower than the 6.5% assumed in the FY 2019 valuation.)
- *A \$6.9 million ADC increase* related to liability experience losses, largely due to salary increases that were greater than anticipated in the FY 2019 valuation

An offsetting *\$0.8 million ADC decrease* is related to the phasing-in of prior years' investment experience that was not fully included in prior ADCs. The City's valuation utilizes a smoothing method, where asset gains and losses are not recognized immediately, but rather are phased-in, to mitigate ADC volatility.

### Future ADC Considerations

There are a couple of potential future impacts that could change the City's most recent

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## Key Citywide Issues: Pension

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estimate for the FY 2023 ADC (most recently projected to be \$423.1 million citywide).

- Experience gains or losses – for instance, if the FY 2021 actual investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2020 valuation, there will be an investment experience gain or loss – which would be a factor that decreases or increases the FY 2023 ADC, accordingly. More specifically, although SDCERS<sup>1</sup> maintains that its diversified portfolio may mitigate a market correction's impact, a significant stock market decline as of June 30, 2021 could have an increasing effect on the FY 2023 ADC.

The preliminary impact of actual investment return for FY 2021 will likely be quantifiable by the fall of 2021.

- Assumption changes – economic and demographic assumptions are anticipated to be reviewed by the actuary and SDCERS Board every three years through an “experience study”.<sup>2</sup>

Assumption changes resulting from the most recent experience study (that included the June 30, 2019 actuarial valuation) were implemented in the FY 2020 valuation. The next experience study is expected to be completed in the spring of 2023.

Because of the complexity of the pension system variables, the total of *all* impacts to the FY 2023 ADC will not be known until the FY 2021 valuation has been completed.

### **Proposition B Highlights – Defined Contribution Retirement Plan**

The following paragraphs include a brief

summary of some of the pension effects of Proposition B, which was approved by voters in June 2012. Note that Proposition B was legally challenged, and based on a recent California Superior Court ruling, the City must take all necessary steps to strike the Proposition B provisions from the City Charter and make conforming amendments to the San Diego Municipal Code and other related enactments. Please see the next page for further information on the legal challenges and status of Proposition B.

Under Proposition B, employees hired on or after July 20, 2012, except new sworn police officers, are not eligible to participate in the DB pension plan. Instead, new employees are offered a DC (defined contribution) plan. Following voter approval of Proposition B in 2012, retirement plan provisions were negotiated with the City's recognized employee organizations (unions), and agreement for an interim DC plan was reached. This interim plan was anticipated to be in effect until a permanent plan could be negotiated. The interim plan is incorporated in the Supplemental Pension Savings Plan H (SPSP-H), which was previously for hourly employees but was modified to include these new participants.

Terms of the interim DC plan include that employee contributions are mandatory and employees are 100% vested at all times. Both the City and employees contribute 9.2% and 11% of eligible compensation for general members and safety members, respectively.

The FY 2022 proposed SPSP-H budget is \$28.8 million citywide. This figure includes amounts for the interim DC plan, as well as

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<sup>1</sup> SDCERS is the San Diego City Employees Retirement System.

<sup>2</sup> An experience study involves historical analysis of pension plan assumptions, including the rate of investment return, salary inflation, and retirement and mortality rates. The plan experience study is the basis for the actuary's recommended changes to the plan's actuarial assumptions.

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## Key Citywide Issues: Pension

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for hourly workers (\$27.9 million and \$847,000, respectively). The SPSP-H budget for the interim DC plan has increased by \$2.7 million from FY 2021, which is largely related to Firefighters' overtime costs and increasing membership in the interim DC plan.

### **Legal Challenges to Proposition B**

#### Background

Proposition B was challenged by four of the City's recognized employee organizations (Unions), alleging a violation of the Meyers-Milias-Brown Act (MMBA) – the State law that governs collective bargaining for public agency employers, like the City.

Heeding a related California Supreme Court decision on August 2, 2018, the California Court of Appeal directed the City “to meet and confer over the effects of the [Proposition B] Initiative and to pay the affected current and former employees represented by the Unions the difference, plus seven percent annual interest, between the compensation, including retirement benefits, the employees would have received before the Initiative became effective and the compensation the employees received after the Initiative became effective.” Additionally, the City is ordered “to cease and desist from refusing to meet and confer with the Unions and, instead, to meet and confer with the Unions upon the Unions' request before placing a charter amendment on the ballot that is advanced by the City and affects employee pension benefits and/or other negotiable subjects.”

However, despite the Court of Appeal directives, Proposition B is still part of the San Diego City Charter. To remove Proposition B from the City Charter, the Unions pursued a quo warranto process. The State Attorney General granted authority for the Unions to sue on August 15, 2019; and the complaint in

quo warranto was filed on September 27, 2019. Pursuant to City Council direction, on November 18, 2019 the City Attorney's Office response to the Unions' complaint in quo warranto included language supporting a judgement that invalidates and removes Proposition B amendments from the City Charter.

On January 5, 2021 the California Superior Court ruled that Proposition B is invalid; and Notice of Entry of Judgement was served on the proponents on February 8, 2021. The deadline to file a notice of appeal (April 9, 2021) has passed, making the judgment final in the quo warranto process.

#### Moving Forward

The City now must comply with the Superior Court's order to strike the Proposition B provisions from the City Charter, as well as modify the City's Municipal Code (and any related authorizing pension plan documents) to be in conformance with the revised City Charter.

The City has begun the meet-and-confer process with the Unions regarding the impacts to and remedies for member employees who are affected by the pending removal of Proposition B from the City Charter. The City is also providing the Public Employment Relations Board with status updates on progress.

The ultimate cost for resolution of the Proposition B legal challenges is dependent upon the pending negotiations with the Unions and compliance with federal tax laws and regulations with respect to retirement plans. The City will have a better idea of the anticipated timeframe for resolution of these issues in the next few months.

## Program Review: Capital Improvements Program

# Capital Improvements Program

The Proposed FY 2022 Capital Improvements Program (CIP) Budget can be found in Volume 3 within the full Proposed Budget. The CIP is a compilation of 1,366 capital improvement projects and their funding sources. Capital improvement projects are construction projects that provide long-term improvements or additions of a fixed or permanent nature, such as a new or expanded library or replacement of aging water pipelines.

Some of the City's 1,366 projects are grouped together into "annual allocations" composed of smaller projects that provide ongoing repair and replacements of certain asset types, such as streets and traffic signals.

The annual CIP budget adds funding to new or existing projects in need so that they can move forward.

### Proposed New Project

There is one new standalone project included in the FY 2022 Proposed CIP Budget belonging to the Public Utilities Department (PUD):

- Environmental Monitoring and Technical Services Division Lab Remodel at the Naval Training Center facility (S21003) with \$1.2 million in requested funding.

Council is being asked to approve this project. The project will remodel and reconfigure existing office space and laboratory spaces, construct a new high bay Ocean Operations building, and provide other improvements. Upgrading the offices is intended to increase functionality, address recurring HVAC and mechanical issues, and comply with seismic code.

Table 1: CIP Changes by Department (\$ in millions)			
Asset-Owning Department	FY 2021 Adopted Budget	FY 2022 Proposed Budget	Change
Public Utilities	\$ 285.9	\$ 708.4	\$ 422.5
Transportation	56.2	27.5	(28.7)
Parks & Recreation	14.0	3.6	(10.4)
Environmental Services	-	5.6	5.6
Storm Water	1.0	1.0	-
Facilities Services	0.9	0.8	(0.1)
Sustainability	-	0.8	0.8
Citywide	9.5	-	(9.5)
Library	-	-	-
Airports	-	-	-
Citywide	-	-	-
Fire-Rescue	-	-	-
Police	-	-	-
<b>Total</b>	<b>\$ 367.5</b>	<b>\$ 747.5</b>	<b>\$ 380.0</b>

*\*Total may not sum due to rounding.*

# Program Review: Capital Improvements Program

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## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed CIP Budget adds \$747.5 million to 51 projects. This budget represents an increase of \$380.0 million from the FY 2021 Adopted CIP Budget, or 103.4%. Table 1 on the previous page provides a summary of year-over-year changes by department.

The budget also identifies \$255.7 million of *anticipated funding* (e.g. development impact fees, grants, debt financing, etc.) to be added to the FY 2022 CIP budget throughout the year. If these funds materialize and appropriations are subsequently approved by Council, this would bring the total budget for FY 2022 to \$1.0 billion.

### 95% of the Funding Added to the CIP is for Water and Sewer Projects

As indicated in the table on the previous page, approximately 95% of the CIP budget will support PUD's capital improvement projects. This is because PUD has a dedicated funding source to support its operating and capital expenses: rates charged to customers that use the system. Phase I of the Pure Water Project is the most significant driver of PUD's net budget change as well as the CIP as a whole. It makes up almost half of the entire \$747.5 million CIP budget, totaling \$360.5 million. Among other things, PUD is aiming to complete construction on the early site work at the North City Water Reclamation Plant and North City Pure Water Facility in FY 2022 and advertise the remaining Phase I construction contracts.

Other significant PUD projects proposed to receive funding include:

- Water and Sewer Main Replacements (\$167.6 million),
- Alvarado 2<sup>nd</sup> Extension Pipeline (\$37.5 million),

- Large Diameter Water Transmission Pipeline replacements (\$19.9 million).

## Analysis of General Fund Capital Infrastructure

The most recent FY 2022 – FY 2026 Five-Year Capital Infrastructure Planning Outlook (Capital Outlook) identified a \$3.02 billion shortfall, where anticipated capital infrastructure needs over the next five years exceeded available revenue sources. The funding gap is attributed to General Fund capital infrastructure, or those assets that do not have a dedicated funding source. In the following sections, we take a closer look at what is proposed for these particular asset types.

### Investment in General Fund Capital Infrastructure is Down 29% from FY 2021

The Proposed CIP Budget includes \$49.0 million for projects that support General Fund capital infrastructure (including the Sexy Streets initiative and Climate Equity Fund projects discussed below). However, to keep up with the General Fund capital infrastructure needs identified in the Capital Outlook for FY 2022, the City would need to budget \$661.3 million, instead of \$49.0 million. We note that the amount included for FY 2022 is a \$20.1 million decline, or 29.1%, as compared to the FY 2021 Adopted CIP Budget.

Table 2 on the following page reflects the FY 2022 Proposed CIP Budget for General Fund capital infrastructure, with Vision Zero projects highlighted in blue.

The Proposed CIP Budget shows reductions in key funding sources that support General Fund capital infrastructure and are listed below.

- \$18.3 million in Road Maintenance and Rehabilitation Act funds (RMRA),



# Program Review: Capital Improvements Program

- \$7.9 million in Mission Bay Park Improvement Fund,
- \$5.0 million in Utilities Undergrounding Program Fund,
- \$3.2 million in San Diego Regional Parks Improvement Fund.

RMRA funds allocated to the CIP for overlay and reconstruction declined as they are planned to be used for slurry seal in FY 2022, which is located in the operating budget, not the capital budget.

No Mission Bay Park Improvement Funds or San Diego Regional Parks Improvement Funds are included in the Proposed CIP Budget. Contributions from these funds to the CIP are done in arrears. Declines in revenue from Mission Bay lessees in FY 2021 due to COVID-19 prevented transfers into the funds. The City Charter requires revenues to reach a certain threshold before transfers to the CIP may occur.

The Utilities Undergrounding Program Fund

is projected to decrease because according to staff, San Diego Gas & Electric slowed down construction due to the pending expiration of the franchise agreement. The Utilities Undergrounding Program in the CIP funds the backend resurfacing, streetlight installation, and curb ramps after electric utility lines are placed in the ground. Due to the slowdown in the program, there is a reduced need in FY 2022 to do the resurfacing, streetlight, and curb ramp work. Once a new agreement is in place, construction volume is expected to increase.

The above reductions are offset by the two new initiatives that are discussed below.

## Sexy Streets and Climate Equity Projects are Planned, but not Incorporated in CIP Budget

The Proposed Budget includes plans to spend \$15.0 million on two new initiatives: Sexy Streets and Climate Equity Fund capital projects. However, projects are currently not reflected in the Proposed CIP Budget. For the Sexy Streets proposal, it is expected that the

**Table 2: FY 2022 Proposed CIP Budget for General Fund Infrastructure**

Project	Amount	Fund Source
Climate Equity Fund Projects	\$ 4,965,178	Climate Equity Fund
Sexy Streets	10,000,000	Infrastructure Fund
City Facilities Improvements / ABT00001	350,000	General Fund
Landfill Improvements / AFA00001	5,071,600	
Bridge Rehabilitation / AIE00001	600,000	
Coastal Rail Trail / S00951	6,000,000	
Drainage Projects / ACA00001	1,000,000	
Installation of City Owned Street Lights / AIH00001	1,200,000	
Median Installation / AIG00001	2,000,000	
New Walkways / AIK00001	4,500,000	
Traffic Calming / AIL00001	200,000	
Traffic Signals - Citywide / AIL00004	2,400,000	
Traffic Signals Modification / AIL00005	1,720,000	TransNet
Street Resurfacing and Reconstruction / AID00005	3,849,504	
Talmadge Traffic Calming Infrastructure / S17001	20,000	Maintenance Assessment Districts
Improvements to Sunset Cliffs Natural Park	100,000	Sunset Cliffs Natural Park Fund
Utilities Undergrounding Program / AID00001	5,000,000	Utilities Undergrounding Program Fund
<b>Total</b>	<b>\$ 48,976,282</b>	
<b>Vision Zero Projects (shaded blue)</b>	<b>\$ 18,020,000</b>	

# Program Review: Capital Improvements Program

Transportation Department, Engineering & Capital Projects, and the Mayor's Office will work with Council Offices to determine projects. For the Climate Equity Fund projects, a call memo was issued by the Mayor's office soliciting input from the various Council offices for project identification, which is due on Wednesday, May 5<sup>th</sup>. After reviewing the memos, it is our understanding that the projects will be included in the May Revision.

Although the Mayor is requesting suspension of the required transfer of \$20.3 million from the General Fund to the Infrastructure Fund for FY 2022, \$10.0 million is included in the Proposed Budget as an Infrastructure Fund transfer for a one-time contribution for the Sexy Streets proposal.

Sexy Streets is an initiative to resurface and reconstruct streets in communities of concern. Priority will go to critical transit and multi-modal routes. The Proposed CIP Budget also indicates that an additional nearly \$30.0 million in Commercial Paper financing will add to the initial investment of \$10.0 million, which is expected to come to Council for approval this May or June. The initiative is envisioned to include Complete Streets components, such as: traffic calming and congestion improvements, new sidewalks, sidewalk repairs, streetlights, bicycle infrastructure, and stormwater improvements. We note that the costs for two existing Complete Street projects in the CIP are \$7.1 million and \$9.8 million.

Total proposed capital funding to overlay and reconstruct streets in FY 2022 is \$74.9 million as shown in the following box. Including the Sexy Streets proposal, this would be \$84.9 million. We note that, \$40.0 million is from prior year appropriations – or funds that have been previously allocated, but not spent yet. To view a complete breakout of road repaving allocations, including slurry seal in the proposed operating budget, please refer to our review of the Transportation Department.

FY 2021 Proposed Street Capital Expenses: Overlay of 29 miles and Reconstruction of 1 mile	
Prior Year Appropriations	\$ 40,000,000
Financing to largely support Sexy Streets	31,100,000
Trench Cut Fund	2,000,000
TransNet	1,846,504
<b>Total</b>	<b>\$ 74,946,504</b>

The Proposed Budget also plans to invest \$5.0 million from the newly created Climate Equity Fund. Projects will be in underserved communities, including those identified in the Climate Equity Index, to help them effectively respond to the impacts of climate change. Eligible projects must meet certain criteria, such as have an impact on reducing greenhouse gas emissions or increase safety in the right-of-way.

## Significant Investment to Comply with Law Requiring Organics Collection

The Proposed CIP Budget includes \$5.4 million in General Funds (located in the Landfill and City Facilities annual allocations in the table above) to comply with Senate Bill 1383. There is also a \$514,000 Recycling Fund contribution for a total capital investment of \$5.9 million. The law establishes targets for reducing organic waste disposal, and among other things, requires Citywide organics collection.

The funds will support two projects at the Miramar Operations Yard which will make improvements to allow for the additional needed trucks to fuel and be serviced for repair. Please refer to our department review of Environmental Services for more information on how the department plans to implement the mandated organics collection.

## Other Significant Allocations

### Coastal Rail Trail

As shown on the table on the previous page, \$6.0 million in TransNet funds is proposed for the Coastal Rail Trail project that will partially fund construction which will begin in FY 2022. This project provides a segment of the regional 40-mile bicycle corridor.

# Program Review: Capital Improvements Program

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## New Sidewalks

The Proposed CIP Budget includes \$4.5 million for *new* sidewalks. We note that there is currently \$4.9 million in available funds appropriated in prior years that have not yet been spent. In addition, recently approved Community Development Block Grant (CDBG) allocations provided \$1.9 million for new sidewalks. **Council may wish to ask about the timeline to expend a total of \$11.2 million including prior year funds, new funding included in the Proposed CIP Budget, and CDBG funds.**

We note that no funding is included in the Proposed CIP Budget for repair of *existing* sidewalks.

## Storm Water

The Proposed CIP Budget includes \$1.0 million for storm water drainage projects. It also reflects the anticipation of \$81.6 million in additional funding (financing and grants) to be added for storm water drainage and watershed CIP projects during FY 2022. However, we note that this falls significantly short of the \$186.5 million in FY 2022 storm water capital needs identified in the most recent Capital Outlook. **This leaves almost \$105 million in capital storm water needs unfunded for FY 2022.**

According to staff, the funding for drainage projects would support nine emergency projects and 31 projects that were defunded to fund other storm water emergencies. Additionally, 30 new projects would be funded. As for watershed projects, the funding would support 16 currently stalled projects and one new project.

## **Anticipated Financing Proceeds for General Fund Infrastructure**

Council has approved the issuance of up to \$145 million in additional debt to support General Fund capital projects. Allocation of

financing proceeds to projects is expected to occur this May or June.

## **Planned Construction Contract List**

The Mayor has the authority to award construction contracts up to \$30 million without Council's approval as long as the Council has approved the project's budget. Page 15 of the Proposed CIP Budget in Volume 3 lists all projects that are expected to move forward to bid and award of construction contracts during FY 2022 and estimated costs. The value of the planned construction contracts for FY 2022 is \$856.7 million. About 36.3% or \$311.0 million is attributed to the Pure Water project.

Only the individual contracts under \$30 million will not come to Council for approval. Those that exceed this threshold will require Council approval to proceed. Changes to the list will be brought to Council throughout the year.

## **Issues for Council Consideration**

### **Growing Capital Infrastructure Shortfall**

Monitoring the investment in General Fund capital infrastructure is important because these asset types make up the entire \$3.02 billion five-year capital infrastructure funding gap identified in the most recent Capital Outlook. As discussed earlier, the Proposed CIP Budget includes \$49.0 million for General Fund infrastructure while the Capital Outlook identifies \$661.3 million in General Fund capital needs in FY 2022. Though additional funding for General Fund capital infrastructure is anticipated to be added to the FY 2022 CIP budget, it will significantly fall short of the need identified in the Capital Outlook.

About 42% of the five-year funding gap is made up of storm water capital needs. Continuing to defer storm water needs has led to inefficient use of limited resources as emergency projects are done at a premium cost and temporary fixes end up costing more than it

# Program Review: Capital Improvements Program

would have otherwise cost to replace the failed storm water pipes. In addition, much of the funding anticipated for storm water in FY 2022 will backfill other planned projects that were defunded to cover emergency project costs.

The City is working towards pursuing a storm water funding strategy that will begin to address this huge need. However, it will take time to put in place as it will likely require the passage of a ballot measure. There are also significant unfunded capital needs in many other asset types, such as: existing public facilities, streets, streetlights, parks, traffic signals, bike facilities, and sidewalks. The funding gap is expected to grow each year it is not addressed as capital needs continue to be deferred to future years.

While more funding is needed to address the huge capital infrastructure funding shortfall, it is important to note that in order to spend additional funding and make a meaningful dent in the funding gap, the Engineering & Capital Projects Department would also need to dramatically increase its capacity to deliver capital projects.

## Council CIP Priorities

Many infrastructure priorities expressed in Council Budget Priority Memoranda (summarized in the box below) are addressed in the Proposed CIP Budget, though some are not. The following paragraphs discuss the extent to which each priority is addressed.

### Infrastructure Budget Priorities

- Transportation Safety & Mobility
  - Pedestrian & Bicycle Safety
  - Traffic Calming
  - Streetlights
  - Traffic Signals
- Sidewalks
- Streets
- Parks & Recreation Facilities
- Storm Water
- Library Facilities
- Fire-Rescue Facilities
- Transit Infrastructure

The top infrastructure priority expressed by Councilmembers was for Transportation Safety and Mobility. Specifically, Pedestrian and Bicycle Safety projects included in the Proposed CIP Budget are: Coastal Rail Trail, median installation, and traffic signal improvements. There are also investments in traffic calming, streetlight installations, and traffic signal improvements. Proposed allocations for these projects can be seen in Table 2 included earlier in this section.

While the Proposed CIP Budget includes \$4.5 million in *new* sidewalks, no allocation is provided for repair of *existing* sidewalks.

The Proposed CIP Budget currently includes \$13.8 million for the regular Citywide resurfacing program as well as for Sexy Streets targeting communities of concern. An additional \$71.1 million will be funded outside the FY 2022 budget process using prior year, unexpended appropriations and future financing.

Investments in Parks and Recreation facilities are very minor in the Proposed CIP Budget, including only \$100,000 for Sunset Cliffs Natural Park. There is no funding proposed for neighborhood park improvements or recreation facilities.

The proposed investment of \$1.0 million for storm water is extremely minor compared to the need of \$186.5 million reflected in the Capital Outlook. However, it is anticipated that more funding will be added to the budget this coming May or June.

No funding is proposed for Libraries, Fire-Rescue facilities, or Transit infrastructure in the Proposed CIP Budget.

To the extent Council would like to make different investments in the CIP than those proposed, it is important to consider the funding sources available and their restrictions. Table 2 above summarizes the Proposed CIP Budget for General Fund infrastructure and available funding sources. Flexible funding sources like the General Fund and Infrastructure Fund can

## Program Review: Capital Improvements Program

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be used for any General Fund asset. TransNet funds can be used in the public right-of-way and aim to reduce traffic congestion. The remaining funding sources have more restrictions and can only be used for narrow purposes.

**Additional allocations to Council capital infrastructure priorities may occur with the pending request to appropriate financing proceeds to projects.**

For a broader discussion of the City's capital needs, please refer to the section in our report called *Key Citywide Issues: Capital Infrastructure Needs*.



## Department Review: City Attorney

# City Attorney

The City Attorney's Office serves as the chief legal counsel to the City, including the Mayor, City Council, and all City Departments. The City Attorney is also tasked with prosecuting cases and defending the City, and prosecuting violations of State and local laws.

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the City Attorney's Office totals approximately \$65.7 million, which is an increase of \$3.3 million, or 5.3%, over the FY 2021 Adopted Budget. The number of FTEs in the Office is 386.72, which represents no change from FY 2021. Revenue in the Department totals \$3.9 million, which also represents no change from FY 2021.

#### Significant Budget Additions

The Proposed Budget includes several notable expenditure additions in the City Attorney's Office:

*\$900,000 – Outside Legal Counsel*

The Proposed Budget includes an ongoing increase of \$900,000 in contractual expenditures for outside legal counsel. The City Attorney's Office reports that this is required due to the reduction in contracts spending adopted by Council in the FY 2021 Budget that reduced funding in Citywide's

base budget for this expenditure. \$900,000 represents the City Attorney's Office's estimated funding need for outside counsel based on historical data and a significant increase in legal expenses associated with the anticipated resolution of Proposition B litigation.

*\$57,000 – Family Justice Center Security Services*

The Proposed Budget includes \$57,000 in funding for security services at the Family Justice Center. This funding was also requested in FY 2021, but was not included in last year's Proposed Budget.

### Issues for Council Consideration

#### Family Justice Center Funding

The Family Justice Center provides assistance to victims of domestic violence, sexual assault, and sex trafficking. The Center receives approximately 19,000 calls a year, and assists approximately 8,000 adults and children each year. The City Attorney's office requested \$57,000 in funding for security services at the Family Justice Center as noted above, *as well as* 2.00 Clerical Assistant FTEs (with personnel costs totaling \$101,000) to assist with front-desk reception duties and intake of new clients, allowing Victim

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	386.73	\$ 57,908,328	\$ 4,495,262	\$ 62,403,590	\$ 3,910,296
<b>Programmatic Changes</b>					
<i>Outside Legal Counsel</i>	-	-	900,000	900,000	-
<i>Family Justice Center Security Services</i>	-	-	56,600	56,600	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	1,629,368	-	1,629,368	-
<i>Other Personnel Adjustments</i>	-	536,376	-	536,376	-
<i>Information Technology Adjustments</i>	-	-	218,860	218,860	-
<i>Other Ongoing Adjustments</i>	-	-	(25,765)	(25,765)	-
<b>FY 2022 Proposed Budget</b>	<b>386.73</b>	<b>\$ 60,074,072</b>	<b>\$ 5,644,957</b>	<b>\$ 65,719,029</b>	<b>\$ 3,910,296</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 2,165,744</b>	<b>\$ 1,149,695</b>	<b>\$ 3,315,439</b>	<b>\$ -</b>

## Department Review: City Attorney

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Services Coordinators to focus on serving clients.

The the Proposed Budget includes funding for the security services; however it does *not* include the additional clerical positions that were requested.

## Department Review: City Auditor

# City Auditor

### Impacts of Mayor's FY 2022 Budget Proposal

As shown in the table below, the FY 2022 Proposed Budget for the Office of the City Auditor is approximately \$4.1 million, an increase of \$171,000, or 4.3%, from the FY 2021 Adopted Budget. The Office has no budgeted revenue. The number of positions remains unchanged from FY 2021, at 22.00 FTEs.

The Proposed Budget includes a \$91,000 increase to Budgeted Personnel Expenditures (PE) Savings, which decreases salaries and wages. This amount is roughly equivalent to 1.00 Senior Performance Auditor position.

Cuts to PE, including salaries and wages, could reduce the size of the City Auditor's Office. This would result in fewer completed audits and investigations that may identify cost savings, increased revenues, or improved efficiencies in City operations. Cuts to the discretionary non-personnel expenditures (NPE) – including training, electronic workpaper system, the Fraud Hotline provider, and consulting services – could lead to the reduction of funds for critical operational areas, including training needed to meet the Governmental Auditing Standards' continuing professional education requirements and technical expertise needed for certain audits.

### City Auditor's Budget Process

City Charter section 39.1 requires that the Audit Committee recommend the City Auditor's budget to the City Council each year. On January 27, 2021, the City Auditor's Office presented the Audit Committee with a proposed budget for the Office, containing no new audit positions or new budgetary additions.

While acknowledging City management's target reduction of 8% for the City Auditor's Office, the City Auditor asked that the Audit Committee recommend to the City Council that its budget remain intact for FY 2022 – with no cuts from the FY 2021 Adopted Budget except for the 2.6% contracts reduction (\$19,325) allocated to his Office as part of a Citywide contracts reduction implemented in the FY 2021 Adopted Budget. The City Auditor stressed that the functions of his office “are even more essential when the City's resources are highly impacted”.

In FY 2018, the City Auditor's Office sustained a 3% budget reduction (not including Comprehensive Annual Financial Report contract costs), which significantly reduced the discretionary portion of the Office's NPE budget.

During the January 27, 2021 meeting, the Audit Committee unanimously recommended

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	22.00	\$ 3,313,272	\$ 660,217	\$ 3,973,489	\$ -
<b>Programmatic Changes</b>					
Budgeted PE Savings Increase (a budget decrease)	-	(91,251)	-	(91,251)	-
FY 2021 2.6% Citywide Contracts Cut Allocation	-	-	(19,325)	(19,325)	-
<b>Other Changes</b>					
Other Salaries & Wages Adjustments	-	59,256	-	59,256	-
Fringe Benefits Adjustments	-	212,734	-	212,734	-
Non-Discretionary Adjustments	-	-	9,337	9,337	-
<b>FY 2022 Proposed Budget</b>	<b>22.00</b>	<b>\$ 3,494,011</b>	<b>\$ 650,229</b>	<b>\$ 4,144,240</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 180,739</b>	<b>\$ (9,988)</b>	<b>\$ 170,751</b>	<b>\$ -</b>

## Department Review: City Auditor

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that the City Council adopt the FY 2022 budget as proposed by the Office of the City Auditor, with no cuts except for 2.6% reduction to contracts mentioned earlier.

Subsequently, on April 21, 2021 the Audit Committee was presented with the FY 2022 Mayor's Proposed Budget for the City Auditor's Office, which includes the previously mentioned \$91,000 wages reduction in the Budgeted PE Savings line. The Committee unanimously voted to recommend removal of this \$91,000 budget reduction.

### **Issues for Council Consideration**

If Council is in support of no further cuts to the City Auditor's budget, as recommended by the Audit Committee, Council would have to remove the \$91,000 wages reduction from the FY 2022 Mayor's Proposed Budget. Any potential Council adjustment would be made during the final FY 2022 Council budget modifications process in June.

## Department Review: City Clerk

# City Clerk

The City Clerk supports the City Council, coordinates City elections, and manages the City's records management program, while also functioning as an access point to local government for the public. The Clerk's Office additionally provides immediate information about the disposition of items in Council, operates a passport program that allows US citizens to apply for passports, and preserves and digitizes historical City records and materials.

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Office of the City Clerk totals approximately \$6.6 million, which is an increase of \$199,000 over the FY 2021 Adopted Budget. The number of FTEs in the Office is 47.32, which represents no change from FY 2021. Revenue in the Department totals \$136,000, a decrease of \$20,000 from FY 2021.

#### Significant Budget Reductions

While expenditures in the Proposed Budget for the City Clerk's Office reflect continued support of all existing programs consistent with what was included in the FY 2021

Adopted Budget, revenues in the Office have been reduced by \$20,000. The City Clerk's revenue is primarily associated with the Office's Passport Services program. Passport Services remain suspended due to the COVID-19 pandemic. The Office anticipates resumption of services on a limited basis in FY 2022, but has reduced revenue projections from Passport Services by \$20,000.

### Issues for Council Consideration

#### Archives, Access and Preservation Program

The City Clerk's Office submitted a budget request to the Department of Finance for \$15,000 in NPE for various IT hardware and software needs, as well as a request for a Program Manager position (1.00 FTE, with \$149,000 in PE costs) to serve as a City Archivist, which would manage the Office's Archives, Access and Preservation Program, and expand the City Clerk's online digital archives. This request was not included in the Mayor's Proposed Budget. Council may wish to request additional information on the impacts of not funding these requests.

SUMMARY OF CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	47.32	\$ 5,087,211	\$ 1,305,656	\$ 6,392,867	\$ 155,582
<b>Programmatic Changes</b>					
<i>Reduction in Revenue (Passport Services)</i>	-	-	-	-	(20,000)
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	112,277	-	112,277	-
<i>Other Personnel Adjustments</i>	-	8,125	-	8,125	-
<i>Information Technology Adjustments</i>	-	-	(74,083)	(74,083)	-
<i>Other Ongoing Adjustments</i>	-	-	152,619	152,619	-
<b>FY 2022 Proposed Budget</b>	<b>47.32</b>	<b>\$ 5,207,613</b>	<b>\$ 1,384,192</b>	<b>\$ 6,591,805</b>	<b>\$ 135,582</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 120,402</b>	<b>\$ 78,536</b>	<b>\$ 198,938</b>	<b>\$ (20,000)</b>



## Department Review: City Council

# City Council

### Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the City Council is approximately \$12.5 million, an increase of \$625,000 or 5.3% from the FY 2021 Adopted Budget.

Each Council Office has 10.00 budgeted FTE positions for a total of 90.00 positions, unchanged from the FY 2021 Adopted Budget. The total operating budget for each Council office is comprised of salaries/personnel expense (PE), associated fringe benefit expense (Fringe) and non-personnel expense (NPE). While each Council office has the same number of budgeted FTE positions, the budgets for each office vary annually based on several factors (employee compensation, staffing levels, staff experience, and differing NPE needs). The budgets for each Council office are shown in the table at the top of the next page along with community grant funds that were not allocated in the FY 2021 Proposed or Adopted Budgets.

#### Significant Budget Additions

There is a one-time addition of \$135,000 in NPE for the development and licensing of a constituent relations management platform. This platform will be a communication and business process management system that can be used to better manage constituent outreach,

calendar, constituent services, and reports and analytics. The \$135,000 is apportioned to each Council Office's budget and is shown as a \$15,000 addition to NPE.

#### Significant Budget Reductions

There are no significant budget reductions.

#### Community Grant Funding

Each Council Office has historically received annual allocation of two types of community grant funding - Community Projects, Programs and Services (CPPS) and Transient Occupancy Tax-supported Arts, Culture, and Community Festivals (ACCF). Due to the impact of the pandemic on City revenues, these community grant funds were not included in the FY 2021 Proposed or Adopted Budget. The FY 2022 Proposed Budget restores \$900,000 of Councilmember CPPS funding stating it is "to provide discretionary grants to businesses and non-profits in their districts that are impacted by the COVID-19 pandemic".

CPPS: The guidelines for CPPS funding are provided in City Council Policy 100-06. In accordance with this Policy, Councilmembers can award CPPS funding to public agencies or non-profit organizations or a variety of community serving purposes including capital improvements, materials, equipment, maintenance or repair. CPPS funds may also be

AGGREGATE SUMMARY OF CITY COUNCIL OFFICE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	CPPS
FY 2021 Adopted Budget	90.00	\$ 10,149,045	\$ 1,696,326	\$ 11,845,371	\$ -
<b>Programmatic Changes</b>					
<i>Restoring CPPS: \$100K per Council Office</i>	-	-	-	-	900,000
<i>Constituent Relations Management Platform</i>	-	-	135,000	135,000	-
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	26,965	26,965	-
<i>Salary Related Adjustments</i>	-	399,616	-	399,616	-
<i>Fringe Adjustments (Includes Retirement ADC)</i>	-	41,397	-	41,397	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	21,890	21,890	-
<b>FY 2022 Proposed Budget</b>	<b>90.00</b>	<b>\$10,590,058</b>	<b>\$ 1,880,181</b>	<b>\$ 12,470,239</b>	<b>\$ 900,000</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 441,013</b>	<b>\$ 183,855</b>	<b>\$ 624,868</b>	<b>\$ 900,000</b>

Office of the Independent Budget Analyst  
April 2021

# Department Review: City Council

PROPOSED FY 2022 BUDGET FOR EACH CITY COUNCIL OFFICE						COMMUNITY FUNDS*	
Description	FTE	PE	FRINGE	NPE	Total Budget	CPPS	TOT-ACCF
Council District 1	10.00	\$ 742,485	\$ 484,989	\$ 183,991	\$ 1,411,465	\$ 100,000	\$ -
Council District 2	10.00	733,415	429,498	229,155	\$ 1,392,068	100,000	-
Council District 3	10.00	683,345	347,154	186,021	\$ 1,216,520	100,000	-
Council District 4	10.00	667,897	690,411	197,209	\$ 1,555,517	100,000	-
Council District 5	10.00	749,782	285,422	233,221	\$ 1,268,425	100,000	-
Council District 6	10.00	859,494	314,146	159,305	\$ 1,332,945	100,000	-
Council District 7	10.00	818,188	304,011	207,983	\$ 1,330,182	100,000	-
Council District 8	10.00	748,395	793,331	284,240	\$ 1,825,966	100,000	-
Council District 9	10.00	662,409	275,686	199,056	\$ 1,137,151	100,000	-
<b>FY 2022 Proposed Budget</b>	<b>90.00</b>	<b>\$ 6,665,410</b>	<b>\$ 3,924,648</b>	<b>\$ 1,880,181</b>	<b>\$ 12,470,239</b>	<b>\$ 900,000</b>	<b>\$ -</b>

\* CPPS funds were not allocated in the FY 2021 Adopted Budget due to the COVID-19 pandemic. TOT-ACCF funds were also not allocated in the FY 2021 Adopted Budget and are not included in the FY 2022 Proposed Budget. Prior to FY 2021, \$40,000 of ACCF was allocated to each Office in support of arts and culture nonprofit events.

awarded for one-time community, social, environmental, cultural, or recreational needs, so long as it serves a lawful public purpose.

Prior to FY 2021 and in keeping with Council Policy 100-06, the annual CPPS allocation for each Council Office equaled the amount of budget savings realized by each Council Office in the prior fiscal year. Councilmembers would typically endeavor to finish the year under budget to ensure they would have an equal amount of discretionary funding in the next fiscal year to support worthwhile community organizations and events.

The restoration of CPPS funding in the FY 2022 Proposed Budget simply assigns an equal amount (\$100,000) to each Council Office.

ACCF: The aggregated, proposed funding level for ACCF from TOT for the City Council and the Mayor is included each year in the Special Promotional Programs section of the Proposed Budget. In recent years, each Council Office has received \$40,000 of ACCF

funding to discretionally award to private non-profit organizations in support of their ongoing operational expenses and/or their sponsorship of special events. ACCF funding was not included in the FY 2021 Adopted Budget because of the pandemic and there is no ACCF funding in the FY 2022 Proposed Budget.

Annual funding and guidelines for use of ACCF funding are provided in City Council Policy 100-23. While the COVID-19 pandemic prevented most community festivals and arts events in FY 2021, it appears that a return to these community events will begin to resume in FY 2022. The Council may discuss when and if they would like ACCF funding to be restored.

## Council Administration

The Council Administration Department provides general office management and critical support services for the City Council. The FY

SUMMARY OF CITY COUNCIL ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	19.37	\$ 2,435,713	\$ 378,648	\$ 2,814,361	\$ -
<b>Programmatic Changes</b>					
<i>Reduction of Hourly Positions</i>	(0.37)	(11,621)	-	(11,621)	-
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(1,883)	(1,883)	-
<i>Other Salary Related Adjustments</i>	-	(17,552)	-	(17,552)	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	(61,778)	-	(61,778)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	117,260	117,260	-
<b>FY 2022 Proposed Budget</b>	<b>19.00</b>	<b>\$ 2,344,762</b>	<b>\$ 494,025</b>	<b>\$ 2,838,787</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>(0.37)</b>	<b>\$ (90,951)</b>	<b>\$ 115,377</b>	<b>\$ 24,426</b>	<b>\$ -</b>

## Department Review: City Council

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2022 Proposed Budget for Council Administration is approximately \$2.8 million, an increase of approximately \$24,000 or 0.9% over the FY 2021 Adopted Budget. This increase is the net result of a \$91,000 reduction in PE and a \$115,000 increase in NPE.

The department has 19.00 FTE positions, a 0.37 FTE reduction due to the elimination of hourly positions. These positions include 8.00 Committee Consultants who are responsible for organizing and facilitating regular meetings for eight City Council Committees, 1.00 Council Communications position, and 1.00 Council Government Affairs position (currently vacant). The other 9.00 staff plan and organize City Council meetings, administer CPPS and ACCF allocations, provide information technology services, and otherwise provide multi-faceted support to the nine City Council offices.

### **Issues for Council Consideration**

The Council may wish to decide whether they prefer being allocated an equal amount of CPPS funding each year (i.e., \$100,000) or returning to the prior practice of being allocated an amount equal to each Office's budget savings from the prior year. If an equal annual allocation approach is desired, Council Policy 100-06 should be amended to reflect that operating practice.

The Council may also wish to discuss when and if they would like annual ACCF funding to be restored in the TOT-supported Special Promotional Programs Budget as was done prior to the pandemic.

# City Treasurer

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the City Treasurer includes General Fund and Parking Meter Operations Fund expenditures and revenues.

Budgeted expenditures (all funds) in the FY 2022 Proposed Budget for the City Treasurer are approximately \$29.1 million, which is an increase of \$1.1 million or 3.9 % from the FY 2021 Adopted Budget. The FY 2022 Proposed Budget includes 126.00 FTE positions, which is a decrease of 4.00 FTE positions from FY 2021.

Budgeted revenue (all funds) totals \$53.2 million which represents an increase of \$2.0 million or 3.9% from the FY 2021 Adopted Budget.

### General Fund

The General Fund component of the FY 2022 Proposed Budget for the City Treasurer is \$18.4 million which is an increase of \$1.1 million or 6.4% from the FY 2021 Adopted Budget. It includes 114.00 FTE positions (a decrease of 4.00 FTE positions from the prior

year) and budgeted revenue of \$41.9 million (an increase of \$2.0 million or 5.0% from the prior year).

### Significant Budget Additions

The FY 2022 Proposed Budget allocates \$280,000 for the department to finish replacing its Delinquent Accounts System and pay ongoing licensing/hosting fees for the Centralized Payment Processing Solution (CPPS). The CPPS provides a point-of-sale cashiering system for lobby operations and increases online payment options. The funding will also be used to replace aging laptops and other computer equipment. The \$280,000 is comprised of \$105,000 in one-time expenditures and the remaining \$175,000 will be used for ongoing system costs.

### Significant Budget Reductions

#### Minimum Wage Program Transfer

Minimum Wage Program staff and associated NPE totaling \$663,000 will transfer from the City Treasurer to the new Office of Compliance and Labor Standards. The Program is staffed by 4.00 FTE positions including 1.00 Program Manager, 2.00 Program Coordinators, and 1.00 Associate Management Analyst.

SUMMARY OF CITY TREASURER GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	118.00	\$ 12,637,129	\$ 4,641,913	\$ 17,279,042	\$ 39,869,208
<b>Programmatic Changes</b>					
<i>Transfer Minimum Wage Program to Compliance</i>	(4.00)	(611,072)	(52,061)	(663,133)	-
<i>Replace Delinquent Accounts &amp; Cashiering Systems</i>	-	-	280,000	280,000	-
<i>Increased Cannabis Business Tax Revenue</i>	-	-	-	-	3,382,152
<i>Reduced Revenue Transfer from TOT Fund</i>	-	-	-	-	(1,820,000)
<i>Increased Business Tax Revenue</i>	-	-	-	-	430,000
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(58,920)	(58,920)	-
<i>Other Salary Related Adjustments</i>	-	524,627	-	524,627	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	1,086,558	-	1,086,558	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	(68,222)	(68,222)	-
<b>FY 2022 Proposed Budget</b>	<b>114.00</b>	<b>\$13,637,242</b>	<b>\$ 4,742,710</b>	<b>\$ 18,379,952</b>	<b>\$41,861,360</b>
<b>Difference from 2021 to 2022</b>	<b>(4.00)</b>	<b>\$ 1,000,113</b>	<b>\$ 100,797</b>	<b>\$ 1,100,910</b>	<b>\$ 1,992,152</b>

# Department Review: City Treasurer

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## 2.6% FY 21 Contracts Reduction

The City Council approved a 2.6% reduction in General Fund contracts in adopting the FY 2021 Budget. The Department of Finance determined the City Treasurer's share of this reduction is \$60,000. The reduction continues in FY 2022 and there is a \$60,000 reduction in NPE which the department can accommodate without any operational or service implications.

## **Significant Revenue Adjustments**

### Growth in Cannabis Business Tax (CBT)

The City levies a gross receipts tax of 8% on non-medical cannabis businesses including retail, cultivation, manufacturing, and distribution. A \$3.4 million increase in CBT is budgeted for FY 2022 due to 12 additional outlets and manufacturing production facilities expected to remit taxes to the City. There are currently 21 outlets and 41 production facilities remitting CBT to the City. Approximately \$23.1 million in CBT has been included in the FY 2022 Proposed Budget.

The Five-Year Financial Outlook estimates CBT growth to be approximately 6.5% in FY 2023, 10.3% in FY 2024, and 13.4% in FY 2025 before slowing to 1.4% in FY 2026. Growth in the next few years is attributable to new outlets and production facilities (inside and outside the City). The projected slowdown in FY 2026 is based on the expectation that there will be fewer new facilities subject to the CBT and increased competition from surrounding cities.

### Reduction in TOT Revenue

A portion of the Transient Occupancy Tax (TOT) is allocated to certain General Fund departments providing services in support of City tourism. In FY 2021, the City Treasurer received approximately \$1.9 million given the work they do to collect/account for TOT and audit lodging facilities who remit the TOT. As TOT collections will continue to be

significantly lower than pre-pandemic levels in FY 2022, budgeted TOT revenue has been reduced in certain General Fund departments. The FY 2022 Proposed Budget removes \$1.8 million of budgeted TOT revenue from the City Treasurer's budget leaving approximately \$66,000.

### Growth in Business Tax Revenue

The Treasurer expects Business Tax revenue to increase by \$430,000 over the amount budgeted in the FY 2021 Adopted Budget. This adjustment will return Business Tax revenue to pre-pandemic levels. The FY 2022 Proposed Budget includes about \$7.8 million in Business Tax revenues and penalties.

### Reduction in Collection Referral Fee

Collection referral fees were reduced by \$500,000 on a one-time basis in the FY 2021 Adopted Budget to reflect the City's decision to relax parking meter enforcement due to the COVID-19 pandemic. Most collection referral fee revenue results from parking citations. While enforcement has resumed and parking is expected to increase in FY 2022, the Department expects the 2.5-month delay between citation issuance and collection referral will reduce collection referral fee revenue in FY 2022. Given this expectation, another one-time reduction of \$500,000 has been included in the FY 2022 Proposed Budget.

## **Issue for Council Consideration**

### Implementation of the STRO Regulations

On February 23, 2021, the City Council approved an ordinance amending the San Diego Municipal Code to establish new regulations related to Short Term Residential Occupancy (STRO). While the City still needs to receive approval from the Coastal Commission and return to Council to approve a lottery process for licenses and a license fee structure, there is an expectation that approval will be secured. Once approved, the City Treasurer will need to incur one-time system costs and ongoing



## Department Review: City Treasurer

staff costs in order to be prepared to issue licenses in the spring of 2022 to enable enforcement beginning July 1, 2022.

the City.

In order to fund implementation costs, the City plans to implement a license fee structure that will recover the costs of implementation and enforcement. When the fee structure comes to Council in the fall, Council will also be asked to appropriate fee revenue in support of STRO implementation and enforcement. **Council may wish to ask staff for an update on STRO implementation plans/costs and whether they believe the yet-to-be-approved fee structure will be enough to recover the start-up costs needed to ensure successful implementation.**

### Parking Meter Operations Fund

The Parking Meter Operations Fund is a special revenue fund that was created in FY 2015 to increase the transparency of parking meter operations and revenue. The FY 2022 Proposed Budget is approximately \$10.8 million, unchanged from the FY 2021 Adopted Budget. There is also no change in the 12.00 FTE positions and \$11.3 million in revenue budgeted in the FY 2021 Adopted Budget.

Parking meter revenue, net of all parking meter expenses, is approximately \$6.2 million in the FY 2022 Proposed Budget. In accordance with City Council Policy 100-18, 55% of this net revenue goes to the City's General Fund and 45% to the Community Parking District Program to address parking related needs in

SUMMARY OF CITY TREASURER PARKING METER OPERATIONS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	12.00	\$ 1,421,399	\$ 9,335,855	\$ 10,757,254	\$ 11,297,852
<b>Programmatic Changes</b>					
<i>Reduced Employee Pay-In-Lieu Expense</i>	-	(3,634)	-	(3,634)	-
<b>Other Changes</b>					
<i>Other Personnel &amp; Fringe Adjustments</i>	-	54,994	-	54,994	-
<i>Other NPE Adjustments</i>	-	-	(51,943)	(51,943)	-
<b>FY 2022 Proposed Budget</b>	<b>12.00</b>	<b>\$ 1,472,759</b>	<b>\$ 9,283,912</b>	<b>\$ 10,756,671</b>	<b>\$11,297,852</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 51,360</b>	<b>\$ (51,943)</b>	<b>\$ (583)</b>	<b>\$ -</b>

## Department Review: Citywide Program Expenditures

# Citywide Program Expenditures

### Impacts of Mayor's FY 2022 Budget Proposal

The budget for the Citywide Program Expenditures Department (Citywide) is comprised of various programs and activities that provide benefits and services citywide. Programs or activities that are generally not attributable to any one City department are allocated in this budget. The Citywide budget includes only those expenditures funded by the General Fund.

Citywide's FY 2022 Proposed Budget totals \$161.7 million, an increase of \$61.8 million, or 62%, from the FY 2021 Adopted Budget. Some of the significant budget areas of this Department are discussed in the next few pages.

### Payments for Contracts and Services

#### Corporate Master Lease Rent

The City leases various facilities, such as office space and warehouses, from private parties to house some City employees and support the daily operations of the City. The amount budgeted for these costs totals \$22.4 million, a reduction of \$1.4 million from FY 2021, largely due decreased operating expenses for 101 Ash.

#### Citywide Elections

The FY 2022 Proposed Budget for citywide elections is decreasing by \$1.5 million, from \$3.8 million to \$2.3 million.

The FY 2022 citywide elections budget of \$2.3 million covers the June 2022 Primary Election. The Primary Election races will include contests for Council Districts 2, 4, 6,

SUMMARY OF "CITYWIDE PROGRAM EXPENDITURES" BUDGET CHANGES			
Budget Changes (dollars in millions)	FY 2021 Adopted	FY 2022 Proposed	Proposed Change
<b>Payments for Contracts and Services</b>			
Corporate Master Lease Rent/Lease-to-Own	23,811,964	22,374,907	(1,437,057)
Citywide Elections	3,770,336	2,287,305	(1,483,031)
Special Consulting Services	3,306,643	1,724,522	(1,582,121)
<b>Transfers to Public Liability Funds</b>			
Transfer to Public Liability Operating Fund for Insurance	14,300,000	17,673,924	3,373,924
Transfer to Public Liability Operating Fund for Claims	15,076,396	17,100,000	2,023,604
<b>Other Significant Expenditures</b>			
Deferred Capital Debt Service	7,164,523	29,098,309	21,933,786
Estimated Compensation Increases (subject to labor negotiations)	-	22,121,038	22,121,038
Convention Center Operational Support	-	10,196,440	10,196,440
Transfer to Infrastructure Fund	5,663,897	10,000,000	4,336,103
Transfer to Parks Improvement Funds	10,227,028	7,824,033	(2,402,995)
Climate Equity Fund Contribution	-	4,965,178	4,965,178
Additional Expenditures <sup>1</sup>	16,551,323	16,292,758	(258,565)
<b>TOTAL</b>	<b>\$ 99,872,110</b>	<b>\$ 161,658,414</b>	<b>\$61,786,304</b>

<sup>1</sup> The largest FY 2022 Proposed Budget amounts in the "Additional Expenditures" line include:

- \$4.6 million for property tax administration expense to San Diego County
- \$3.3 million for insurance
- \$1.7 million for Public Use Leases
- \$1.5 million for Preservation of Benefits (POB) pension payments
- \$1.5 million for the Supplemental COLA pension benefit payments
- \$1.1 million for assessments to public property (including Vector Control and MAD and PBID assessments for City-owned property)
- \$1.0 million for memberships (including those with SANDAG, SD County Local Agency Formation Commission, League of CA Cities)

## Department Review: Citywide Program Expenditures

and 8. Funding is included in the budget for these races, as well as for two City measures.

In general, the elections cost will vary depending on a number of elections factors including: the number of participating jurisdictions; the total number of ballot measures and candidates for all jurisdictions; the number of pages for the ballot measures; the voter participation rate in an electronic voter pamphlet subscription service; the number of registered voters; and whether there are additional translation requirements from the State. The cost will be borne by the City's General Fund.

Actual elections costs can vary significantly. For FY 2022, elections issues and costing will be closely monitored by the City Clerk as information becomes available.

### Special Consulting Services

The Special Consulting Services budget is decreasing by a net \$1.6 million, from \$3.3 million to \$1.7 million, as shown in the following table. This net reduction includes both decreases in budget and an offsetting increase.

The largest decrease is \$6.9 million related to the removal of negotiated flexible benefits. For FY 2022 the flexible benefits costs are included in City departments' fringe benefits expenditures and are based on actual employee selections.

The largest increase is the reallocation of the 2.6% budgeted contracts reduction in FY 2021, which totaled \$6.3 million. Of the \$6.3 million, the amount allocated to other departments is \$4.4 million, with \$1.9 million remaining in Citywide Program Expenditures but reducing different line items in the table below.

For example, \$900,000 of Citywide's allocated reduction relates to legal consulting costs, which have been reduced to zero in Citywide's FY 2022 column. Note that \$900,00 for legal consulting was added to the City Attorney's budget to maintain such services.

Additionally, \$376,000 of Citywide's allocated contracts reduction relates to labor contracts, which has also been reduced to zero in Citywide's FY 2022 column. Note that \$386,000 has been added to the Human Resources Department's budget for labor negotiations consulting.

### **Transfers to Public Liability Funds**

The FY 2022 Proposed Budget includes \$17.1 million and \$17.7 million to support the Public Liability (PL) Operating Fund's claims and insurance payments, respectively.

- The \$17.1 million claims funding transfer for FY 2022 has increased by \$2.0

<b>SPECIAL CONSULTING SERVICES</b>			
<b>Budget Changes</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Change</b>
Negotiated Flexible Benefits Estimate	\$ 6,859,227	\$ -	\$ (6,859,227)
Legal/Professional Services	900,000	-	(900,000)
Sales Tax Consulting	650,000	500,000	(150,000)
Energy-related Costs (Ash St/Golden Hall/Concourse)	77,416	724,522	647,106
Labor-related Contracts	376,000	-	(376,000)
Actuarial Services	250,000	250,000	-
Zuniga Jetty	200,000	200,000	-
Contingency	219,000	-	(219,000)
Disclosure Counsel	50,000	50,000	-
Citywide 2.6% Contracts Reduction	(6,275,000)	-	6,275,000
<b>TOTAL</b>	<b>\$ 3,306,643</b>	<b>\$ 1,724,522</b>	<b>\$ (1,582,121)</b>

# Department Review: Citywide Program Expenditures

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million, as excess PL operating funds were used to cover \$2.0 million of operating expenses in FY 2021.

- The \$17.7 million insurance payment budget for FY 2022 has increased by \$3.4 million, based on premium estimates that incorporate loss development trends in the insurance market.

There is no budget in FY 2022 for a transfer to the PL Reserve, which is projected to have a deficit of \$2.2 million as of the FY 2021 Mid-Year Budget Monitoring Report. The Mayor's Proposed Budget is forgoing funding of the Reserve, which provides budget relief for the General Fund.

Additionally, Risk Management is currently working on updated projections for PL operating costs in FY 2021, and there is uncertainty as to the ultimate costs and timing for resolution of various claims cases. See the Public Liability Funds section of this report (under Reserves) for more information on the PL Funds.

## Other Significant Expenditures

### Deferred Capital Debt Service

The FY 2022 Proposed Budget for deferred capital debt service is \$29.1 million, an increase of \$21.9 million from the \$7.2 million included in the FY 2021 Adopted Budget. The \$29.1 million deferred capital debt service includes debt service on bonds (\$28.4 million), as well as interest and fees related to commercial paper issuance (\$740,000).

A few offsetting changes explain the \$21.9 million increase.

- \$14.5 million **increase** due to the FY 2021 use of proceeds from the sale of the Mission Valley stadium property to cover a portion of the FY 2021 debt service

- \$8.4 million **increase** for the April 2021 \$145 million lease revenue bond issuance – The \$8.4 million debt service amount was estimated as part of the Proposed Budget before the final bond sale. ***The actual debt service for FY 2022 is \$5.5 million; and the \$3.0 million difference is anticipated to be removed from the expenditures budget in the May Revise.***

- \$410,000 **decrease** to bring the remaining bond payment budget to the amounts included in the debt service schedules
- \$640,000 **decrease** to bring commercial paper costs to the FY 2022 \$740,000 budgeted amount, which includes \$340,000 in interest costs and \$400,000 in ongoing costs of issuance

For reference, the \$28.4 million in FY 2022 bond debt service payments are as follows:

- \$6.7 million for the \$103 million 2018A refunding issuance (known as “DC1”)
- \$4.2 million for the \$75 million 2012A and 2020A partial refunding issuance (known as “DC2”)
- \$2.2 million for the \$35 million 2013A issuance (known as “DC2A”)
- \$6.9 million for the \$120 million 2015 A&B issuance (known as “DC3”)
- \$8.4 million for the \$145 million 2021A issuance (known as “DC4”), which as mentioned above is anticipated to be reduced in the May Revise

### Estimated Compensation Increases

The FY 2022 Proposed Budget includes \$22.1 million for estimated increases in employee compensation. The City is currently negotiating with all six of its employee organizations regarding FY 2022 terms and conditions of

# Department Review: Citywide Program Expenditures

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employment for their members. The actual cost for compensation increases will not be known until the good faith bargaining process has been completed. See the Labor Negotiations section of this report for additional information.

## Convention Center Operational Support

A \$10.2 million one-time contribution is included in the Citywide Program Expenditures budget for one-time operational and capital support for the San Diego Convention Center Corporation. Note that as part of our budget review, our office plans to release a report on the San Diego Convention Center Corporation's budget during the first week of May.

## Infrastructure Fund Transfer-Proposition H

The Infrastructure Fund was established in accordance with Charter Section 77.1, which was approved by the voters in June 2016 (as the Proposition H ballot measure). Allowable uses of these funds include: acquisition of real property, construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure.

The required transfer for FY 2022, based on applicable revenues from the FY 2022 Proposed Budget, is \$20.3 million. However, the Mayor is requesting a one-year suspension of Charter Section 77.1 requirements, and such request may be approved by a vote of two-thirds of the City Council.

A suspension of the Charter requirements had also been requested in FY 2021. Although the FY 2021 Adopted Budget did include a \$5.7 million transfer to the Infrastructure Fund, that amount was not based on FY 2021 revenues. Rather, it was a true-up amount for FY 2019, after reconciling FY 2019 actual audited revenues with estimates used for the FY 2019 Adopted Budget.

Although the Mayor is requesting suspension

of the required transfer again for FY 2022, \$10.0 million is included in the Proposed Budget as an Infrastructure Fund transfer. This amount is specifically for the one-time contribution to the "Sexy" Streets #ForAllofUs Initiative – for road repairs and maintenance in communities of concern.

## Transfer to the Parks Improvement Funds

The City Charter sets the threshold amount of Mission Bay rents and concession revenues that are to be placed into the General Fund for any municipal purpose, without restriction, at \$20.0 million. The remainder of funds greater than the threshold amount will be allocated to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund each year.

The amount above the \$20.0 million threshold to be transferred to the Parks Improvement Funds is budgeted in Citywide at \$7.8 million, down from \$10.2 million in FY 2021. The \$2.4 million decrease is largely related to revenue impacts due to COVID-19. Revenue from Mission Bay Park rents and concessions is budgeted in the Real Estate Assets Department.

## Climate Equity Fund Contribution

A \$5.0 million one-time contribution to the newly established Climate Equity Fund is included in the Citywide Program Expenditures budget. This funding is for infrastructure projects within underserved communities to help them respond to the impacts of climate change.

## Additional Expenditures

The following are additional expenditure items which are included in the Citywide Budget. Since budget changes for these expenditure items are smaller than previous areas discussed, these additional expenditures are listed in the footnote to the table on the first page of this section.



# Department Review: Citywide Program Expenditures

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- Public Use Leases

The public use lease expenditures are related to the use of parking lots in Las Americas and Imperial Marketplace. The FY 2022 Proposed Budget for the public use leases is \$1.7 million, up \$70,000 from FY 2021.

- Supplemental COLA Pension Benefit Payments

In 1999 the Supplemental Cost of Living Adjustment (COLA) benefit was created for certain retirees who retired before July 1, 1982. Those retirees' benefits had dropped below 75% of their original purchasing power. When the benefit was created, \$35.0 million was set aside in a special pension reserve that would fund the benefit.

The reserve was depleted in FY 2014, and since then the City has been making additional payments to SDCERS<sup>1</sup> to fund the benefit. The FY 2022 Citywide Program Expenditures amount for this benefit is \$1.5 million, up \$247,000 from FY 2021.

- Preservation of Benefits (POB) Pension Payments

The City also makes additional payments to SDCERS to fund any pension payments in excess of IRS limits. The FY 2022 Citywide Expenditures amount for POB is \$1.5 million, unchanged from FY 2021.

## General Fund Reserve

Contributions to the General Fund Reserve, if budgeted, are included in the Citywide Program Expenditures Department. As a result of declining revenues due to the COVID-19 pandemic, the City did not budget a General Fund Reserve contribution in the FY 2021 Adopted

Budget. The FY 2022 Proposed Budget also does not include a Reserve contribution. For more about this Reserve, see the General Fund Reserve section of this report.

## Pension Payment Stabilization Reserve

Contributions to the Pension Payment Stabilization Reserve (PPSR), if budgeted, are also included in Citywide Program Expenditures. Because of COVID-19's impact on revenues, there was no contribution budgeted for the PPSR in the FY 2021 Adopted Budget. There is also no contribution included in the FY 2022 Proposed Budget.

Additionally, the Mayor is proposing to use the amounts formerly contributed to the PPSR in FY 2019 and FY 2020 as a resource in FY 2022. Specifically, the Proposed Budget includes the \$7.9 million General Fund portion of the PPSR to help pay for the \$36.8 million increase in the General Fund portion of the pension payment. See the Pension Payment Stabilization Reserve section of this report for additional information.

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<sup>1</sup> SDCERS is the San Diego City Employees Retirement System.

## Department Review: Commission on Police Practices

# Commission on Police Practices

The Commission on Police Practices (CPP) is a new department in the FY 2022 Proposed Budget. The new department has been created \$ Members of the former CRB are serving as interim CCP Commissioners until such time that the meet and confer process with the Police Officer's Association (POA) concludes and the City Council adopts an Implementation Ordinance which will further define how Commission members are selected and appointed, the CPP's investigative scope and process, as well as other roles and responsibilities.

On April 27, 2021, the City Council formally established the CPP as a City Department, approved Interim Standard Operating Procedure, and appointed Sharmaine Mosely, who previously served as the Executive Director of the CRB, as the Interim Executive Director of the CPP. The initial proposed budget for the CPP was developed by the Interim Executive Director, as well as the Chair, and Vice-Chair of the CPP.

## Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the CPP consists of approximately \$1.1 million and 6.33 FTEs.

The budget includes the transfer of 1.00 FTE Executive Director and \$221,054 budgeted in FY 2021 for the former CRB within the Office of Boards and Commissions and adds 5.33 FTEs. The 5.33 FTEs equate to 11 new positions budgeted as prorated fractional FTEs

given that the CPP does not expect to hire several positions until later in FY 2022 or into FY 2023. The new positions, along with their anticipated roles/responsibilities are provided below.

- 1.00 Community Development Coordinator (working title: Assistant Executive Director) will primarily be responsible community engagement and education
- 1.00 Administrative Aide 2 (working title: Complaints Coordinator) will perform budget and finance related functions
- 1.00 Executive Assistant will provide scheduling and office support, as well as maintain CPP meeting minutes
- 0.50 Program Manager (working title: Supervising Investigator). The position is anticipated to be filled in January 2022.
- 0.67 Program Coordinators (working title: Investigator). Includes three Investigator positions of which one is anticipated to be filled in January 2022 and the other two in July 2023 (FY 2023); for the latter, vacancy savings have been budgeted in the FY 2022 Proposed Budget to offset the costs associated these two positions.
- 0.50 Performance Auditor will evaluate SDPD compliance with reporting laws and requirements, review the performance and public satisfaction of the CPP, and track status of recommendations. The position is anticipated to be filled in January 2022.

SUMMARY OF COMMISSION ON POLICE PRACTICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	-	\$ -	\$ -	\$ -	\$ -
<b>Programmatic Changes</b>					
Transfer of 1.00 Executive Director from CRB	1.00	160,809	60,245	221,054	
New Positions and NPE	5.33	504,172	386,040	890,212	
Staff Training and Translation/Transcription Services			30,000	30,000	
<b>FY 2022 Proposed Budget</b>	<b>6.33</b>	<b>\$ 664,981</b>	<b>\$ 476,285</b>	<b>\$ 1,141,266</b>	<b>\$ -</b>
<b>Difference from 2021 to 2</b>	<b>6.33</b>	<b>\$ 664,981</b>	<b>\$ 476,285</b>	<b>\$ 1,141,266</b>	<b>\$ -</b>

# Department Review: Commission on Police Practices

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- 0.50 Budget/Legislative Analyst (working Title: Policy Analyst) will research and analyze SDPD policies for purposes of making recommendations. The position is anticipated to be filled in January 2022.
- 0.08 General Counsel will serve as internal legal counsel that is independent from the City Attorney's Office. The position is anticipated to be filled in June 2022.
- 0.08 Program Coordinator (working title: Mediation Coordinator). The position is anticipated to be filled in January 2023 (FY 2023); for this reason, vacancy savings have been budgeted in the FY 2022 Proposed Budget to offset the costs associated with this position.

To annualize the positions budgeted as fractional FTEs in the Proposed Budget, an additional \$606,000 in Personnel Expenditures will be required in FY 2023.

With respect to non-personnel expenditures (NPE), which total \$476,000 in the FY 2022 Proposed Budget, \$180,000 is included for outside legal counsel services. This includes \$25,000 transferred from the CRB and \$155,000 in new funding. This funding will be utilized in FY 2022 until such time that the internal/staff General Counsel position is filled (anticipated in June 2022); the NPE cost is expected to be removed from the CPP's budget in FY 2023. Other notable NPE includes \$27,000 for Miscellaneous Professional/Technical Services, to be used primarily for translation and transcription services, and \$30,000 for travel and training.

We note that the CPP's Transition Planning Committee met on April 17, 2021 to review the FY 2022 Proposed Budget following its release. At the meeting, additional changes were discussed, including a salary increase for the Executive Director position, changes to expected start dates for certain positions, and increases to the NPE budget, which in total are estimated to increase the CPP's FY 2022

budget up to \$1.3 million. The CPP approved these changes at their April 27, 2021 meeting and staff expect to present them to Council at their Budget Review Committee hearing.

All nine Councilmembers prioritized the funding and implementation of the CPP in their Budget Priority Memoranda.

## Department Review: Communications

# Communications

### Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Communications Department is approximately \$5.3 million, an increase of \$600,000 or 12.7% over the FY 2021 Adopted Budget. The budget includes 36.00 FTE positions, reflecting an increase of 4.00 FTE positions. The department has \$372,000 in budgeted revenue which is unchanged from the FY 2021 Adopted Budget.

#### Significant Budget Additions

The FY 2022 Proposed Budget provides the Department a 12.5% increase in staffing with the proposed addition of the following 4.00 FTE positions:

Program Coordinator to support the CityTV Team: The Department indicates this position will oversee video productions used in the City's internal and external communications, videos posted on the City's social media platforms, videos aired on CityTV, and implement other special projects. The position would also research and procure audio and video equipment using PEG (Public Education and Government) funds.

Program Coordinator to support the Safety Public Information Officer Team: The Department indicates this position will oversee the Police/Homelessness Strategies section and is responsible for proactive pitching to reporters, coordinating media strategy and outreach on high-priority issues, and implementing special projects at the Director's discretion.

Program Coordinator to support the Public Information Officers/News and Engagement Team: The Department indicates this position will oversee proactive pitching to reporters, lead the department's media training program for City employees, and implement special projects at the Director's discretion.

Multimedia Production Coordinator to support the Creative Services Team: The Department indicates this position will support communication-specific needs for video shooting and editing, producing live meeting coverage on CityTV, producing internal communications for City employees, and creating social media content for the City's social media channels, all of which are in increased demand due to COVID-19 virtual meeting requirements as well as the upcoming Redistricting Commission meetings.

SUMMARY OF COMMUNICATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	32.00	\$ 4,344,946	\$ 361,972	\$ 4,706,918	\$ 372,107
<b>Programmatic Changes</b>					
Add: Program Coordinator to support City TV Team	1.00	166,529	-	166,529	-
Add: Program Coordinator to support Safety PIO Team	1.00	126,966	-	126,966	-
Add: Program Coordinator to support PIO News Team	1.00	126,966	-	126,966	-
Add: Multimedia Production Coordinator	1.00	73,449	-	73,449	-
<b>Other Changes</b>					
DoF Allocation of FY 2021 2.6% Contracts Cut	-	-	(882)	(882)	-
Other Salary Related Adjustments	-	(4,372)	-	(4,372)	-
Other Fringe Adjustments (Includes Retirement ADC)	-	49,858	-	49,858	-
Other Miscellaneous Adjustments to NPE	-	-	61,550	61,550	-
<b>FY 2022 Proposed Budget</b>	<b>36.00</b>	<b>\$ 4,884,342</b>	<b>\$ 422,640</b>	<b>\$ 5,306,982</b>	<b>\$ 372,107</b>
<b>Difference from 2021 to 2022</b>	<b>4.00</b>	<b>\$ 539,396</b>	<b>\$ 60,668</b>	<b>\$ 600,064</b>	<b>\$ -</b>

## Department Review: Compliance

# Compliance

The FY 2022 Proposed Budget creates a new department, consolidating compliance-related programs from various City departments. In their Budget Priorities for FY 2022, City Council requested the creation of an Office of Labor Standards Enforcement (OLSE) to consolidate the City administration and enforcement of various programs related to enforcing labor laws and protecting workers' rights and safety. The department's description states that the Compliance Department will facilitate audit responses and coordinate compliance with regulations related to labor, wages, health and safety and environmental issues. The following programs will be consolidated into this new department:

- Administrative Hearings Program from Purchasing and Contracting
- Living Wage Program from Purchasing and Contracting
- Minimum Wage and Earned Sick Days Program from City Treasurer
- Prevailing Wage from Engineering and Capital Projects *(to be transferred in the Mayor's May Revision to the FY 2022 Proposed Budget)*
- Safety and Environment Program from Risk Management

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Compliance Department is approximately \$2.2 million and 15.00 FTE positions. The positions by program are reflected in the following table.

POSITIONS BY PROGRAM	
FTE	Position
1.00	Chief Compliance Officer
Safety & Environment Program (6 positions)	
1.00	Program Manager
1.00	Safety & Training Manager
3.00	Safety Officers
1.00	Safety Representative 2
Minimum Wage Program (4 positions)	
1.00	Program Manager
2.00	Program Coordinators
1.00	Associate Management Analyst
Living Wage Program (2 positions)	
1.00	Supervising Management Analyst
1.00	Senior Management Analyst
Administrative Hearings Program (2 positions)	
1.00	Program Manager
1.00	Program Coordinator
<b>15.00</b>	<b>FY 2022 Proposed Budget</b>

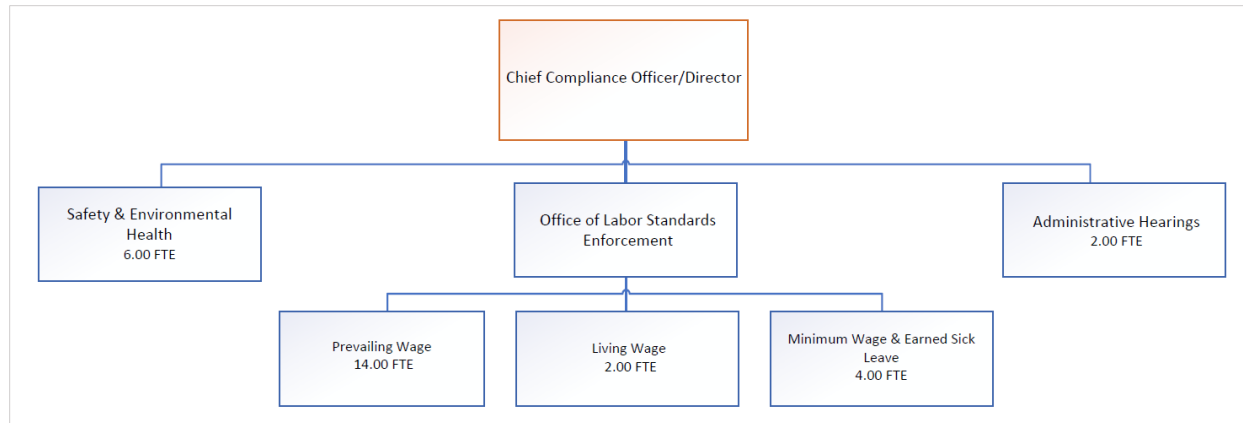
Note that this does not include the Prevailing Wage Program which is to be transferred from the Engineering and Capital Projects

SUMMARY OF COMPLIANCE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	-	\$ -	\$ -	\$ -	\$ -
<b>Programmatic Changes</b>					
<i>Transfer of Safety &amp; Environment Program</i>	6.00	734,613	8,762	743,375	-
<i>Transfer of Minimum Wage Program</i>	4.00	611,072	52,061	663,133	-
<i>Transfer of Administrative Hearings Program</i>	2.00	293,836	22,000	315,836	-
<i>Transfer of Living Wage Program</i>	2.00	117,325	1,732	119,057	-
<i>Transfer of Chief Compliance Officer</i>	1.00	208,297	-	208,297	-
<b>Other Changes</b>					
<i>Information Technology Adjustments</i>	-	-	70,594	70,594	-
<i>Position Reclassifications</i>	-	30,382	-	30,382	-
<i>Non-Discretionary Adjustments</i>	-	-	25,627	25,627	-
<b>FY 2022 Proposed Budget</b>	<b>15.00</b>	<b>\$ 1,995,525</b>	<b>\$ 180,776</b>	<b>\$ 2,176,301</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>15.00</b>	<b>\$ 1,995,525</b>	<b>\$ 180,776</b>	<b>\$ 2,176,301</b>	<b>\$ -</b>

Office of the Independent Budget Analyst  
April 2021



## Department Review: Compliance



Department to the Compliance Department in the Mayor's May Revision to the Proposed Budget. The Prevailing Wage Program will add 14.00 FTE positions and an estimated \$1.1 million of budget to the Compliance Department, bringing the size of the Department to 29.00 FTE positions and approximately \$3.3 million. The org chart above for the new Compliance Department includes the Prevailing Wage Program.

### Significant Budget Changes

Programs were moved into this new department in their entirety. There are no new positions, they are all transferred from other City departments. The only notable budget adjustments in this restructure are the reclassification of two positions: the Chief Compliance Officer's position has been upgraded to Department Director and a Safety Representative 2 was converted into a Safety and Training Manager. These position changes total \$30,000.

## Issues for Council Consideration

### Equal Opportunity Contracting Program

When City Council requested the creation of an Office of Labor Standards Enforcement in their FY 2022 Budget Priorities, they listed the Minimum Wage, Living Wage, Prevailing Wage, Earned Sick Days, Labor Compliance and Equal Opportunity Contracting Programs

as functions that could be consolidated into this new office. Of the programs Council mentioned, the Equal Opportunity Contracting Program has not been moved and there is no mention of a planned move in the Proposed Budget. The Mayor's Office has informed us that they are considering whether the Equal Opportunity Contracting Program should be moved into the Office of Race and Equity rather than the new Compliance Department. They intend to address this in the Mayor's May Revision to the FY 2022 Proposed Budget.

## Department Review: Debt Management

# Debt Management

### Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Debt Management Department is approximately \$2.3 million, an increase of \$227,000 or 10.8% over the FY 2021 Adopted Budget. There are 17.00 total FTE positions in the Department, unchanged from FY 2021. Budgeted revenue remains at \$779,000 in FY 2022.

Citing the evolving nature of the Department's activities requiring different skill sets, the Department proposes to add 2.00 higher-level analytical positions and eliminate 2.00 less analytical positions to increase efficiencies and better match staff capabilities to the anticipated workload. Addition and reduction details are provided in the following sections.

#### Significant Budget Additions

The FY 2022 Proposed Budget adds 2.00 Associate Management Analyst positions. The cost of these positions is approximately \$159,000, of which \$115,000 is salary and \$44,000 is associate fringe expense.

#### Significant Budget Reductions

Offsetting the 2.00 additions, there is a proposed reduction of 1.00 Clerical Assistant 2 (vacant) and 1.00 Word Processing Operator from the Department.

The cost of the 2.00 eliminated positions is approximately \$168,000, of which \$77,000 is salary and \$91,000 is associated fringe expense.

The FY 2022 Proposed Budget indicates the net fiscal impact of adding and reducing the aforementioned positions is savings of approximately \$9,000.

#### Notable New Departmental Activity

On March 12, 2021, the Chief Financial Officer sent a memo to all department directors with a recommendation for reviewing all City long-term financial arrangements. The memo stated that going forward, in order to strengthen the review process, and "in an effort to deliver more favorable outcomes for the City and protect its interests, it is recommended all City agreements containing long-term financial commitments also include a review by the Debt Management Department."

This go-forward recommendation takes advantage of the Department's expertise and strengthens the City process for reviewing/recommending a variety of long-term financial commitments. The Department Director indicates she has sufficient budgetary/staff capacity to perform this review when requested.

SUMMARY OF DEBT MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	17.00	\$ 1,880,980	\$ 234,939	\$ 2,115,919	\$ 778,500
<b>Programmatic Changes</b>					
<i>Addition of 2.00 Associate Management Analysts</i>	2.00	159,442	-	159,442	-
<i>Reduction of 1.00 Clerical Assistant 2</i>	(1.00)	(99,778)	-	(99,778)	-
<i>Reduction of 1.00 Word Processing Operator</i>	(1.00)	(68,465)	-	(68,465)	-
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(2,965)	(2,965)	-
<i>Other Salary Related Adjustments</i>	-	46,421	-	46,421	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	165,126	-	165,126	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	27,717	27,717	-
<b>FY 2022 Proposed Budget</b>	<b>17.00</b>	<b>\$ 2,083,726</b>	<b>\$ 259,691</b>	<b>\$ 2,343,417</b>	<b>\$ 778,500</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 202,746</b>	<b>\$ 24,752</b>	<b>\$ 227,498</b>	<b>\$ -</b>

Office of the Independent Budget Analyst  
April 2021

# Department of Finance

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Department of Finance is approximately \$19.8 million, an increase of \$1.1 million or 5.7% over the FY 2021 Adopted Budget. The budget includes 110.00 FTE positions, reflecting an increase of 4.00 FTE positions from FY 2021. There is \$2.2 million in budgeted revenue, which is an increase of \$138,000 or 6.6% over the FY 2021 Adopted Budget.

### Significant Budget Additions

The FY 2022 Proposed Budget provides the Department with a 3.8% increase in staffing with the proposed addition of the following 4.00 FTE positions:

1.00 Principal Accountant to support the External Reporting Section: This is currently a supplemental position (added mid-year after the FY 2021 budget process concluded) to address a critical oversight need identified by the Department. The Department would now like to formally add the position in the FY 2022 budget. This position is to ensure there is adequate oversight of the Debt and PUD sections. The Department indicates this addition will allow one position to focus on the process to

develop the Comprehensive Annual Financial Report and another position to provide oversight of the complex and material transactions involved with Debt and Public Utilities, as opposed to having only one position assigned to all of these responsibilities.

1.00 Program Coordinator to support the Payroll Expenditure Planning (PEP) Team: This is another supplemental position providing additional support to the labor negotiations process with the City's seven recognized employee organizations. When labor proposals are being discussed and negotiated, there is a need for supportive financial analysis. The Department indicates the addition of this position will better enable them to respond to this need.

2.00 Administrative Aide 2s to conduct a Pilot Program to explore Centralizing Citywide Payment Processing: There is interest in centralizing citywide invoice processing by transferring all invoice processing responsibilities from departments to the Department of Finance. The pilot program would focus on two vendors with a large volume of invoices (Amazon and Staples). The Department indicates 2.00 Administrative Aides are required to begin centralizing the Accounts Payable invoice process.

SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	106.00	\$ 17,358,303	\$ 1,331,992	\$ 18,690,295	\$ 2,092,153
<b>Programmatic Changes</b>					
<i>Principal Accountant to support External Reporting</i>	1.00	152,305	-	152,305	-
<i>Program Coordinator to support Labor Negotiations</i>	1.00	140,959	-	140,959	-
<i>Administrative Aide 2s to support Pilot Program</i>	2.00	142,452	-	142,452	-
<i>Contract for Accounts Payable Audit Services</i>	-	-	50,000	50,000	100,000
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(11,212)	(11,212)	-
<i>Other Salary Related Adjustments</i>	-	77,994	-	77,994	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	344,069	-	344,069	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	163,413	163,413	-
<i>Other Miscellaneous Adjustments to Revenue</i>	-	-	-	-	38,328
<b>FY 2022 Proposed Budget</b>	<b>110.00</b>	<b>\$18,216,082</b>	<b>\$ 1,534,193</b>	<b>\$ 19,750,275</b>	<b>\$ 2,230,481</b>
<b>Difference from 2021 to 2022</b>	<b>4.00</b>	<b>\$ 857,779</b>	<b>\$ 202,201</b>	<b>\$ 1,059,980</b>	<b>\$ 138,328</b>

## Department Review: Department of Finance

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### Proposed Position Reclassification

The Department is proposing to reclassify a classified unrepresented Finance Analyst 4 position to an unclassified Program Coordinator position in the Payroll section. The Department indicates this change better matches the position with the associated job responsibilities and mentions that it will be budgetarily neutral. It should be noted that there is a higher salary range for a Program Coordinator than for a Finance Analyst 4.

### Contract for Accounts Payable Audit Services

There is \$50,000 in the FY 2022 Proposed Budget for the Department to enter a contract for Accounts Payable Audit Services. This involves an outside auditor reviewing City payments and looking for errors made in favor of the City. The Department expects the contract will result in \$100,000 of revenue for the City.

# Department of Information Technology

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Department of Information Technology is approximately \$120.6 million. This is a \$2.4 million, or 2%, reduction from the FY 2021 Adopted Budget. There were a significant amount of one-time COVID-19 remote-working related costs in the FY 2021 Budget that are removed and/or adjusted for FY 2022. These are offset by estimated cost increases of new contracts for workplace services, application development, and enterprise compute, which are discussed further under the *Information Technology Fund*.

There are 133.35 FTE positions in the department's Proposed Budget, reflecting a reduction of 1.38 FTE positions, which are budgetary corrections rather than staffing losses.

The Department of Information Technology is comprised of five different funds:

- General Fund
- GIS Fund
- Information Technology Fund
- OneSD Support Fund
- Wireless Communications Technology Fund

Each fund serves a distinct purpose and the proposed budgets for each will be discussed

separately. The table below provides a summary of the Department of Information Technology's budget by fund.

### General Fund

The Department of Information Technology's General Fund budget supports purchasing personal computer replacements for General Fund departments in the City and the SDAccess4All Digital Equity Program. There are no positions budgeted in this fund. The FY 2022 Proposed Budget is approximately \$1.1 million. This is an increase of \$389,000, or 52%, from the FY 2021 Budget. (*see table next page*)

### SDAccess4All – Digital Equity Program

The FY 2022 Proposed Budget includes \$450,000 to continue the SDAccess4All program which began in FY 2021. This is offset by a reduction of the \$500,000 of one-time funding allocated by City Council in the FY 2021 Adopted Budget, resulting in a net program reduction of \$50,000. However, this should not result in any service level impacts as a portion of the FY 2021 budget was used for one-time setup costs.

The main focus of this program is to provide internet access in low- and moderate-income communities. The City Council added funding to the FY 2021 budget to address gaps in internet access and work towards closing the

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY BUDGET CHANGES						
Fund	FY 2021 FTE	FY 2022 FTE	Change	FY 2021 Expense	FY 2022 Expense	Change
General Fund	-	-	-	751,030	1,140,125	389,095
GIS Fund	15.00	14.00	(1.00)	4,389,649	5,349,741	960,092
Information Technology Fund	44.00	44.00	-	80,171,884	77,163,628	(3,008,256)
OneSD Support Fund	30.00	30.00	-	27,787,305	26,868,616	(918,689)
Wireless Communications Technology Fund	45.73	45.35	(0.38)	9,943,002	10,084,500	141,498
<b>Total Combined</b>	<b>134.73</b>	<b>133.35</b>	<b>(1.38)</b>	<b>\$ 123,042,870</b>	<b>\$ 120,606,610</b>	<b>\$ (2,436,260)</b>



# Department Review: Dept of Information Technology

digital divide that was exacerbated by COVID-19. City Council included continuation of the program in their FY 2022 Budget Priorities Resolution.

With the funding allocated in FY 2021, the Department of Information Technology, in partnership with various City departments and community organizations, was able to establish free internet access at over 300 locations in the City, including most of the City's libraries and recreation centers, plus street locations in historically underserved neighborhoods. Laptops and cellular hotspots are also available for check out at select libraries.

## Computer Replacement Program for General Fund Departments

The FY 2022 Proposed Budget adds \$250,000 to replace an estimated 1,040 personal computers in the General Fund. In FY 2020, due to being significantly behind on computer replacements, the Department switched to a lease program for replacement of General Fund personal computers. The Department's goal is to replace computers every 5 years (or 20% of computers each year) with a 5-year lease, to match the expected useful life of the computers.

FY 2020 was the first year of this new lease-based replacement program. The FY 2021 budget did not include any funding for lease purchases, but the Department was able to continue with replacements using CARES Funding and the need for many employees to switch to laptops (rather than traditional desktop computers) due to remote working.

However, they have not caught up. The Department describes the approximately 2,000 computers that are past their useful life (over 5 years old) as "tech debt". With the budget allocation in FY 2022 and assuming approved funding in FY 2023, the Department estimates they should be able to catch up and have all General Fund personal computers (desktops and laptops) be within their useful life then continue with an annual replacement cycle moving forward.

## Duplicate Budget for Debt Payments

The FY 2022 Proposed Budget adds additional funds of \$206,000 for the annual debt payment on the General Fund personal computers that were replaced in FY 2020. However, the FY 2021 budget already contained an allocation for the debt payment, which was continued forward in the FY 2022 Proposed Budget and no new lease-purchases were made last fiscal year, therefore no budget increase was needed. The Department of Information Technology indicated that they are working with the Department of Finance to remove the duplicate budget entry in the Mayor's May Revision to the FY 2022 Proposed Budget. This will reduce the Department of Information Technology's General Fund budget by \$206,000.

## Significant Budget Reductions

In the FY 2021 Budget, a 2.6% reduction was applied to General Fund contracts. In the FY 2022 Proposed Budget, that reduction is allocated across all General Fund departments. For the Department of Information

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	-	\$ -	\$ 751,030	\$ 751,030	\$ -
<b>Programmatic Changes</b>					
<i>SDAccess4All</i>	-	-	450,000	450,000	-
<i>Additional General Fund PC Replacements</i>	-	-	250,000	250,000	-
<i>Duplicate Budget: PC Replacement Debt Payments</i>	-	-	206,030	206,030	-
<i>FY 2021 2.6% Citywide Contracts Cut Allocation</i>	-	-	(21,649)	(21,649)	-
<b>Other Changes</b>					
<i>Information Technology Adjustments</i>	-	-	4,714	4,714	-
<i>Removal of Prior Year SDAccess4All</i>	-	-	(500,000)	(500,000)	-
<b>FY 2022 Proposed Budget</b>	-	\$ -	\$ 1,140,125	\$ 1,140,125	\$ -
<b>Difference from 2021 to 2022</b>	-	\$ -	\$ 389,095	\$ 389,095	\$ -

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# Department Review: Dept of Information Technology

Technology's General Fund, this results in an approximately \$22,000 reduction in contract funding. This will come from the budget to repair the City's General Fund personal computers as this is the only discretionary budget besides the funding for SDAccess4All. As noted previously, roughly 2,000 of the General Fund's computers are past their useful life. In addition, the Department noted that computer warranties only cover the first 3 years and any issues in the final 2 years of a computers useful life will need to be addressed by the City.

The budget for computer repairs was roughly \$45,000. The \$22,000 contract budget reduction reduces this allocation by nearly half. However, spending on repairs has declined over the past 5 years, likely due to the Department's progress with replacing older computers. In FY 2017, \$49,000 was spent on repairs but spending dropped to \$14,000 in FY 2020 and the Department is trending to spend around the same amount in FY 2021. Some of that savings may be due to COVID-19 and employees working remotely. The Department indicated that if they run out of funding in FY 2022, any expenses for needed repairs would have to come out of General Fund department budgets.

## GIS Fund

The GIS Fund is used to support management of geographical information systems (GIS) used by various City departments. The costs of these applications, plus Department of Information Technology's staff support, are

allocated to the City departments that use GIS, with roughly 45% of the costs allocated to General Fund Departments. The FY 2022 Proposed Budget for the GIS Fund is approximately \$5.3 million. This is nearly \$1.0 million, or 22%, higher than the FY 2021 Adopted Budget. Revenue is budgeted at \$4.9 million, an increase of \$503,000 over the prior year. Positions are budgeted at 14.00 FTE positions for FY 2022.

## Significant Budget Additions

The FY 2022 Proposed Budget for the GIS Fund includes the addition of \$103,000 for the cost increase of receiving regional GIS data. The City splits the cost of SanGIS with the County and this amount represents the City's portion.

## Budgetary Correction

The GIS Fund's budget for FY 2022 also reflects the reduction of 1.00 FTE GIS Analyst 3 with no associated expenditure reduction. This is a budget correction as the FTE count added last year was too high. This correction has no service level impacts and the GIS Fund now properly reflects 14.00 FTE positions.

## Information Technology Fund

The Information Technology Fund supports the operational budget for Department of Information Technology staff who provide a variety of information technology related activities for the City. The Citywide information technology support contracts, technology and

SUMMARY OF GIS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	15.00	\$ 1,537,023	\$ 2,852,626	\$ 4,389,649	\$ 4,391,238
<b>Programmatic Changes</b>					
<i>Geographic Information Source Cost Increases</i>	-	-	102,670	102,670	102,670
<i>Budget Correction - Removal of 1.00 GIS Analyst 3</i>	(1.00)	-	-	-	-
<b>Other Changes</b>					
<i>Information Technology Adjustments</i>	-	-	790,118	790,118	-
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	39,825	-	39,825	-
<i>Non-Discretionary Adjustments</i>	-	-	27,479	27,479	-
<i>Revised Revenue</i>	-	-	-	-	400,199
<b>FY 2022 Proposed Budget</b>	<b>14.00</b>	<b>\$ 1,576,848</b>	<b>\$ 3,772,893</b>	<b>\$ 5,349,741</b>	<b>\$ 4,894,107</b>
<b>Difference from 2021 to 2022</b>	<b>(1.00)</b>	<b>\$ 39,825</b>	<b>\$ 920,267</b>	<b>\$ 960,092</b>	<b>\$ 502,869</b>

# Department Review: Dept of Information Technology

licensing are also included in this fund. All costs incurred in this fund are allocated out to City departments. The proportion allocated to the General Fund varies by service, ranging from 22-65%.

The FY 2022 Proposed Budget for the Information Technology Fund is approximately \$77.2 million. This is a reduction of \$3.0 million, or 4%, from the FY 2021 Adopted Budget. The change is a combination of large increases for new service contracts and other cost increases offset by the removal of prior year one-time COVID-19 and CARES funded technology and remote working expenses. The revenue budget is similarly adjusted down by approximately \$3.9 million, bringing the total revenue budget to \$76.4 million for FY 2022. The Information Technology Fund has 44.00 FTE positions with no change from the prior year.

## New Service Contracts

The most significant budgetary change for FY 2022 is the estimated \$9.5 million increase in cost of new service contracts for workplace services (desktop/help desk support), application development/management, and enterprise compute (data center/cloud). The

Department of Information Technology issued RFPs to solicit bids for these services and is currently finalizing the selection and negotiation process. The Department anticipates bringing these contracts forward to City Council before the end of FY 2021.

Since the contracts are not yet approved, the Department has included estimated costs increased in the FY 2022 Proposed Budget. These may be updated to more accurate amounts in the Mayor's May Revision to the FY 2022 Proposed Budget. Throughout the process, the Department has noted that the rates the City is currently receiving for these services are significantly lower than current industry rates and large increases were expected for FY 2022. The estimated cost increase by service is:

- Workplace services - \$7.6 million
- Application development and maintenance - \$1.4 million
- Enterprise compute - \$608,000

## Other Significant Budget Additions

The Information Technology Fund proposed budget for FY 2022 includes a long list of additional increases which are summarized as

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	44.00	\$ 6,875,335	\$ 73,296,549	\$ 80,171,884	\$ 80,287,896
<b>Programmatic Changes</b>					
<i>Estimated Increases for New Service Contracts</i>	-	-	9,530,532	9,530,532	9,530,532
<i>Data Center Technology Replacements</i>	-	-	1,900,000	1,900,000	1,900,000
<i>Cyber &amp; Cloud Security Services &amp; Monitoring</i>	-	-	1,378,000	1,378,000	1,378,000
<i>Java, Google G-Suite &amp; Microsoft Azure</i>	-	-	700,000	700,000	700,000
<i>Get It Done Allocation (new Non-Discretionary)</i>	-	-	626,300	626,300	626,300
<i>Disaster Recovery Technology</i>	-	-	400,000	400,000	400,000
<i>Hyland OnBase Migration</i>	-	-	326,000	326,000	326,000
<i>City Desktop Phone Replacements</i>	-	-	300,000	300,000	300,000
<i>Email Accounts for City Field Employees</i>	-	-	277,455	277,455	277,455
<i>Redundant Internet Gateway Co-location</i>	-	-	200,000	200,000	200,000
<i>City Website Support &amp; Quality Assurance Savings</i>	-	-	(168,000)	(168,000)	(168,000)
<b>Other Changes</b>					
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	331,258	-	331,258	-
<i>Non-Discretionary Adjustments</i>	-	-	227,026	227,026	-
<i>Revised Revenue</i>	-	-	-	-	623,881
<i>Equipment Rental Rate Reduction</i>	-	-	(84)	(84)	-
<i>One-Time Adjustments</i>	-	-	(4,875,419)	(4,875,419)	(19,963,699)
<i>Information Technology Adjustments</i>	-	-	(14,161,324)	(14,161,324)	-
<b>FY 2022 Proposed Budget</b>	<b>44.00</b>	<b>\$ 7,206,593</b>	<b>\$ 69,957,035</b>	<b>\$ 77,163,628</b>	<b>\$ 76,418,365</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 331,258</b>	<b>\$ (3,339,514)</b>	<b>\$ (3,008,256)</b>	<b>\$ (3,869,531)</b>

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# Department Review: Dept of Information Technology

follows:

- \$1.9 million for replacement of enterprise compute (data center) servers and equipment that have reached the end of their useful life and moving some systems to the cloud. Without replacement, the equipment could fail causing outages and security risk. Moving systems to the cloud will avoid future capital and smooth costs over time.
- \$1.4 million for cyber and cloud security services and monitoring. This includes cost increases for software, hardware, and licensing to maintain the City's cyber security and cloud security monitoring efforts, plus the cloud foundation and infrastructure to support cloud services. The COVID-19 pandemic and remote workforce have increased the City's need for these tools.
- \$700,000 for Java, Google G-Suite and Microsoft Azure licensing and tools used by City departments.
- \$626,000 to establish a new Non-Discretionary budget allocation for Get It Done within the Information Technology Fund. Costs have been funded directly out of department budgets and this has no fiscal impact to the City overall but will assist the Department in better tracking and managing costs.
- \$400,000 to upgrade to modern disaster recovery and redundancy technologies in order to provide continuity of public

facing applications and avoid lengthy outages in the event of a disaster.

- \$326,000 for OnBase system upgrades, migration to the cloud, and licensing and support. This will provide resiliency, a secure and safer environment, and ensure a modern platform is available to meet the City's Brown Act requirements.
- \$300,000 to begin replacing desktop phones that are at the end of their useful life. The Department indicated that approximately a third of the City's 9,000 desktop phones need to be replaced. This \$300,000 is the first of a 5-year replacement plan.
- \$277,000 to provide email accounts to 832 existing City employees who do not currently have email accounts. This will ensure consistent communications for emergencies and in the event employees are not able to access City facilities to receive notices on bulletin boards or in meetings.
- \$200,000 to fund a redundant network connection for City employees. This would allow City staff to continue working in the event the primary network connection to the data center goes down.

## Significant Budget Reductions

As noted previously, the long list of increases are offset by significant reductions from prior year costs. In addition, the Department has been able to realize cost savings in support for the City's website. The budget is reduced by \$168,000 for FY 2022 due to a new vendor

SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	30.00	\$ 5,400,308	\$ 22,386,997	\$ 27,787,305	\$ 27,747,955
<b>Programmatic Changes</b>					
None	-	-	-	-	-
<b>Other Changes</b>					
Salary & Fringe Benefit Adjustments	-	167,165	-	167,165	-
Revised Revenue	-	-	-	-	(2,334,166)
Equipment Rental Rate Reduction	-	-	(334)	(334)	-
Non-Discretionary Adjustments	-	-	(382,149)	(382,149)	-
Information Technology Adjustments	-	-	(703,371)	(703,371)	-
<b>FY 2022 Proposed Budget</b>	<b>30.00</b>	<b>\$ 5,567,473</b>	<b>\$ 21,301,143</b>	<b>\$ 26,868,616</b>	<b>\$ 25,413,789</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 167,165</b>	<b>\$ (1,085,854)</b>	<b>\$ (918,689)</b>	<b>\$ (2,334,166)</b>

# Department Review: Dept of Information Technology

and new quality assurance tools with lower costs.

## OneSD Support Fund

The OneSD Support Fund is used for ongoing technical support, maintenance and management of the City's Enterprise Resource Planning system: SAP. The costs associated with SAP are allocated to City departments, with each department's allocation varying by the types of SAP programs used, the number of full-time equivalent positions in each department, and each department's budget. For FY 2022, costs are allocated roughly 44% to General Fund Departments.

The FY 2022 Proposed Budget for the OneSD Support Fund is approximately \$26.9 million. This is a reduction of \$919,000, or 3%, from the FY 2021 Adopted Budget. Revenue has also been reduced to \$25.4 million. The OneSD Support Fund has 30.00 FTE positions in the Proposed Budget, with no change from FY 2021. There are no programmatic changes to the OneSD Support Fund budget for FY 2022 Proposed.

## Issues for Council Consideration

### EAM Work Manager Upgrades

The Department of Information Technology requested \$2.2 million for upgrades to EAM Work Manager. This would be funded through the OneSD Support Fund and

allocated out to departments. Upgrades would include upgrading/replacing the outdated work order management application which is no longer supported by SAP, cloud hosting, and licensing.

The Department will be doing an RFP to evaluate what would be needed in order to upgrade the system. Should some work become critical this year, they may be able to absorb within the OneSD Support Fund's consulting budget.

## Wireless Communications Technology Fund

The Wireless Communications Technology Fund supports service delivery of public safety wireless communications technologies. Costs are allocated to City departments using the public safety radio system with roughly 83% going to General Fund Departments in FY 2022.

The FY 2022 Proposed Budget for this fund is nearly \$10.1 million, with offsetting revenue of approximately \$9.8 million and 45.35 FTE positions. The FY 2022 budget reflects an increase of \$141,000, or 1%, from FY 2021.

### Public Safety Radio System

An additional \$500,000 is being added to the budget to support the City's public safety radio system and be in compliance with FCC standards. The Department's goal is to deliver public safety mission critical emergency communications at 99.999% availability. This budget addition is for overall contract cost

SUMMARY OF WIRELESS COMMUNICATIONS TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	45.73	\$ 5,894,096	\$ 4,048,906	\$ 9,943,002	\$ 9,664,915
<b>Programmatic Changes</b>					
<i>Public Safety Radio System</i>	-	-	500,000	500,000	500,000
<i>Budget Correction - Removal of Assoc Comm Engineer</i>	(0.38)	-	-	-	-
<b>Other Changes</b>					
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	141,484	-	141,484	-
<i>Information Technology Adjustments</i>	-	-	57,597	57,597	-
<i>Revised Revenue</i>	-	-	-	-	(982,175)
<i>One-Time Adjustments</i>	-	-	(40,000)	(40,000)	-
<i>Non-Discretionary Adjustments</i>	-	-	(517,583)	(517,583)	-
<b>FY 2022 Proposed Budget</b>	<b>45.35</b>	<b>\$ 6,035,580</b>	<b>\$ 4,048,920</b>	<b>\$ 10,084,500</b>	<b>\$ 9,182,740</b>
<b>Difference from 2021 to 2022</b>	<b>(0.38)</b>	<b>\$ 141,484</b>	<b>\$ 14</b>	<b>\$ 141,498</b>	<b>\$ (482,175)</b>

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## Department Review: Dept of Information Technology

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increases which include: public safety radio equipment, radio site infrastructure upgrades, cybersecurity, software upgrades, system monitoring, disaster recovery, FCC licensing, 9-1-1 logging recorders, geographically redundant radio core, fire radio system, and the Motorola support contract.

### **Budgetary Correction**

The Wireless Communications Technology Fund's budget for FY 2022 also reflects the reduction of 0.38 FTE Associate Communications Engineer with no associated expenditure reduction. This is a budget correction as the FTE count added last year was should have been for a provisional hourly employee and not ongoing. This correction has no service level impacts.

## Department Review: Development Services

# Development Services

The Development Services Department (DSD) performs review, permit, inspection, and code enforcement services for private and public development projects throughout the City.

## Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Development Services Department (DSD) includes approximately \$96.5 million in expenditures and 604.00 FTEs, an increase of \$2.5 million and 14.00 FTEs from the FY 2021 Adopted Budget. Revenues are projected to total approximately \$91.1 million, an increase of \$315,000 from the FY 2021 Adopted Budget.

To accommodate the Department's multiple areas of responsibility and funding sources, the Department is arranged into eight primary divisions across three individual funds. The analysis of the FY 2022 Proposed Budget in this section is organized by major funds.

### General Fund

The FY 2022 Proposed Budget for DSD's General Fund expenditures totals approximately \$8.6 million in the General Fund, an increase of \$621,000 over the FY 2021 Adopted Budget. Revenues are projected to

decrease by \$1.0 million, as discussed below. DSD's General Fund supported FTEs remain unchanged at 69.00.

### Significant Budget Adjustments

#### *Revenue Support for Code Enforcement*

The Proposed Budget includes the transfer of \$619,000 from the Civil Penalty Fund to support code enforcement efforts in DSD. This revenue will allow the Department to avoid cuts to code enforcement and to maintain code enforcement services consistent with existing levels. This funding source was also used in the FY 2021 Adopted Budget for the same purpose.

#### *Transfer of Dockless Fees to Mobility Department*

This is a transfer of \$1.6 million in revenue associated with shared dockless mobility devices (scooters) from the Development Services Fund to the Mobility Department. The Mobility Department was formed in FY 2021; additional details can be found in our review of that Department's budget.

### Development Services Fund

The FY 2022 Proposed Budget for the Development Services Fund is approximately \$86.9

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	69.00	\$ 6,996,347	\$ 958,085	\$ 7,954,432	\$ 4,560,557
<b>Programmatic Changes</b>					
<i>Transfer of Dockless Fees to Mobility Department</i>	-	-	-	-	(1,572,750)
<i>Civil Penalty Fund Support for Code Enforcement</i>	-	-	-	-	619,083
<i>ACCELA Project Tracking System Financing</i>	-	-	(200,000)	(200,000)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	695,934	-	695,934	-
<i>Other Personnel Adjustments</i>	-	-	-	-	-
<i>Information Technology Adjustments</i>	-	-	114,535	114,535	-
<i>Other Adjustments</i>	-	9,327	1,463	10,790	(50,000)
<b>FY 2022 Proposed Budget</b>	<b>69.00</b>	<b>\$ 7,701,608</b>	<b>\$ 874,083</b>	<b>\$ 8,575,691</b>	<b>\$ 3,556,890</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 705,261</b>	<b>\$ (84,002)</b>	<b>\$ 621,259</b>	<b>\$ (1,003,667)</b>

# Department Review: Development Services

SUMMARY OF DSD - DEVELOPMENT SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	516.00	\$ 60,970,961	\$ 24,156,039	\$ 85,127,000	\$ 85,433,510
<b>Programmatic Changes</b>					
<i>Transfer of Urban Planning Review Program</i>	8.00	758,809	397,416	1,156,225	1,618,450
<i>Small Business Liasons</i>	2.00	222,467	-	222,467	-
<i>ACCELA Project Tracking System Financing</i>	-	-	315,000	315,000	-
<i>Plan Review Software Licensing</i>	-	-	93,355	93,355	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	6.50	2,923,197	-	2,923,197	-
<i>Hourly Position Adjustments</i>	(2.50)	(88,125)	-	(88,125)	-
<i>Information Technology Adjustments</i>	-	-	(99,221)	(99,221)	-
<i>Non-Discretionary Adjustments</i>	-	-	(2,315,239)	(2,315,239)	-
<i>Other Adjustments</i>	-	-	(407,798)	(407,798)	(300,000)
<b>FY 2022 Proposed Budget</b>	<b>530.00</b>	<b>\$64,787,309</b>	<b>\$22,139,552</b>	<b>\$ 86,926,861</b>	<b>\$86,751,960</b>
<b>Difference from 2021 to 2022</b>	<b>14.00</b>	<b>\$ 3,816,348</b>	<b>\$ (2,016,487)</b>	<b>\$ 1,799,861</b>	<b>\$ 1,318,450</b>

million and 530.0 FTEs, an increase of approximately \$1.8 million and 14.00 FTEs over the FY 2021 Adopted Budget. Revenues are projected to total \$86.8 million, an increase of approximately \$1.3 million over FY 2021.

## Significant Budget Additions

The FY 2022 Proposed Budget includes the following additions:

- The transfer of the Urban Planning Review Program from Smart & Sustainable Communities, including 8.00 FTE positions, \$1.2 million in expenditures, and \$1.6 million in revenue. This program was initially a Civic SD program that managed development permitting in the downtown area. The program was transferred to the City in FY 2020, and is now being moved into the Development Services Department.
- 2.00 FTEs and \$222,000 in expenses to serve as small business liaisons that provide small business assistance and technical assistance.
- \$408,000 in expenditures for plan review software licenses and ACCELA staff augmentations to continue a shift towards digital and online services.

## Issues for Council Consideration

### Creation of a Cannabis Permit Bureau Division

The Proposed Budget includes a restructure to the Development Services Fund portion of DSD to create a division that will be tasked with managing all cannabis related regulatory efforts for the City. This Division's responsibilities will include coordinating with City departments, state agencies, and retail and manufacturing cannabis permittees. At present no General Fund reimbursement for this activity is included in the Proposed Budget, though DSD indicates that it intends to investigate establishing an annual fee for existing cannabis permittees that would cover the expenses associated with permit management costs.

### Developer Fee Updates

DSD indicates that it plans to initiate a fee study to evaluate existing developer fees and cost recoverability. An RFP for a consultant to develop that study is anticipated to be released in the first quarter of FY 2022, with proposed fee adjustments to various fees potentially being ready for consideration in time to be reflected in the FY 2023 Budget. Council may wish to ask for more information on this process and a timeline for any fee study and associated recommendations.

## Department Review: Development Services

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### **Continued Lease Payments at 101 Ash**

At present, DSD is currently leasing office space at 1222 1<sup>st</sup> Avenue, while also contributing towards payments for the 101 Ash Building. Additional discussion of 101 Ash is included in our overview of Citywide Facility issues, but until issues surrounding the building are ultimately resolved, DSD's budget will continue to include payments for office space that it cannot use.

### **Local Enforcement Agency Fund**

The FY 2022 Proposed Budget for the Local Enforcement Agency Fund includes approximately \$899,000 in expenditures, an increase of \$59,000 over FY 2021. Revenues are projected to decrease by \$300,000 to \$486,000. FTEs budgeted in the Local Enforcement Agency remain unchanged at 5.00.

## Department Review: Economic Development

# Economic Development

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Economic Development Department is approximately \$22.1 million, which is an overall increase of \$759,000, or 3.5%, from the FY 2021 Adopted Budget.

#### Significant Budget Adjustments – Back to Work SD

The vast majority of the budget additions for the Department are for the Mayor's Back to Work SD program. Of the \$15 million allotted for this program in the Proposed Budget, \$12.5 million is within the Economic Development Department. A breakdown of the funding included for the Back to Work SD initiative, as well as the corresponding departments, is provided.

The largest increase is \$10.0 million for a one-time FY 2022 distribution to the Small Business Relief Fund (SBRF) for the Small Business Relief Program (SBRP). This program was started in FY 2020 in direct response to the COVID-19 pandemic and is designed to

Back to Work SD		
Program	Amount	Department
Small Business Relief	10,000,000	Economic Development
City Council Discretionary Grants	900,000	City Council
Restoration of SBEP	750,000	Economic Development
Connect2Careers	750,000	Economic Development
Youth Diversion Programming	500,000	Economic Development
Library Summer Camp	499,881	Library
SDAccess4All Initiative	450,000	Information Technology
Summer Youth Recreation	400,000	Parks & Recreation
Assistance for Street Vendors	250,000	Economic Development
No Shots Fired	250,000	Police
Summer Youth Environmental/Recreation Corps Program	250,000	Parks & Recreation
<b>Total</b>	<b>14,999,881</b>	

provide eligible small businesses with grants and forgivable or low-to-zero interest loans in order to help them survive the public health measures put in place during the pandemic. This would be the third year of funding, all of which is included in the table below.

SUMMARY OF ECONOMIC DEVELOPMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	53.00	\$ 6,380,367	\$ 15,005,977	\$ 21,386,344	\$ 19,631,139
<b>Programmatic Changes</b>					
New Allotment for Small Business Relief Program	-	-	10,000,000	10,000,000	-
Small Business Enhancement Program (SBEP)	-	-	750,000	750,000	-
Connect2Careers	-	-	750,000	750,000	-
Youth Diversion Summer Program	-	-	500,000	500,000	-
Small Business Concierge Support	2.00	251,406	-	251,406	-
Street Vendor Support	-	-	250,000	250,000	-
FY 2021 2.6% Contracts Reduction	-	-	(51,974)	(51,974)	-
SBEP Revenue Transfer	-	-	-	-	200,000
FY 2021 CARES Act Funding for Operations	-	-	-	-	(209,449)
FY 2021 Transfer from Water/Sewer Bank	-	-	-	-	(750,000)
Removal of FY 21 Small Business Relief Funding	-	-	(12,848,365)	(12,848,365)	(12,848,365)
<b>Other Changes</b>					
Other Salary and Benefit Changes	-	1,110,955	-	1,110,955	-
Non-Discretionary Adjustments	-	-	47,156	47,156	-
<b>FY 2022 Proposed Budget</b>	<b>55.00</b>	<b>\$ 7,742,728</b>	<b>\$14,402,794</b>	<b>\$ 22,145,522</b>	<b>\$ 6,023,325</b>
<b>Difference from 2021 to 2022</b>	<b>2.00</b>	<b>\$ 1,362,361</b>	<b>\$ (603,183)</b>	<b>\$ 759,178</b>	<b>\$ (13,607,814)</b>



## Department Review: Economic Development

Small Business Relief Fund			
Fiscal Year	Budget (\$ in thousands)	Source	Expended
2020	3,387	CDBG	Partial*
2020	2,165	Revolving Loan	Full
2020	550	Former Enterprise Zone	Full
2021	12,148	CARES Act	Full
2021	700	CARES Act - Strategic Alliance	Full
2021	1,700	CARES Act Revolving	In Progress
2022	10,000	General Fund	n/a

*\*Only \$1.5 million was spent, with the remainder reprogrammed to Operation Shelter to Home*

*Note: Table does not include \$704,000 in private donations*

Significantly, the FY 2022 funding is considered General Fund spending, which gives it significantly more flexibility than previous allotments, especially funding that came from the Community Development Block Grant (CDBG) and the various revolving loan funds. The FY 2021 funding, along with the federal revenue attached to it, was removed as a one-time adjustment from the Proposed Budget.

The City's SBRP funding will be administered in FY 2022 by the San Diego Foundation, which will add an additional \$2.0 million to the program.

In addition to the SBRF funding, there are other significant additions to the Department's Proposed Budget in FY 2022 for the Back to Work SD program. These additions include:

- \$750,000 for the Small Business Enhancement Program (SBEP), which would restore numerous programs that have been previously reduced. These restorations include funding for business services to the Business Improvement Districts, funding for the Storefront Improvement Program, and funding for Microdistricts. This amount represents a restoration of funding that was reduced in FY 2021, with some additional enhancements. However, this funding is included as a one-time only addition for FY 2022, although this funding

could be repeated in subsequent fiscal years if resources are available.

- \$750,000 for the Connect2Careers Program. This would be in addition to the funding that the program is currently slated to receive through the CDBG program. While final distributions for the various Connect2Careers programs are still to be determined, it is worth noting that this funding does have more flexibility than the CDBG funds and could be used to serve a greater number of individuals.
- \$500,000 for the San Diego Youth Diversion Summer Program, which will provide funding to a number of Community-based Organizations, including the Workforce Partnership, to serve chronically underserved youth in communities of concern through employment, internship, and scholarship opportunities. This funding could also revive support programs previously operated by other City departments, such as Parks & Recreation and the Library.
- \$251,000 and 2.00 FTEs which will provide concierge like services for small businesses interacting with the City, including business assistance, technical assistance, and a small business ombudsman.
- \$250,000 to provide assistance to street vendors with the City's upcoming permitting and application process.

### Other Significant Budget Adjustments

There is only one small reduction for the Department, which is the allocation of the FY 2021 2.6% across-the-board reduction for Contract expenditures. This reduction is \$52,000 and the Department is currently deciding how this reduction will be absorbed. One possibility is that the Department could work with its main contracted vendors, including the Economic Development Council and the Workforce Partnership, to modify some contract scopes for the upcoming fiscal

## Department Review: Economic Development

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year.

There are also some changes to the Department's revenue projections for FY 2022. First, the Department is proposing to transfer \$200,000 from the SBEP Fund to the General Fund on a one-time basis. These funds are left over from a project that was put on pause a number of years ago and no longer needs to move forward. This revenue increase is offset by two decreases, including the removal of federal CARES Act funds that supported operations related to the pandemic (\$209,000) as well as the removal of a one-time revenue transfer in FY 2021 to the General Fund from the Water/Sewer Bank (\$750,000).

## Department Review: Engineering and Capital Projects

# Engineering & Capital Projects

The Engineering & Capital Projects (E&CP) Department provides engineering services for the Capital Improvements Program (CIP) and oversight of the development of public infrastructure and facilities. The CIP is made up of 1,366 capital improvement projects that rehabilitate, restore, improve, and create new capital infrastructure like libraries, parks, and water and sewer pipelines.

There are seven divisions within E&CP:

- Architectural Engineering & Parks (88.00 FTEs)
- Business Operations & Fiscal Services (76.50 FTEs)
- Capital Asset Management (80.00 FTEs)
- Construction Management & Field Engineering (190.00 FTEs)
- Contracts (49.00 FTEs)
- Engineering Support & Technical Services (182.00 FTEs)
- Transportation & Utilities Engineering (157.00 FTEs)

Expenses in the department are billed against CIP projects and the revenue comes in through the E&CP Fund, a special revenue fund. Special revenue funds contain revenues

that are received for a specific purpose. In the case of the E&CP Fund, engineers and other staff that work directly on capital improvement projects bill the time they work on the respective project. Staff that do not work directly on projects are covered by the department's overhead rate included in the charge to projects.

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for E&CP is \$123.8 million, an increase of \$7.5 million or 6.4%, from the FY 2021 Adopted Budget. The Proposed Budget includes 825.50 FTE positions, unchanged from FY 2020 and FY 2021. The budget also includes revenue totaling \$116.0 million, an increase of \$265,000, or 0.2% over FY 2021. Revenues will be adjusted in the May Revision to fully support expenditures.

### Significant Budget Reductions

The FY 2022 Proposed Budget includes a one-time reduction of \$35,000 in training expenses.

### Significant Budget Additions

The budget includes \$500,000 in ongoing expenses for maintenance of street survey monuments. We note that this activity currently

SUMMARY OF ENGINEERING & CAPITAL PROJECTS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	825.50	\$ 97,923,476	\$ 18,392,231	\$ 116,315,707	\$ 115,732,090
<b>Programmatic Changes</b>					
<i>Survey Monument Preservation</i>	-	-	500,000	500,000	500,000
<i>One-Time Reduction of Training Expenses</i>	-	-	(34,572)	(34,572)	-
<b>Other Changes</b>					
<i>Information Technology Costs</i>	-	-	1,227,905	1,227,905	-
<i>Non-Discretionary Adjustments</i>	-	-	352,343	352,343	-
<i>Other Adjustments</i>	-	-	1,453,650	1,453,650	-
<i>Other Salaries &amp; Benefits</i>		3,976,579	-	3,976,579	-
<i>SDG&amp;E Reimbursement of Right-of-Way Permits</i>	-	-	-	-	(334,796)
<i>Revised Revenue</i>	-	-	-	-	100,000
<b>FY 2022 Proposed Budget</b>	825.50	\$ 101,900,055	\$ 21,891,557	\$ 123,791,612	\$ 115,997,294
<b>Difference from 2021 to 2022</b>	-	\$ 3,976,579	\$ 3,499,326	\$ 7,475,905	\$ 265,204

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# Department Review: Engineering and Capital Projects

resides in the Citywide Program Expenditure budget and is supported by \$250,000 in General Funds. The Proposed Budget would instead place this activity within the E&CP budget, funded by the E&CP Fund, and augment its allocation to \$500,000.

The Department has identified 526 street survey monuments that need to be raised because they got damaged during construction of other projects in the public right-of-way.

Survey monuments vary in size and material and are set by land surveyors to mark a point on a property. They are important for determining public and private land ownership and the location of infrastructure.

Ensuring the preservation of survey monuments is a longstanding responsibility of the City required by state law. However, over the years private and public construction projects have paved over them. In order to be preserved, they need to be raised. Some projects already require this work to be incorporated into the project scope. However, slurry seal projects and some water and sewer pipeline work do not. Staff intend to bundle survey preservation work into these projects going forward.

## Key Performance Indicator Reflects COVID-19 Impacts in FY 2021

As shown below, the average number of days to award construction contracts is anticipated to increase by 14% in FY 2021, to 103 days. According to the Department, transitioning to remote working due to COVID-19 created operational delays both internally and externally, impacting the time it took to award construction contracts. This will have a corresponding impact on CIP expenditures.

## Anticipated Restructure

Though not currently reflected in the

Proposed Budget, it states that two groups of employees are anticipated to be transferred out of E&CP. The first is the Prevailing Wage program comprised of 14.00 FTE positions and \$1.1 million in expenditures. This team is expected to be transferred to the new Compliance Department. The second restructure is the transfer of the procurement team comprised of 19.00 FTE positions and about \$2.0 million to the Purchasing & Contracting Department. This shift is intended to allow E&CP to narrow the focus of its work and centralize the expertise of procurement staff.

## Implementation of the Pure Water Project

The Proposed CIP Budget includes \$747.5 million, with almost half (48.2%) or \$360.5 million supporting the construction of the Pure Water project. E&CP is responsible for managing the construction contracts and construction management and inspection. The Public Utilities Department is managing the design consultants, as they provide support during construction, and the program management consultant. Therefore, capital expenses are being carried out by both departments. E&CP staff indicate that a new division was created made up of experienced staff to oversee the construction of Pure Water.

## Issues for Council Consideration

### E&CP's Capacity to Deliver Projects

Increasing the City's capacity to deliver projects is going to be a critical component of a long-term strategy for addressing the City's estimated \$3.02 billion capital infrastructure funding gap over the next five years.

Closing this five-year gap would require an *additional* \$600 million per year on average to be identified in additional resources and

Performance Measure	Target FY 2020	Actual FY 2020	Target FY 2021	Estimated FY 2021	Target FY 2022
Average number of days to award construction contracts	90	83	90	103	90

# Department Review: Engineering and Capital Projects

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implemented through projects. Total CIP expenditures in FY 2020 were \$584.0 million. Continuing to defer these needs to future years leads to the growth of the capital infrastructure funding gap.

The City is currently working towards implementing a funding strategy for storm water, the City's largest infrastructure need. If additional resources are secured, E&CP will need the capacity to implement the projects.

We note that it may even be challenging to keep up with the demand of *existing* resources. Combining the Proposed CIP Budget of \$747.5 million, and \$255.7 million of additional funding *anticipated to be added* to the CIP throughout the year, a total of \$1.0 billion could be infused into the CIP for FY 2022. As stated earlier, FY 2020 expenditures were \$584.0 million.

## Persistent Vacancies

Reducing E&CP's vacancies is one way to increase the department's capacity to deliver projects. The department has a total of 825.50 authorized FTE positions. As of this writing, E&CP has 169.00 FTE position vacancies. About 60% of the vacancies come from the following job classifications:

- Assistant and Associate Civil Engineer
- Principal Engineering Aide
- Principal Survey Aide
- Project Assistant
- Land Surveying Assistant.

Significant vacancies have persisted in the department since 2016 when the City added over 100 FTE positions to meet the growing demand of the CIP. The City added another roughly 200 positions through FY 2020 for a total of about 300.00 FTE positions since FY 2016. Although compensation increases for engineers and land surveyors began in FY 2019 and FY 2020, there continues to be

significant vacancies.

Making headway on reducing vacancies has been difficult due staff turnover. For example, in FY 2020, the number of people that were hired or transferred into the department (67), was less than those that left the City, retired, or transferred out of the Department (70).

Despite significant vacancies, CIP expenditures have increased from \$398.3 million in FY 2016, to \$584.0 million in FY 2020. However, with ramping up construction of Phase I of the Pure Water Project and the pending appropriation of financing proceeds for General Fund infrastructure projects, keeping up with the existing demands of the CIP could be difficult without filling at least some of the Department's vacancies.

We encourage future discussions on ways to increase E&CP's capacity to deliver projects to meet both the City's funded, and growing amount of unfunded, capital infrastructure needs.



## Department Review: Environmental Services

# Environmental Services

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Environmental Services Department (ESD) is approximately \$132.9 million, an increase of approximately \$9.9 million and 25.83 FTEs from the FY 2021 Adopted Budget. Revenues are projected to total approximately \$67.8 million, an increase of \$1.8 million from the FY 2021 Adopted Budget.

To accommodate the Department's multiple areas of responsibility and funding sources, the Department is divided into four primary divisions across four individual funds. The analysis of the FY 2022 Proposed Budget in this section is organized by the Department's four funds.

#### General Fund

The FY 2022 Proposed Budget for the Environmental Services Department totals approximately \$57.9 million in the General Fund, a \$7.7 million increase (15.3%) from the FY 2021 Adopted Budget. The FY 2022 Proposed Budget includes 190.73 FTEs which represents an increase of 17.83 FTEs from the FY 2021 Adopted Budget.

The Department's General Fund revenue

totaling \$1.4 million represents a decrease of approximately \$1.2 million from the FY 2021 Adopted Budget, mainly due to the removal of CARES Act federal funds.

#### Significant Budget Adjustments

##### SB 1383- Organics and Food Waste Program

Most of the increases for the Department's General Fund budget are for program enhancements to prepare the City for the requirements under SB 1383 to collect organics and food waste. Of the \$7.7 million increase in the General Fund, \$7.0 million and 9.83 FTEs are tied to these requirements. The largest increase is \$4.7 million in one-time funding for various facility upgrades at the Department's facilities to prepare for the additional trucks and other improvements that will be necessary to carry out these new regulations. This funding will provide additional space for and support the installation of an additional 45 Compressed Natural Gas fueling points, additional compressors for these fueling stations, locker room roof replacement and other interior improvements necessary to accommodate additional drivers and fleet techs, and other facility improvements. There is also an additional \$772,000 for upgrades to the Fleet Maintenance Facility, such as HVAC upgrades, additional working bays, and other upgrades to the technician station and maintenance equipment. There is also an additional

ENVIRONMENTAL SERVICES DEPARTMENT FY 2022 PROPOSED BUDGET EXPENDITURES						
Divisions	FTE	General Fund	Automated Refuse Container Fund Replacement	Refuse Disposal Fund	Recycling Fund	TOTAL
Collection Services	200.33	\$ 42,294,488	\$ 1,748,025	\$ 1,880,995	\$ 18,903,422	\$ 64,826,930
Disposal & Environmental Protection	113.00	2,176,239	-	29,347,122	1,559,534	33,082,895
Environmental Services	33.00	2,537,046	-	4,485,453	3,597,433	10,619,932
Waste Reduction	109.76	10,931,145	-	6,226,413	7,233,744	24,391,302
<b>TOTAL</b>	<b>456.09</b>	<b>\$ 57,938,918</b>	<b>\$ 1,748,025</b>	<b>\$ 41,939,983</b>	<b>\$ 31,294,133</b>	<b>\$ 132,921,059</b>

## Department Review: Environmental Services

\$554,000 in the Recycling Fund to fund these improvements.

Other major non-personnel expenditure adjustments include \$495,000 to supply organic and food waste pails for about 95,000 food waste participants, as well as \$522,000 for education and outreach programs to inform City customers and residents about the requirements of SB 1383.

There are also some personnel additions related to this program, altogether totaling 9.83 FTEs and \$552,000. Major additions include additional Code Compliance Officers and Recycling Specialists to enforce the provisions of AB 1383, as well as additional Sanitation Drivers, Supervisors, and a Management Analyst to begin staffing the Collection Services functions that will be needed. However, this is only a portion of the positions that will need to be added over the next several years. Most of these positions are for supervisory and

other functions. The Department will need an additional 40 Sanitation Drivers in FY 2023 to implement this program.

### Additional Budget Adjustments

The FY 2022 Proposed Budget also includes the following budget additions:

- \$360,000 for Route Optimization Software, which will optimize routes electronically and replace the hand drawn mapping process. There is an additional \$240,000 in the Recycling Fund for this purpose.
- \$350,000 for additional overtime expenditures for sanitation drivers, based on recent actuals.
- \$484,000 and 8.00 FTEs to account for supplemental positions within the Clean SD program. These positions currently exist but have not been added to previous budgets.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	172.90	\$ 17,014,576	\$ 33,217,656	\$ 50,232,232	\$ 2,555,077
<b>Programmatic Changes</b>					
SB 1383 - CNG Facility Upgrades	-	-	4,650,000	4,650,000	-
SB 1383 - Fleet Facility Upgrades	-	-	771,600	771,600	-
SB 1383 - Education Programs	-	-	522,005	522,005	-
SB 1383 - Waste Pails	-	-	495,484	495,484	-
SB 1383 - Code Compliance Officers	3.50	215,131	83,711	298,842	-
SB 1383 - Recycling Specialists	1.00	82,965	2,000	84,965	-
SB 1383 - Area Refuse Collection Supervisors	1.00	79,557	2,000	81,557	-
SB 1383 - District Refuse Supervisor	0.50	43,214	-	43,214	-
SB 1383 - Management Analyst	0.50	43,065	-	43,065	-
SB 1383 - Sanitation Drivers	3.33	-	-	-	-
Clean SD Supplemental Positions	8.00	484,023	-	484,023	-
Route Optimization Software	-	-	360,000	360,000	-
Additional Overtime for Collections Drivers	-	350,000	-	350,000	-
Equipment Rental Reduction	-	-	(948)	(948)	-
FY 2021 2.6 % Contracts Reduction	-	-	(247,907)	(247,907)	-
Clean SD Efficiencies Reduction	-	-	(877,754)	(877,754)	-
One-Time Reductions	-	(4,500)	(88,341)	(92,841)	(1,151,426)
Lead Neighborhood Safety Program Revenue Adjustm	-	-	-	-	(3,500)
Lead Enforcement Program Fees	-	-	-	-	(40,000)
<b>Other Changes</b>					
Other Salaries & Wages	-	1,419,010	-	1,419,010	-
Non-Discretionary - Refuse Disposal Fees	-	-	(1,432,036)	(1,432,036)	-
Non-Discretionary Adjustments	-	-	754,407	754,407	-
<b>FY 2022 Proposed Budget</b>	<b>190.73</b>	<b>\$ 19,727,041</b>	<b>\$ 38,211,877</b>	<b>\$ 57,938,918</b>	<b>\$ 1,360,151</b>
<b>Difference from 2021 to 2022</b>	<b>17.83</b>	<b>\$ 2,712,465</b>	<b>\$ 4,994,221</b>	<b>\$ 7,706,686</b>	<b>\$ (1,194,926)</b>

# Department Review: Environmental Services

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While there is an addition for CleanSD personnel, the Proposed Budget does include a one-time reduction of \$878,000 in non-personnel expenditures for the CleanSD program. This reduction is to realize the savings in efficiencies brought on by the pandemic within the CleanSD program. These efficiencies will reduce the number of weekly sidewalk decontamination spraying from three to two times and the abatement teams from 8 crew members to 4, which are anticipated to be just as effective. These reductions are not anticipated to impact service levels.

Also included in the General Fund budget for the department is \$248,000 for the allocation of the 2.6% across-the-board Contracts reduction, which was originally included in the FY 2021 Adopted Budget. This reduction, which is now an ongoing reduction, has been absorbed by the Department through the reduction of travel, training, and maintenance budgets, and is not anticipated to impact service levels.

For revenues, beyond the removal of the federal funds from FY 2021, there are decreases for the Lead Neighborhood Safety Program enforcement fines (\$3,500) and the Lead Enforcement Program fees (\$40,000) both based on the most recent actuals.

## Issues for Council Consideration

### **SB 1383 Funding for FY 2023 and Beyond**

As discussed in the section above, the largest increases for the General Fund for the Environmental Services Department are the additions required to begin the process of preparing for compliance with SB 1383 and the mandate to recycle organics and other food waste. While the large changes in non-personnel expenditures, totaling \$6.4 million, are considered one-time costs in FY 2022, with the exception of the \$522,000 for education, the positions added for FY 2022 represent only a

fraction of the total positions and funding that will be needed for fully implement the program beginning in FY 2023.

According to the Department, the City will need to add 38.67 FTEs, as well as the additional funding to support these positions, for this program, which will come from the General Fund. In addition, the Department is going to require the Fleet Department to purchase an additional 43 trucks. The current estimate for annualized costs in FY 2023 is \$8.9 million.

The Departments indicates that the costs for compliance with this program are being funded by the General Fund due to the fact that the main beneficiaries of the improvements and spending being proposed are for those residents that currently receive collection services through the City's General Fund. While all franchise haulers and the City will have to come into compliance with this bill, most of the costs to the City are for sanitation drivers, fleet facilities, trucks, and other compliance costs. As such, there was no rationale, according to the Department, to have either the Recycling Enterprise Fund or the Refuse Disposal Fund to cover these costs.

### **Impact of the People's Ordinance**

As mentioned in previous analyses by our Office, the People's Ordinance of 1919 prevents the City from charging single family residences for the cost for trash collection. Commercial businesses and multi-family residences currently pay franchise haulers separately for these services as they are not covered by the People's Ordinance. In most other cities, including other cities within San Diego County and the State of California, residents are charged for trash collection services, as these services are considered a utility.

Repealing the People's Ordinance would allow the City to charge single family homes for this service, relieving the General Fund of this cost. Especially in light of the increasing costs for SB 1383 compliance, repealing the

# Department Review: Environmental Services

People's Ordinance could alleviate the General Fund of a large ongoing expense. Based on the Proposed Budget, the relief to the General Fund would be \$42.3 million. In addition, fees charged to single family homes would also cover \$25.2 million within the Recycling Fund, which would provide partial relief to commercial and multi-family users through a reduction of the AB 939 fees.

It is unclear at this point what the average single-family home cost would be with a repeal of the People's Ordinance, as the Department would have to determine additional costs that are currently not budgeted but would be required under such a proposal. These costs could include a billing software system, collections personnel, and other activities associated with collecting the fees.

## Recycling Fund

The FY 2022 Proposed Budget for the Recycling Fund is approximately \$31.3 million, an increase of approximately \$363,000 over the FY 2021 Adopted Budget. Revenues are projected to total \$28.3 million, an increase of approximately \$2.9 million over FY 2021.

### Significant Budget Adjustments

The largest expenditure adjustments for the

Recycling Fund are tied to the General Fund adjustments discussed previously. This includes \$514,000 for additional fleet upgrades related to the changes in organics recycling under SB 1383, \$240,000 for the Recycling Fund's share of the Route Optimization software, and \$150,000 for sanitation driver overtime.

Other small changes include an addition of \$59,000, and corresponding revenue, for the Household Hazardous Waste Service program, which will offset the anticipated 50% cut from the FY 2022 CalRecycle Oil Program grant, and \$48,000 in one-time costs for a Tower Application that will measure activity and operations outputs. These are offset by the removal of one-time funds from FY 2021.

The largest change overall is an increase in revenue totaling \$2.8 million, which was included in the budget based on the expectation of an increase in the AB 939 fee. This fee increase was being considered to offset Recycling Fund revenue declines following the implementation of China's National Sword Policy. However, City staff has decided to not pursue fee increases at this time. This revenue addition will be removed in the May Revision.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	113.73	\$ 10,752,746	\$ 20,178,060	\$ 30,930,806	\$ 25,391,760
<b>Programmatic Changes</b>					
<i>SB 1383 - Fleet Facility Upgrades</i>	-	-	514,400	514,400	-
<i>Route Optimization Software</i>	-	-	240,000	240,000	-
<i>Additional Overtime for Collections Drivers</i>	-	150,000	-	150,000	-
<i>Household Hazardous Waste Program</i>	-	-	59,000	59,000	59,000
<i>Tower Application</i>	-	-	48,000	48,000	-
<i>Equipment Rental Reduction</i>	-	-	(188)	(188)	-
<i>Branch Management</i>	-	-	(4,764)	(4,764)	-
<i>One-Time FY 2021 Items Removal</i>	-	-	(103,696)	(103,696)	-
<i>AB 939 Increase</i>	-	-	-	-	2,800,000
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	764,355	-	764,355	-
<i>Non-Discretionary Adjustments</i>	-	-	(1,303,780)	(1,303,780)	-
<b>FY 2022 Proposed Budget</b>	<b>113.73</b>	<b>\$ 11,667,101</b>	<b>\$ 19,627,032</b>	<b>\$ 31,294,133</b>	<b>\$ 28,250,760</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 914,355</b>	<b>\$ (551,028)</b>	<b>\$ 363,327</b>	<b>\$ 2,859,000</b>

# Department Review: Environmental Services

## Refuse Disposal Fund

The FY 2022 Proposed Budget for the Refuse Disposal Fund is approximately \$41.9 million, an increase of approximately \$1.7 million from the FY 2021 Adopted Budget. Revenues are projected to total \$36.8 million, a decrease of approximately \$35,000 from FY 2021.

### Significant Budget Adjustments

The largest increase for the Refuse Disposal fund is the addition of \$2.0 million to lease new heavy equipment for the Miramar Landfill and Greenery. These increases are derived from pricing changes approved in new contracts awarded in FY 2021 and are required to remain in compliance with various permits and other regulatory requirements.

There are also numerous personnel positions being added to the Refuse Disposal Fund to support maintenance and other efforts at various landfill sites. The first 3.00 FTEs are to

provide budget for supplemental positions that are currently approved but have not been budgeted previously. There are also an additional 3.00 FTEs for laborer positions at the Miramar Landfill and Greenery, which provide regular cleaning and maintenance services for new recently installed stormwater conveyances across the site. Finally, there are an additional 2.00 FTEs for laborers that will provide closed landfill maintenance on the gas system and other stormwater conveyances.

There are also numerous non personnel expenditure adjustments for various activities associated with landfills. These additions include:

- \$200,000 for odor mitigation supplies;
- \$170,000 for consultant fees in response to regulatory requirements of the Industrial General Permit (IGP) and the Consent Decree between the San Diego Coastkeeper and the City;
- \$100,000 for consultant services for

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	143.63	\$ 15,208,241	\$ 25,070,104	\$ 40,278,345	\$ 36,789,373
<b>Programmatic Changes</b>					
Landfill Equipment Lease	-	-	1,981,287	1,981,287	-
Supplemental Landfill Positions	3.00	215,219	-	215,219	-
Landfill Laborers	3.00	154,837	-	154,837	-
Closed Landfill Laborers	2.00	103,224	-	103,224	-
Odor Mitigation	-	-	200,000	200,000	-
Industrial General Permit Consultant	-	-	170,000	170,000	-
Greenhouse Gas Mitigation Consultant	-	-	100,000	100,000	-
Closed Landfill Gas Mitigation Consultant	-	-	100,000	100,000	-
RFID Radios	-	-	48,000	48,000	-
Rain Water Collection Barrels	-	-	30,750	30,750	-
Landfill Cover Maintenance	-	-	25,000	25,000	-
Aerated Static Pile Maintenance	-	-	25,000	25,000	-
Branch Management	-	-	(8,140)	(8,140)	-
Equipment Rental Reduction	-	-	(18,648)	(18,648)	-
One-Time FY 2021 Items Removal	-	-	(2,876,348)	(2,876,348)	-
Late Fees Reduction	-	-	-	-	(35,000)
<b>Other Changes</b>					
Other Salaries & Wages	-	364,397	-	364,397	-
Non-Discretionary Adjustments	-	-	1,047,060	1,047,060	-
<b>FY 2022 Proposed Budget</b>	<b>151.63</b>	<b>\$ 16,045,918</b>	<b>\$ 25,894,065</b>	<b>\$ 41,939,983</b>	<b>\$ 36,754,373</b>
<b>Difference from 2021 to 2022</b>	<b>8.00</b>	<b>\$ 837,677</b>	<b>\$ 823,961</b>	<b>\$ 1,661,638</b>	<b>\$ (35,000)</b>



## Department Review: Environmental Services

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greenhouse gas mitigation task orders;

- \$100,000 for consultant services for the Landfill Gas System for the closed landfills on Arizona Street and South Chollas landfills;
- \$48,000 to develop Radio Frequency Identification (RFID) capabilities for City and franchise hauler vehicles at the Miramar Landfill;
- \$31,000 for three 20,000-gallon water tanks to collect stormwater and prevent potential waste discharge, per the IGP and Consent Decree previously mentioned,
- \$25,000 to repair a cover deployer; and
- \$25,000 to repair the Aerated Static Pile system for the Greenery.

All of these additions are offset by reductions for one-time items from FY 2021, which total \$2.9 million. The majority of these one-time costs were for one-time purchases of heavy equipment at the landfill (\$2.2 million) as well as \$600,000 to purchase additional vehicles.

The only revenue adjustment is a decrease of \$35,000 for late fees associated with deferred payment accounts, as these fees are no longer being assessed.

### **Automated Refuse Container Fund**

The FY 2022 Proposed Budget for the Automated Refuse Container Fund is approximately \$1.7 million, an increase of approximately \$200,000 over FY 2021. Revenues are projected to total \$1.4 million, an increase of \$200,000. The increase in both expenditures and revenues are associated with the purchase of refuse containers by residents.

## Department Review: Fire-Rescue

# Fire-Rescue

### Impact of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Fire-Rescue Department is approximately \$308.1 million for the General Fund, an increase of \$20.6 million (7.2%) from the FY 2021 Adopted Budget. The Proposed Budget includes 1,354.00 FTEs, which is an increase of 4.33 FTEs. Budgeted revenue totaling \$51.6 million represents a decrease of \$36.0 million from FY 2021

#### Addition of 2<sup>nd</sup> and 3<sup>rd</sup> Fire Academies

The FY 2022 Proposed Budget includes ongoing funding for a total of three fire academies. Two of the academies are intended to maintain staffing levels and account for attrition, which is occurring at a rate of approximately 60 sworn firefighters per year. The third is intended to fill Relief Pool positions, currently budgeted at 72.00 positions, once full staffing is reached. The intent of the Relief Pool is to reduce Department overtime expenditures by increasing the number of Firefighters available to cover leave time. This is intended to reduce the Department's historical reliance on

backfill overtime due to constant staffing and provide a net savings.

The FY 2021 Adopted Budget included funding for two academies, of which the 2<sup>nd</sup> academy was funded on a one-time basis. With the additions for FY 2022, the 2<sup>nd</sup> academy will be converted to an on-going academy, together with a new 3<sup>rd</sup> academy (also ongoing). The budget includes \$863,000 in non-personnel expenditures for various equipment, uniforms, and training supplies for the two academies.

#### COVID-19 Related Overtime and NPE

The FY 2022 Proposed Budget includes \$1.4 million for COVID-19 related purposes. Approximately \$1.0 million of this is for overtime necessary to backfill personnel currently assigned to the Department's COVID Division, Health & Safety Office and to provide other Department support related to COVID-19. The remaining funding is for COVID-19 testing, safety supplies and equipment, and for station decontamination services.

SUMMARY OF FIRE-RESCUE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	1,349.67	\$ 245,091,759	\$ 42,356,432	\$ 287,448,191	\$ 87,676,514
<b>Programmatic Changes</b>					
Addition of 2nd and 3rd Fire Academies	-	-	862,558	862,558	-
COVID-19 Related Overtime and NPE	-	1,017,774	384,888	1,402,662	-
Wellness Contract Increase			306,849	306,849	-
Fire Equipment Replacement	-	-	641,377	641,377	-
Advanced Lifeguard Academy	3.00	248,176	7,550	255,726	-
One-time Removals and Annualizations	-	(1,769,689)	(1,255,657)	(3,025,346)	(36,848,148)
Revised Revenue	-	-	-	-	707,696
<b>Other Changes</b>					
Salary and Benefit Adjustments	-	12,517,418	-	12,517,418	-
Annualization of University City Fire Staffing	1.33	102,404	-	102,404	-
Budgeted PE Savings Decrease (a budget increase)		3,155,379	-	3,155,379	-
Discretionary Information Technology Costs	-	-	705,467	705,467	106,500
Non-Discretionary Adjustments	-	-	2,242,856	2,242,856	-
FY 2021 2.6% Citywide Contracts Cut Allocation	-	-	(210,914)	(210,914)	-
Other Adjustments	-	1,679,607	(735)	1,678,872	-
<b>FY 2022 Proposed Budget</b>	<b>1,354.00</b>	<b>\$ 262,042,828</b>	<b>\$ 46,040,671</b>	<b>\$ 308,083,499</b>	<b>\$ 51,642,562</b>
<b>Difference from 2021 to 2022</b>	<b>4.33</b>	<b>\$ 16,951,069</b>	<b>\$ 3,684,239</b>	<b>\$ 20,635,308</b>	<b>\$ (36,033,952)</b>

# Department Review: Fire-Rescue

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## **Advanced Lifeguard Academy**

The FY 2022 Proposed Budget includes the addition of 3.00 Lifeguard 1-Hourly positions and \$256,000 in expenditures to restore funding for the Advanced Lifeguard Academy, which was reduced in FY 2021. The academy provides advanced training for existing lifeguards in areas of law enforcement, cliff rescue, and swift water rescue.

## **Fire Equipment Replacement**

The FY 2022 Proposed Budget includes the addition of \$641,000 in non-personnel expenditures for various fire equipment, including:

- \$291,000 for firefighter personnel protective equipment (PPE);
- \$180,000 to replace aging exhaust extraction systems at five priority fire stations; and
- \$170,000 to fund the City's cost share (15%) of the Assistance to Firefighters Grant (AFG) award. Together with the grant proceed (\$1.1 million), this funding will be used for Wildland PPE (coats, pants, and other gear), athletic equipment to support the Injury Rehabilitation and Prevention Program and washing machines/extractors.

## **Wellness Contract Increase**

The FY 2022 Proposed Budget includes \$307,000 to restore funding for the Fire-Rescue Wellness Program which was reduced in FY 2021.

## **Annualization of North University City Fire Staffing**

The North University City Fire Station opened in November 2020. Typically, fire stations are staffed with 12.00 FTE positions consisting of four-person crews working three daily eight hour shifts. The FY 2021 Adopted Budget included 9.00 FTEs for the new North University City Fire Station as a pro-rated amount to account for a partial year of staffing for the station (at that time, the facility was anticipated to open in September 2020). In order to

support a full year of operations in FY 2022, the Proposed Budget adds the remaining 3.00 FTE positions and associated personnel expenditures to bring firefighter staffing at the North University City Fire Station to the typical level of 12.00 FTE positions.

The FY 2021 Adopted Budget also included the phased elimination of the four-person South University City Fast Response Squad (FRS) as a budgetary reduction given that service level impacts would be mitigated by the addition of the new North University City Fire Station. The reduction of the FRS was similarly pro-rated such that 2.33 FTEs would be reduced in FY 2021 and the remaining 1.67 FTEs in FY 2022.

The net impact, including 3.00 FTEs increased for the North University City Fire Station and 1.67 FTEs reduced for the FRS, results in a net increase of 1.33 FTEs in the FY 2022 Proposed Budget.

## **Budgeted Personnel Expenditure Savings**

The FY 2022 Proposed Budget includes a \$3.2 million reduction in Budgeted Personnel Expenditure (PE) Savings (formerly referred to as Budgeted Vacancy Savings). This would decrease budgeted PE saving from \$9.8 million in the FY 2021 Adopted Budget back down to FY 2020 levels of \$6.6 million.

In our review of the FY 2021 Proposed Budget, we raised concerns regarding the steep increase in FY 2021 given that the Department has historically relied on vacancy savings to offset overtime overages and we are in support of the proposed reduction.

## **Significant Revenue Changes**

The FY 2022 Proposed Budget includes a net revenue decrease of \$36.0 million, primarily due to the removal of \$38.9 million in one-time revenue from the Coronavirus Relief Fund (CRF).

## Department Review: Fire-Rescue

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Aside from one-time revenue removal, other revenue adjustments included in the FY 2022 Proposed Budget result in a net revenue increase of \$708,000:

- \$1.6 million reduction in fire inspection and permit revenue which assumes ongoing impacts through December 2021 due to closures and public event cancellations as a result of COVID.
- \$1.5 million reduction in TOT reimbursement for tourism-related safety services provided by the Lifeguard Division.
- \$1.3 million reduction in Fee-for-Service revenue under the recently approved EMS contract. We note that the reduction of revenue was expected and would have been the same regardless of which provider was selected; with that said, given the one month delay (the new contract is now expected to be in place in November 2021, rather than October 2021), the revenue impact will be reduced by approximately \$148,000. This update is expected to be captured in the May Revision.
- \$1.5 million in one-time use of fund balance from the Emergency Medical Services Fund.
- \$1.0 million increase associated with annual contractual increases (i.e., CPI) for services provided to the San Diego Regional Airport Authority, Port District, and neighboring cities.
- \$981,000 increase in Safety Sales Tax allocation and a \$304,000 one-time use of Public Safety Services and Debt Fund fund balance as a budget mitigation measure.
- \$697,000 increase in revenue from Strike Team and other deployments.
- \$488,000 increase in revenue from false alarm penalties.

## Issue for Council Consideration

### Unfunded Expenditures

The FY 2021 Adopted Budget included the reduction of \$112,000 in overtime expenditures for the Mobile Operations Detail, which is a mobile unit that provides operational cover in and around the Gaslamp District during high call volume times, mainly overnight and on weekends. This unit prevents the Gaslamp Fire Station from having to respond to every call, many of which do not necessitate a full fire station response. With the reopening of businesses in the Gaslamp District, it is likely that the services of this detail will need to resume in FY 2022.

Additionally, the FY 2021 Adopted Budget included the reduction of \$350,000 in expenditures for helicopter maintenance as a budget mitigation measure. It was intended for one of the Department's three helicopters (Copter 1) to be placed in storage and therefore not require maintenance; however, given last year's fire season, Mayor Faulconer determined it necessary to keep Copter 1 available for service. This need to keep Copter 1 available is likely to continue in FY 2022.

# Fleet Operations and Facilities Services

The FY 2022 Proposed Budget transfers the Facilities Services Division to the Fleet Operations Department. Facilities Services was previously in the Real Estate Asset Department and the Public Works – Engineering and Capital Projects Department before that.

The newly restructured department will be re-titled to General Services (although this is not reflected in the FY2022 Proposed Budget) with two separate divisions - Fleet Operations Division and Facility Services Division. The Department indicated that combining the Facilities Services and Fleet Operations functions into one department creates an opportunity to realize operational efficiencies as both groups are internal operations to the City, with large contingencies of AFSCME L127 staff, and similar systems and approaches to how work is managed, tracked, and implemented.

## Impacts of Mayor's FY 2022 Budget Proposal

The combined Fleet Operations and Fleet Services Department's proposed budget for FY 2022 totals approximately \$152.2 million with 380.75 FTE positions. The department has two divisions with three funding sources which provide internal services to other City departments.

- The Facilities Services Division is in the General Fund and provides maintenance, repair, modernization, and improvements to approximately 1,600 facilities.

- The Fleet Operations Division provides fleet management for over 4500 motive vehicles and equipment, including repairs, maintenance, fuel and rental vehicles through the Operating Fund and replacements and acquisitions through the Replacement Fund.

The FY 2022 Proposed Budget for the entire department reflects a reduction of approximately \$13.2 million, or 8%, due to removal of the one-time transfer of General Fund Replacement Fund balance to the General Fund in FY 2021. The Department's FY 2022 Proposed Budget also includes the reduction of 1.83 FTE positions which were a holdover for maintenance of the Stadium until it was transferred to San Diego State University. A summary of the total FY 2022 Proposed Budget by fund is provided in the table below and further discussion of specific budget adjustments is provided under each division header.

## Facilities Services

The FY 2022 Proposed Budget for the Facilities Services Division is approximately \$22.9 million in General Fund expenditures, which is an increase of \$700,000, or 3% over the FY 2021 Adopted Budget. The proposed budget includes 174.50 FTE positions which is a decrease of 1.83 FTE positions. The FY 2022 Proposed Budget includes \$4.9 million in revenue, which is a decrease of \$236,000, or 5%, from the FY 2021 Adopted Budget. *(see table next page)*

SUMMARY OF FLEET OPERATIONS & FACILITIES DEPARTMENT BUDGET CHANGES						
Fund	FY 2021 FTE	FY 2022 FTE	Change	FY 2021 Expense	FY 2022 Expense	Change
Facilities Services - General Fund	176.33	174.50	(1.83)	\$ 22,225,513	\$ 22,923,060	\$ 697,547
Fleet Operations - Operating Fund	206.25	206.25	-	55,502,162	55,517,070	14,908
Fleet Operations - Replacement Fund	-	-	-	87,621,281	73,721,915	(13,899,366)
<b>Total Combined</b>	<b>382.58</b>	<b>380.75</b>	<b>(1.83)</b>	<b>\$ 165,348,956</b>	<b>\$ 152,162,045</b>	<b>\$ (13,186,911)</b>



# Department Review: Fleet Operations and Facilities Svcs

Performance Measure	Actual FY 2018	Actual FY 2019	Actual FY 2020	Estimated FY 2021	Target FY 2022
Percentage of preventative maintenance activities of overall facilities maintenance activities	30%	19%	28%	23%	20%

## Significant Budget Reductions

In the FY 2021 Adopted Budget, a 2.6% reduction was applied to General Fund contracts. In the FY 2022 Proposed Budget, that reduction is allocated across all General Fund departments. For the Facilities Services Division, this results in a \$51,000 reduction in contract funding. The Division has approximately \$1.1 million to support the 1,600 facilities citywide with contractual services that are beyond Facilities Services' capacity, such as security services, asbestos and mold remediation, compliance in conveyance systems, fire alarm and fire suppression systems, generator services as well as unscheduled repairs and replacement services for HVAC, plumbing and electrical components. The Division indicated that they cannot absorb this reduction and will likely go over budget in FY 2022.

The other reduction in the Proposed Budget for Facilities Services is the removal of 1.83 FTE positions and associated revenue that were held in the FY 2021 Adopted Budget for the final month of maintenance at the Stadium before it was transferred over to San Diego State University. This budget reduction will have no service level impact.

## Issues for Council Consideration

### Preventative Maintenance Goals

Investing time and money in preventative

maintenance can avoid more costly and emergency repairs to City facilities and mitigate growth of the City's deferred capital backlog. The Facilities Services Division indicated that ideally, 50% of their workload would be dedicated to preventative maintenance.

In FY 2018, preventative maintenance made up 30% of the work completed by Facilities Services. However, Facilities Services has seen a drop in the percentage of work completed that is preventative. Based on staffing and funding levels, they are targeting only 20% for preventative maintenance in FY 2022 as reflected in the Performance Measure table above.

In order to achieve a level of 50% work on preventative maintenance, the Division roughly estimated they would need to double the heating, ventilation, air conditioning and refrigeration (HVACR) staff (24.00 FTE positions) and add \$100,000 of non-personnel expense.

### Vacancies

The Facilities Services Division also indicated that they have difficulties filling vacancies in certain job classifications, most notably HVACR and electrical. The Division currently has 23.50 FTE positions vacant, which equates to approximately 13.5% of the Divisions. They note that they are unable to compete with the compensation offered by other

SUMMARY OF FACILITIES SERVICES (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	176.33	\$ 15,704,262	\$ 6,521,251	\$ 22,225,513	\$ 5,159,922
<b>Programmatic Changes</b>					
<i>FY 2021 2.6% Citywide Contracts Cut Allocation</i>	-	-	(51,007)	(51,007)	-
<i>Removal of Prior Year 1-month Stadium Maintenance</i>	(1.83)	(128,252)	-	(128,252)	(236,166)
<b>Other Changes</b>					
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	829,049	-	829,049	-
<i>Information Technology Adjustments</i>	-	-	242,425	242,425	-
<i>Equipment Rental Rate Reduction</i>	-	-	(5,951)	(5,951)	-
<i>Non-Discretionary Adjustments</i>	-	-	(188,717)	(188,717)	-
<b>FY 2022 Proposed Budget</b>	<b>174.50</b>	<b>\$ 16,405,059</b>	<b>\$ 6,518,001</b>	<b>\$ 22,923,060</b>	<b>\$ 4,923,756</b>
<b>Difference from 2021 to 2022</b>	<b>(1.83)</b>	<b>\$ 700,797</b>	<b>\$ (3,250)</b>	<b>\$ 697,547</b>	<b>\$ (236,166)</b>

# Department Review: Fleet Operations and Facilities Svcs

agencies. Salary studies have been done; however, the City's gradual increases have not kept up with industry averages.

## Fleet Operations

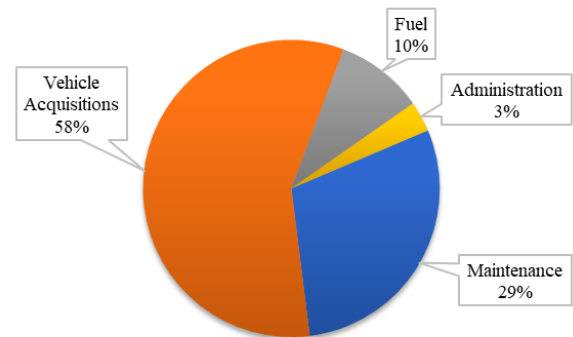
The Fleet Operations Division has two internal service funds—the Fleet Operating Fund which supports vehicle maintenance, repairs, fuel, a vehicle rental pool, and administrative costs, and the Fleet Replacement Fund which is used to purchase replacement vehicles for the City's fleet. Vehicle acquisitions represent approximately 58% of the total FY 2022 Proposed Budget for Fleet Operations, as reflected in the graph on the right. Maintenance represents roughly 29% of the budget and 10% is for Fuel.

The combined FY 2022 Proposed Budget for Fleet Operations is approximately \$129.2 million, a decrease of \$13.9 million, or 10%, primarily due to removal of a one-time expense from the FY 2021 Adopted Budget. The FY 2022 Proposed Budget includes 206.25 FTE positions, with no change from prior year. Budgeted revenue totals \$128.3 million, a reduction of \$1.0 million.

### Significant Budget Additions

In recent years, replacement of the majority of the General Fund's fleet of vehicles was switched from cash funding, based on setting aside funds annually to save up for the future

FLEET OPERATIONS BUDGET BY FUNCTION



replacement of a vehicle, to debt financing at the time of replacement. This freed up cash for immediate needs in FY 2021, by returning \$16.7 million saved up in the General Fund's Replacement Fund back to the General Fund. Now we are beginning to see the budgetary increase in debt payments from this change in practice. The FY 2022 Proposed Budget includes a \$2.8 million non-discretionary increase in debt service payments in the Replacement Fund.

The other notable increases in Fleet Operations' FY 2022 Proposed Budget are in the Fleet Operating Fund for the Chollas sweeper/equipment containment wash area drainage system and Rose Canyon solid waste drying containment area. Neither location currently meets environmental requirements. Of particular concern is preventing contaminated water or debris from going into nearby/adjacent storm drain systems at both of these

SUMMARY OF FLEET OPERATIONS (OPERATING & REPLACEMENT FUNDS) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	206.25	\$ 22,500,876	\$ 120,622,567	\$ 143,123,443	\$ 129,301,214
<b>Programmatic Changes</b>					
<i>Increase in Debt Payments for Vehicle Replacements</i>	-	-	2,800,634	2,800,634	-
<i>Chollas Wash Area Drainage System Upgrade</i>	-	-	200,000	200,000	-
<i>Rose Canyon Solid Waste Drying Containment Area</i>	-	-	150,000	150,000	-
<i>Removal of Prior Year Use of Replacement Fund Balance</i>	-	-	(16,700,000)	(16,700,000)	-
<i>Rental Rate Reduction</i>	-	-	-	-	(1,000,000)
<b>Other Changes</b>					
<i>Information Technology Adjustments</i>	-	-	254,814	254,814	-
<i>Reduction of Capital Expenditures</i>	-	-	(50,000)	(50,000)	-
<i>Removal of Prior Year One-Time Expenses</i>	-	-	(51,000)	(51,000)	-
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	(139,482)	-	(139,482)	-
<i>Non-Discretionary Adjustments</i>	-	-	(349,424)	(349,424)	-
<b>FY 2022 Proposed Budget</b>	<b>206.25</b>	<b>\$ 22,361,394</b>	<b>\$ 106,877,591</b>	<b>\$ 129,238,985</b>	<b>\$ 128,301,214</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ (139,482)</b>	<b>\$ (13,744,976)</b>	<b>\$ (13,884,458)</b>	<b>\$ (1,000,000)</b>

Office of the Independent Budget Analyst  
April 2021

# Department Review: Fleet Operations and Facilities Svcs

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locations. Not addressing these issues could lead to fines, restricted use or shutting down of the sites. If the sites were shut down, there could be additional costs to the City to hire vendors to replace the services performed at these locations. Combined, the needed repairs at these two locations total \$350,000 in the proposed budget.

## Significant Budget Reductions

The Fleet Operations proposed budget for FY 2022 reflects a reduction of \$16.7 million in the Replacement Fund. This \$16.7 million was budgeted in FY 2021 as a one-time transfer of the General Fund's Replacement Fund balance to the General Fund, in order to balance the FY 2021 budget. Removal of this budget line item has no service level impact.

The other notable budget reduction is a \$1.0 million reduction of revenue in the Operations Fund. This reduction results from the Fleet Operating Division reviewing rental rates charged when departments use a rental pool vehicle compared to the cost of maintenance, replacement and future acquisitions for the rental pool. The Division indicates they will not be purchasing new vehicles for the rental pool in FY 2022 and the reduced rates better align with anticipated costs for FY 2022. This results in reduced revenue to Fleet Operations but reduced costs to other City departments, an estimated \$680,000 savings to the General Fund.

## Issues for Council Consideration

### Operating Fund Balance

The revenue and expense statement for the Fleet Operations Operating Fund shows an estimated fund balance of \$545,000 for FY 2022. This reflects barely 1% of the Fund's operating expenditures for the fiscal year. The Division indicated that they will likely need to

increase the vehicle usage fees charged to departments in order to slowly build up a sufficient fund balance over time. They would like to maintain a contingency balance of \$2.0 million, or roughly 3.5% of annual operating expenses.

### Kearny Mesa Repair Facility (Othello Avenue Fire Fleet Repair Facility)

The Kearny Mesa Repair Facility requires \$13.8 million of funding to complete the project. This project is critical to relocate repair and maintenance of heavy-duty fire-apparatus from the Miramar facility where they share space with repair and maintenance of refuse packers.

The FY 2021 Capital Improvements Program Budget anticipated that the project would receive the \$13.8 million of needed construction funding during FY 2021 when the next round of General Fund commercial paper debt financing was approved by City Council<sup>1</sup>. However, that funding has not yet been approved and is now reflected as anticipated funding in FY 2022.

The Fleet Department indicated that design is almost finished, and plans are currently with the Development Services Department for review. The project will be "shovel ready" soon. A few more things need to be done before the project can proceed to construction:

- A construction reimbursement agreement is needed with the property owner, who will be overseeing the construction and hiring the contractor.
- City staff currently housed at the site will need to be relocated elsewhere.
- The \$13.8 million of funding for construction needs to be allocated to the project.

The Fleet Operations Department also noted

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<sup>1</sup> The Kearny Mesa Repair Facility project is not eligible for debt financing because the City is leasing the property. Debt financing would replace budget in other projects, thereby freeing up eligible funding for this project.

## Department Review: Fleet Operations and Facilities Svcs

Performance Measure	Target FY 2020	Actual FY 2020	Target FY 2021	Estimated FY 2021	Target FY 2022
Percentage of fleet within designated lifecycle	85%	69%	85%	70%	85%
Greenhouse gas reduction from municipal vehicles (metric tons)	19,788	17,736	19,788	17,914	19,788
Maintain availability of Priority 1 vehicles	95%	89%	90%	89%	90%

that the Environmental Services Department needs space at the Miramar facility for 43 additional packers and Compressed Natural Gas (CNG) facilities to address the organics diversion requirements of SB 1383. Fleet is looking at other locations to temporarily house the fire ready reserve fleet until the Kearny Mesa Repair Facility is ready. Once construction is initiated, it is expected to take 12-16 months.

For background on this project, refer to the *Facilities Updates* section in *Key Citywide Issues* earlier in this report.

### Key Performance Measures

The table above shows select performance measures for the Fleet Operations Division which were inadvertently not included in the proposed budget publication. Most notable is the percentage of the City's vehicles that are within their useful life. The Division continues to make efforts to increase the number of vehicles within useful life, which will reduce maintenance costs. The estimate for FY 2021 is to get to 70% of vehicles within their useful life.

## Department Review: Government Affairs

# Government Affairs

The Government Affairs Department was established as a new department with the adoption of the FY 2019 Budget. Government Affairs manages the City's state and federal legislative priorities as they are developed by the Mayor and the City Council. The Department directs the City's lobbying teams and collaborates with other local government entities such as SANDAG, the Port, and the County Water Authority.

The Department advocates at all levels of government on key City issues such as infrastructure, cross-border collaboration, affordable housing, homelessness, workforce development, water supply, energy, regulatory relief, public safety, economic development, protection of City resources, and grant funding.

### Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Government Affairs Department is approximately \$1.3 million, an increase of \$56,000 or 4.5% from the FY 2021 Adopted Budget. Total positions in the Department remain unchanged at 7.00 FTE positions.

Budgeted revenue for the Department also remains unchanged at \$319,000. This amount is based on an understanding that the Public Utilities Department (PUD) will reimburse the Department for time spent advocating and

supporting PUD objectives.

#### Department Staffing

Department staffing is comprised of the following 7.00 FTE classifications and associated responsibility areas:

Director: Department Management  
Deputy Director: Federal Affairs  
Program Manager: State & Local Affairs  
Program Manager: Grants Manager  
Program Manager: Grants Coordinator  
Program Manager: Director of Global Affairs  
Program Coordinator: Global Affairs Support

It should be noted that the Director of Global Affairs (Rita Fernandez) previously served as the City's first Immigrant Affairs Manager. The FY 2022 Proposed Budget proposes to add 1.00 new Program Manager position in the Office of the COO to serve as the Immigrant Affairs Program Manager going forward. While Rita will continue to support the new Immigrant Affairs Program Manager, as Director of Global Affairs she will focus more broadly on binational affairs, international affairs, and trade/foreign investment.

Other notable Department accomplishments include but are not limited to securing \$306 million in federal relief funding, \$87 million in COVID-19 related rent relief, and supporting the Emergency Influx Site for unaccompanied migrant children at the Convention Center.

SUMMARY OF GOVERNMENT AFFAIRS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	7.00	\$ 1,189,703	\$ 68,851	\$ 1,258,554	\$ 319,094
<b>Programmatic Changes</b>					
	-	-	-	-	-
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(1,687)	(1,687)	-
<i>Salary Related Adjustments</i>	-	(48,823)	-	(48,823)	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	100,625	-	100,625	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	6,206	6,206	-
<b>FY 2022 Proposed Budget</b>	<b>7.00</b>	<b>\$ 1,241,505</b>	<b>\$ 73,370</b>	<b>\$ 1,314,875</b>	<b>\$ 319,094</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 51,802</b>	<b>\$ 4,519</b>	<b>\$ 56,321</b>	<b>\$ -</b>



# Homelessness Strategies and Solutions Department

Homelessness Strategies was restructured into its own department in FY 2021 from a division created within the Neighborhood Services Branch in FY 2019. The department is currently within the Mayor's Office and reports to the Mayor.

The Department's role is to oversee Citywide homelessness programs and serve as the City's liaison to agencies with a role in homelessness services. It also provides coordination and alignment of goals and funding and ensures that the City's homelessness policies are properly reflected in the operations of various City departments. The Department is also responsible for reporting to the State on the use of grants and the administration of vendor contracts.

Much of the funding for homelessness received by the City is transferred to the San Diego Housing Commission to administer and oversee each program and provider agreement.

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget includes \$18.0 million in General Fund expenditures, a decrease of \$46.2 million, or 71.9%, from the FY 2021 Adopted Budget. The Proposed

Budget also includes 12.00 FTE positions, an increase of 3.00 FTE positions over FY 2021. We note that 4.00 FTE positions were added in the FY 2021 Adopted Budget, of which two are vacant.

Budgeted revenues are \$161,000, a decrease of \$55.3 million, or almost 100% from the FY 2021 Adopted Budget.

### Significant Budget Reduction

The most significant difference between the FY 2021 Adopted Budget and the FY 2022 Proposed Budget, is the removal of *one-time* COVID-19 relief funding. **There are no programmatic reductions proposed for the Homelessness Strategies and Solutions Department in FY 2022.**

The removal of one-time funding in the table below is largely driven by removing Coronavirus Relief Funds (which ran through the General Fund), where \$30.0 million was used to support Operation Shelter to Home and \$9.7 million to support rental relief.

The rent relief funding was placed in a separate "COVID-19 Rent Relief" fund that also included \$5.4 million in COVID-19 Community Development Block Grant funds, totaling \$15.1 million. These funds were removed as well.

SUMMARY OF HOMELESSNESS STRATEGIES AND SOLUTIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	9.00	\$ 1,333,662	\$ 62,902,237	\$ 64,235,899	\$ 55,444,848
<b>Programmatic Changes</b>					
<i>Additional Staff</i>	3.00	481,372	-	481,372	-
<i>Homelessness Programs and Services Expansion</i>	-	-	10,000,000	10,000,000	-
<b>Other Changes</b>					
<i>Removal of One-Time COVID-19 Rent Relief Funds</i>	-	-	(15,100,000)	(15,100,000)	(15,100,000)
<i>Removal of Other One-Time Adjustments</i>	-	-	(41,537,731)	(41,537,731)	(40,183,919)
<i>Salary and Benefit Adjustments</i>	-	(94,035)	-	(94,035)	-
<i>Information Technology Costs</i>	-	-	46,718	46,718	-
<b>FY 2022 Proposed Budget</b>	<b>12.00</b>	<b>\$ 1,720,999</b>	<b>\$ 16,311,224</b>	<b>\$ 18,032,223</b>	<b>\$ 160,929</b>
<b>Difference from 2021 to 2022</b>	<b>3.00</b>	<b>\$ 387,337</b>	<b>\$ (46,591,013)</b>	<b>\$ (46,203,676)</b>	<b>\$ (55,283,919)</b>

## Department Review: Homelessness Strategies

### Significant Budget Additions

- \$481,000 for 3.00 additional FTE management positions (one Deputy Director and two Program Managers)
- \$10.0 million in one-time expenses for a program expansion

The following two subsections discuss these adjustments in more detail.

### New Homelessness Strategies and Solutions Department

A press release dated April 19, 2021 announced a reimagining of the existing department with a new name: Homelessness Strategies and Solutions Department. The Department is anticipated to receive a new director and the budget proposes an augmentation of three management positions.

The Proposed Budget states that the requested positions would expand capacity in key strategic areas to increase the City's in-house expertise on homelessness and to implement stronger internal and external partnerships and coordination, in line with recommendations from the City's homelessness consultant.

According to the recommendations from the consultant, the Deputy Director would lead interdepartmental coordination and strategic partnerships as well as oversee financial operations and ensure strategic decisions translate into programming. One Program Manager would lead the existing team responsible for the administration of funding and contracts

and would report to the Deputy Director. Our Office notes that the existing Homelessness Strategies Department recently hired a Program Manager to oversee funding and contracts. **Council may wish to clarify the role for this new Program Manager.**

Finally, the second new Program Manager would be responsible for managing City activities addressing unsheltered homelessness and implementing public space management strategies. This position would report to the Director. There would be no positions reporting to this Program Manager as this position is expected to be available as needs arise.

As proposed, 8 out the 12 positions would be management. The City's homelessness consultant intends to examine the roles and responsibilities of existing staff and any recommendations that would have an impact on the budget will be reflected in the May Revision.

### Homelessness Programs and Services Expansion

There are five components to the one-time \$10.0 million investment to expand homelessness programs, as shown in the table below. Addressing homelessness is clearly a top priority among both the Mayor and Council and the proposed activities align with the City's Community Action Plan on Homelessness (Action Plan). However, there are limited details available related to the creation of additional interim shelter beds and the Substance Use Disorder Interventions, as plans are under development.

Homeless Programs and Services Expansion	
Program	Funding
Substance Use Disorder Interventions:	
65 beds and potentially augment existing SIP and PLEADS programs	\$ 1,400,000
Create 300 new interim shelter beds	6,300,000
Expand existing outreach program	1,000,000
Expand existing 3 rapid rehousing programs	1,000,000
Community College course to develop workforce (PEER)	300,000
<b>Total</b>	<b>\$ 10,000,000</b>

## Department Review: Homelessness Strategies

Department staff is currently looking for possible locations for the shelter beds, which may be at different sites. In addition, the population to be served is being determined and there is no detailed breakdown of costs available. Our Office also anticipates there to be time needed to ramp up these new services, such as hiring additional staff for outreach and to staff the shelters. However, San Diego Housing Commission staff indicate that they are positioned to move quickly if the budget is approved. We note that provider agreements for operating the new shelter programs will need to return to Council for approval at a later date which will provide many of these details. **However, during the budget hearings, Council may wish ask for any additional program detail available on shelter locations, population to be served, costs, and the implementation timeline.**

Staff indicate that the Substance Use Disorder Interventions proposal will require a partnership with County Behavioral Health and Health and Human Services, as the County has dedicated resources to serve those with substance use disorder. As the Action Plan points out, partnering with the County is essential to the success of the homelessness crisis response system and the plan identifies the need for behavioral health resources and other health and human services supports as a key item for immediate consideration.

City and County agencies are currently pinpointing existing services gaps and will develop the program to target those gaps, which may include an augmentation of the existing Serial Inebriate Program (SIP) and Prosecution and Law Enforcement Assisted Diversion Services, or PLEADS, program.

As background, SIP is a collaborative effort with multiple entities to reduce the number of chronic, homeless alcoholics who cycle in and out of detoxification centers, County jail, and local emergency rooms. The residential program offers participation in SIP in lieu of

custody and receives intensive wraparound services aimed towards long-term recovery.

The City Attorney's Office's PLEADS program is another criminal diversion program aimed at ending the cycle of arrest and jail that can lead to homelessness. Through this program, individuals can avoid arrest by going to a sobering center for drug dependency that offers support services. According to the City Attorney's Office, from May 2019 to May 2020, 401 individuals were referred to substance abuse treatment, of which 136 accepted treatment.

### **Other Programs in the Proposed Budget**

Volume 1 of the Proposed Budget reflects a total of \$15.9 million in General Funds for Homeless Shelters and Services Programs. Of this amount, \$10.0 million was described above. The following two subsections will discuss the programs making up the remaining \$5.9 million.

#### Homeless Shelters and Services Program - \$2.2 million

The budget includes \$2.2 million in General Funds for longstanding programs administered by the San Diego Housing Commission on behalf of the City. Proposed allocations maintain services levels from FY 2021. The table below reflects the General Funds proposed for these programs, which are included in the Proposed Budget. Two programs also receive federal funds which was approved by Council on April 20, 2021 and is reflected in the Total Budget column.

Program	General Fund	Total Budget
Interim Housing for Homeless Adults	\$ 1,600,000	\$ 2,035,000
Serial Inebriate Program	\$ 290,000	\$ 290,000
Connections Housing Interim Bed Program	\$ 268,000	\$ 703,000

#### Maintain Shelter Beds - \$3.8 million

The Proposed Budget includes \$3.8 million to "maintain shelter bed capacity." This activity

## Department Review: Homelessness Strategies

originated from last year's transfer of the Veterans Villages of San Diego bridge shelter to the City of Chula Vista, which offered 200 shelter beds. We note that the additional 365 shelter beds in the Proposed Budget largely makes whole the lost shelter bed capacity the City sustained from the transfer of the VVSD shelter and social distancing requirements during the pandemic.

The programs in the table below reflect the efforts to provide additional shelter capacity, and pertinent program information follows. Note that the Golden Hall downstairs shelter is partially funded in the Proposed Budget and staff will request additional funds (estimated below) in a separate action in May or June.

Maintenance of Shelter Bed Budget Breakdown		
Program	Included in Proposed Budget	Separate Action
Golden Hall Downstairs Shelter	\$ 1,971,000	330,000
SMART	1,249,000	-
Bishop Maher Interim Shelter for Women	566,000	-
<b>Total</b>	<b>\$ 3,786,000</b>	

The shelter in the downstairs portion of Golden Hall houses 324 single adults, but it is currently a temporary placement. According to staff, permitting restrictions require additional facility upgrades to be made if the downstairs were to be used *beyond March of 2022*. **Council should be updated during the upcoming fiscal year of the costs that would be incurred to enable this shelter to continue long-term, as well as the location and costs to house individuals at an alternate site.**

The City Attorney's Office's San Diego Misdemeanors At-Risk Track, or SMART program, aims to prevent low-level misdemeanor drug offenders from cycling through the criminal justice system without access to services. According to the City Attorney's Office, PLEADS is an alternative to *arrest*, while SMART is an alternative to *jail time*. SMART connects chronic misdemeanor drug offenders

to a case manager and offers personalized treatment and tailored housing placements.

We note that the SMART program budget reflects the costs of operating an expanded program at a motel that was purchased and rehabilitated to support SMART program participants. However, these plans are currently on hold due to the need to instead house families at the motel during the pandemic. **The timing for transitioning the SMART program to the motel and operating at the capacity as reflected in the Proposed Budget, is unknown.**

Although the SMART program has similar program goals as SIP and PLEADS, it is not currently part of the Substance Use Disorder Interventions proposal. **Council may wish to inquire if there is a role for this program in the proposal.**

### Homelessness Response Center

Finally, the Proposed Budget includes \$300,000 in General Funds and \$250,000 in Low-Moderate Income Housing Asset Funds to support the Homelessness Response Center. On April 20, 2021, Council approved the remaining \$1.0 million needed to support the program. The center is anticipated to open in May 2021. Staff envision this program to carry out the successes and partnerships established through Operation Shelter to Home. Specifically, the program will focus on the homelessness *system* by continuing to identify and remove barriers in connecting homelessness individuals with appropriate services and successfully exiting them from the system into housing. Upon approving the \$1.0 million in CDBG funds, Councilmember Moreno requested an update of this program come to the appropriate committee.

## Department Review: Homelessness Strategies

### Many Other Homelessness Programs are Funded in FY 2022 Outside the Budget Process

With the approval of the Homelessness Strategies and Solutions Department Budget, partial or full funding will be provided to a subset of the homelessness programs the City offers.

In recent years, the City has been able to expand homelessness services due to a series of one-time state grants summarized in the table below.

Grant	Amount (in millions)	Status
HEAP	\$ 14.1	Council approved. To be fully expended by the end of FY 21
HHAP Rnd 1	\$ 22.5	Council approved. Estimated to be fully expended in FY 23
HHAP Rnd 2	\$ 10.6	Pending Council approval. Estimated to be fully expended in FY 23

Council has already approved Homeless Housing, Assistance, and Prevention (HHAP) Round 1 funds. Staff plans to use a total of \$16.2 million in FY 2022.

Council will be asked to approve the allocation of HHAP Round 2 this coming May or June, with the expectation of using \$8.5 million in FY 2022. This brings the total of state grant funding planned for the upcoming fiscal year to \$24.7 million.

**Our Office believes Council would benefit from having all planned FY 2022 expenses for homelessness available during the budget process so that funding decisions can be made within a broader context.**

The Proposed Budget broadly mentions planned activities for HHAP funds, but it does not provide a clear picture. For example, the Proposed Budget states that \$1.0 million is being *added* to the PATH Coordinated Street Outreach program but the existing program is not included in the Proposed Budget. It is assumed to be funded with HHAP Round 2 funds. Additional programs anticipated for

HHAP funding in FY 2022 but not available for review during the budget process include:

- Golden Hall Upstairs Shelter
- 2 Alpha Bridge Shelters
- Youth shelter beds and outreach worker (began February 2021)
- PLEADS
- Storage facilities
- Safe Parking
- Family Reunification
- Prevention and Diversion
- Flexible Spending Pool
- Landlord Engagement

### More Funding for Homelessness to Come

The American Rescue Plan Act enacted in March 2021 provides three streams of homelessness-related funding, which are described below. These funds are beyond the \$306.1 million in local fiscal recovery funds allocated to the City.

#### Homelessness Assistance and Supportive Services Program

The City is expected to receive \$21.0 million for Homelessness Assistance and Supportive Services and can be used for the following activities:

- Tenant-based rental assistance,
- Development of affordable housing,
- Supportive services for *those not already receiving them* (includes housing counseling, homeless prevention services, and transitional housing),
- The acquisition and development of non-congregate shelter units which may be converted to permanent affordable housing, used as emergency shelter, be converted to permanent housing, or remain as non-congregate shelter units.

These funds are available until September 30, 2025. It is anticipated that staff will bring



## Department Review: Homelessness Strategies

forward a proposal for allocating these funds this coming May or June.

### Emergency Housing Vouchers

The American Rescue Plan includes a national allocation of \$5.0 billion for emergency housing vouchers, of which a portion will be awarded to the San Diego Housing Commission. According to the legislation, the Commission will be notified of the number of emergency vouchers provided with these funds within 60 days after enactment (or mid-May).

### Emergency Rental Assistance

The American Rescue Plan also includes additional funding for emergency rental assistance, which will be disbursed in multiple tranches. Eligible uses include: rent and past rent, utilities and home energy costs and arrears, and other expenses related to housing. Because the American Rescue Plan uses the same formula for allocating additional rental assistance funds as the last round, the City's next allocation should be roughly \$40 million. The City could receive even more if the State passes through some of its allocation as it did in the last round.

We note that the City may use up to 10% of these funds for housing stability services, including case management and other services intended to help keep households stably housed. The City may also use any

unobligated funds by October 1, 2022 for affordable rental housing and eviction prevention purposes serving very-low-income families, as long as the City has obligated at least 75% of its total allocation.

The table below summarizes the City's allocations for rental relief for FY 2021 and FY 2022.

## Issues for Council Consideration

### One-time Funding

As homelessness has become a high national and state priority, significant funding streams have been made available to address this issue, especially during the pandemic. However, most of them have been one-time in nature and will eventually run out within the next few fiscal years. The Proposed Budget also expands homelessness programs using one-time funding. However, these programs and services are likely to continue.

Measure C was included on the March 3, 2020 ballot and proposed an increase in San Diego's transient occupancy tax to, among other things, provide additional funding for homelessness services. The City is currently seeking a court determination that Measure C is an approved ballot measure and that the City's issuance of certain bonds under Measure C is valid. Until the City obtains a favorable trial

<b>Total Funds Allocated for Emergency Rental Assistance FY 2021 and FY 2022 (<i>\$ in millions</i>)</b>	
<b>Source</b>	<b>Total Allocation</b>
CARES Act <sup>1</sup> Coronavirus Relief Funds Community Development Block Grant (CDBG)	\$ 15.1
Consolidated Appropriations Act 2021 CARES Act - CDBG funds	92.2
American Rescue Plan <sup>2</sup>	40.0
<b>Total</b>	<b>\$ 147.3</b>

<sup>1</sup> Coronavirus Aid, Relief, and Economic Security Act

<sup>2</sup> Estimate is preliminary and will change.

## Department Review: Homelessness Strategies

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court judgment or outcome in the lawsuit, the City will not take steps to implement Measure C. If a favorable outcome occurs, this could be a viable ongoing funding source for homelessness programs.

For a broader discussion of homelessness, please refer to the homelessness section in the *Key Citywide Issues* portion of this report.

### **Regular Program Updates**

Given the many funding streams that support homelessness and continued expansion of programs and services, Council and the public could benefit from regular program updates whether written or provided at the appropriate committee. Some funding streams are available over multiple years so there is limited opportunity for Council oversight. Furthermore, new programs were added in FY 2021 and additional programs are proposed for FY 2022, so Council may wish to be kept up to date on how they are progressing.

### **Tracking Progress and Performance**

In October 2019, the City Council approved the Community Action Plan on Homelessness. The Action Plan includes three goals that can be achieved in three years, recommended actions, and key strategies. The San Diego Housing Commission publicly tracks activities on its website and is working to provide more data on program outcomes and tracking progress towards achieving the goals in plan as well as assessing what is left to do. This is a critical component of keeping the City accountable on its investments in homelessness. We note that the Proposed Budget increases investments in existing programs for which outcome data is not publicly accessible. Therefore, it is difficult to determine whether the City is investing in what works. Thus, San Diego Housing Commission's work to make this information accessible is much anticipated.

Finally, the new Homelessness Strategies and Solutions Department should develop Key Performance Indicators to track its specific performance goals, similar to other City departments.

## Department Review: Human Resources

# Human Resources

### Impacts of Mayor's FY 2022 Budget Proposal

The Human Resources Department's FY 2022 Proposed Budget totals approximately \$6.8 million, an increase of approximately \$1.2 million, or 20.5%, from the FY 2021 Adopted Budget. Changes to the Human Resources Department budget are shown in the table below.

The largest Personnel Expenditures (PE) increases include the addition of the following positions:

- 2.00 Program Coordinators for COVID-19 support, including for COVID-19 employee testing and vaccination procedures and reporting; employee protocols and work safety plans; compliance issues; training and communications; and data collections and analysis. As COVID-19 duties subside, these Program Coordinators will transition focus toward enhanced strategic human capital management, including handling

issues outlined in the newly created annual workforce report (for example with respect to recruitment and retention). Both of these positions are currently filled but are unbudgeted.

- 1.00 Program Manager to provide reimbursable services to the Environmental Services Department, including unclassified hiring assistance; overseeing fact-finding processes; discipline management, including appeal support; grievance management; guidance on employee performance review plans; advice on compliance and handling of industrial injuries and non-industrial injuries/illnesses; and assistance with labor-relations issues, among other duties.

The largest non-personnel expenditure (NPE) increase is \$386,000 for labor negotiations consulting. This cost was formerly budgeted in the Citywide Program Expenditures Department.

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	31.00	\$ 4,996,095	\$ 675,612	\$ 5,671,707	\$ 539,280
<b>Programmatic Changes</b>					
Labor Negotiations Consulting	-	-	385,782	385,782	-
Citywide LinkedIn Learning Platform	-	-	150,000	150,000	-
Increased Employee Assistance Program Costs	-	-	50,000	50,000	-
Program Coordinators - COVID-19/Other Support	2.00	242,724	-	242,724	-
Program Manager for Environmental Svcs. Dept. Support (position anticipated to be reimbursable )	1.00	153,702	-	153,702	136,000
FY 2021 2.6% Citywide Contracts Cut Allocation	-	-	(18,745)	(18,745)	-
<b>Other Changes</b>					
Termination Pay Decrease	-	(18,248)	-	(18,248)	-
Budgeted PE Savings Decrease (a budget increase)	-	29,546	-	29,546	-
Other Salaries & Wages Adjustments	-	81,887	-	81,887	-
Other Fringe Benefits Adjustments	-	125,046	-	125,046	-
Non-Discretionary Adjustments	-	-	54,978	54,978	-
Removal of FY 2021 Cost Budgeted as One-time: Sexual Harassment Prevention Training	-	-	(72,632)	(72,632)	-
<b>FY 2022 Proposed Budget</b>	<b>34.00</b>	<b>\$ 5,610,752</b>	<b>\$ 1,224,995</b>	<b>\$ 6,835,747</b>	<b>\$ 675,280</b>
<b>Difference from 2021 to 2022</b>	<b>3.00</b>	<b>\$ 614,657</b>	<b>\$ 549,383</b>	<b>\$ 1,164,040</b>	<b>\$ 136,000</b>

## Department Review: Human Resources

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Additional NPE increases include \$150,000 for the LinkedIn Learning Platform and \$50,000 for the Employee Assistance Program (EAP). This \$50,000 budget increase is needed to cover the contract cost for EAP counseling services for employees, which will be nearly \$300,000. The City will be switching vendors for EAP counseling in July 2021.

## Department Review: Library

# Library

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Library Department totals approximately \$54.1 million, a decrease of \$5.6 million from the FY 2021 Adopted Budget. The FY 2022 Proposed Budget includes 349.73 FTE positions which is a decrease of 94.49 FTEs from the FY 2021 Adopted Budget. Budgeted revenue totaling \$1.6 million represents a revenue reduction of approximately \$1.3 million compared to FY 2021.

### Reduction of Library Hours Systemwide

The FY 2022 Proposed Budget includes the reduction of 100.92 FTEs and approximately \$6.9 million in expenditures associated with the reduction in hours of operations at the Central Library and all branch locations. Hours for each location (including Central) would be reduced to 42.5 hours weekly, including closures on Sundays and Mondays and 8.5 open hours all other days. Currently,

the Central Library is open 61 hours per week; branch locations are open either 55.5 hours per week (13 branches with extended week-end service) or 51 hours per week (22 branches). The overall number of operating hours systemwide would be reduced from 99,034 hours/year to 79,560 hours/year, the lowest level since FY 2013 (78,832).

Operating hours would be as follows for all locations, including Central:

- Tuesday, Thursday, Friday, and Saturday: 9:30am-6:00pm
- Wednesday: 11:30am-8:00pm

Of the 100.92 FTEs proposed to be reduced, 23.00 FTEs represent 42 full or half-time positions, of which 18.00 FTEs (34 positions) are currently filled. The balance, 72.92 FTEs, represents 219 hourly positions of which 110 are currently vacant.

The reduction was submitted by the Department as their budget mitigation proposal prior to the approval of the American Rescue Plan

SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	444.22	\$ 42,213,830	\$ 17,451,584	\$ 59,665,414	\$ 2,899,019
<b>Programmatic Changes</b>					
<i>Reduction of Library Hours Systemwide</i>	(100.92)	(5,950,280)	(933,892)	(6,884,172)	-
<i>Electronic Materials</i>	-	-	750,000	750,000	-
<i>Back to Work SD: DYH@L Program Camps</i>	4.43	260,604	239,277	499,881	-
<i>System-wide Programming</i>	-	-	200,000	200,000	-
<i>Open+ Solution</i>	-	-	100,000	100,000	-
<i>Janitorial Services</i>	-	-	409,020	409,020	-
<i>RFID Maintenance</i>	-	-	225,000	225,000	-
<i>Additional Management Positions</i>	2.00	298,594	-	298,594	-
<i>Training</i>	-	-	37,000	37,000	-
<i>One-time Reductions and Annualizations</i>	-	(33,357)	(76,721)	(110,078)	(305,246)
<i>Revised Revenue</i>	-	-	-	-	(1,033,993)
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	541,884	-	541,884	-
<i>Non-Discretionary Adjustments</i>	-	-	(1,482,668)	(1,482,668)	-
<i>FY 2021 Citywide Contracts Reduction of 2.6%</i>	-	-	(197,654)	(197,654)	-
<i>Other Adjustments</i>	-	\$38,708	(386)	38,322	-
<b>FY 2022 Proposed Budget</b>	<b>349.73</b>	<b>\$ 37,369,983</b>	<b>\$ 16,720,560</b>	<b>\$ 54,090,543</b>	<b>\$ 1,559,780</b>
<b>Difference from 2021 to 2022</b>	<b>(94.49)</b>	<b>\$ (4,843,847)</b>	<b>\$ (731,024)</b>	<b>\$ (5,574,871)</b>	<b>\$ (1,339,239)</b>



## Department Review: Library

Act. According to the Department of Finance, the Mayor's decision to accept this proposal, rather than to more equitably spread budgetary reductions across other General Fund departments, is primarily due to operational difficulties cited by the Library Department which would make reopening at pre-COVID-19 operating hours difficult.

During the pandemic, existing hourly employees were reassigned to the Convention Center's Operation Shelter to Home and to other City departments where their services could be utilized. As natural vacancies occurred, the positions were not filled given the hiring freeze in place and the unknown nature of when the reopening of libraries would occur. As a result, 110 hourly positions are currently vacant; when including half-time and full-time vacancies, there are currently 157 individual vacancies.

According to the Department, hourly positions historically have been difficult to fill citing low pay and the fact that these positions are unbenefited, as reasons for job offers being rejected. In addition, they stated that hourly positions generally have had a high turnover rate with attrition at approximately 25%. It is for these reasons that the Department is proposing to readjust its staffing model to primarily include benefited employees (full or half-time) going forward.

The Department has informed our Office that, even if the proposed \$6.9 million reduction was to be restored, they would request that the 219 hourly positions (72.92 FTEs) proposed for reduction be converted to 59 half-time benefited positions (29.5 FTEs). According to the Department, this position restructure, together with the restoration of the other 23.00 benefited FTEs proposed for reduction, would be sufficient to restore hours such that all locations could be open Monday-Saturday at 46 hours/week (8.5 hours on Monday-Thursday and 6 hours on Friday-Saturday) with Central also maintaining 6 hours on Sunday.

An additional 25 half time positions (12.5 FTEs) would be required to add back Sunday hours for the 13 library branches that currently have extended weekend service (4.5 hours). The estimated costs to add these positions is \$2.1 million, above and beyond the \$6.9 million restoration (\$9.0 million in total).

The Department doesn't expect to be in a position to reopen by the start of the fiscal year (July 1) under any scenario, given the need to rehire vacant and/or restructured positions and finalize reopening conditions with MEA. Under the scenario where funding is restored, the Department believes it could reopen with regular service in September or October. If the reductions in the Proposed Budget are maintained, reopening could occur in August.

**We recommend that the Library Department be prepared to describe their challenges associated with hourly positions and discuss their stated need to readjust their staffing model in more detail at their Budget Review Committee hearing scheduled for May 6<sup>th</sup>.**

**They should also be prepared to discuss other options for restoring library hours and related issues, including:**

- Restoring Sunday and Monday hours for communities most impacted;
- Restoring Monday hours only Citywide;
- Restoring both Sunday and Monday hours Citywide;
- Clarifying what the current plan is for phasing in library reopening Citywide;
- Converting hourly employees to half- or full-time to address benefits issue; and
- Meet and confer discussions with MEA regarding schedule changes

**We also recommend that the Department provide circulation, attendance, or other available data to identify those library locations and communities most impacted by the proposed reductions.**

# Department Review: Library

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## **Significant Budget Additions**

### Increase in Electronic Materials

The FY 2022 Proposed Budget includes a \$750,000 increase in ongoing non-personnel expenditures for electronic materials and resources, for which demand has increased during the current pandemic. This represents a significant increase to the Department's FY 2021 Adopted Budget for materials which totals \$1.8 million

### Increase in Library Programming

The FY 2022 Proposed Budget includes an increase of \$200,000 in ongoing non-personnel expenditures for Library Programming, increasing the overall funding level to \$400,000. The Department expects to utilize this funding for new children, teen, adult, senior and ICAN (patrons with disabilities) programming. It will also be used to continue the development of virtual content creation kits for staff to increase virtual programming.

### Back to Work SD: Do Your Homework @ the Library Camps

4.43 Hourly FTEs and \$239,000 in non-personnel expenditures is included in the Proposed Budget for Do Your Homework @ the Library (DYH@L) Program Out-of-School Camps to occur during summer, winter, and spring breaks. All expenditures, including funding for Hourly FTEs (Tutor Learner Coordinators), are included on a one-time basis.

### Open+ Solution

\$100,000 in one-time expenditures is included in the FY 2022 Proposed Budget for the trial/pilot service of Open+, which is a product that would allow the Department to extend hours at library locations so patrons can pick-up holds or access computers without staff present. The service includes a keypad that is installed on the door allowing patrons to access the Library by entering their library card number and PIN. The trial is expected to be utilized in Council Districts 4, 8, and 9.

## Additional Management Positions

The FY 2022 Proposed Budget includes the addition of 1.00 Program Manager and 1.00 Deputy Director and \$299,000 in personnel expenditures. The Program Manager is a filled supplemental position responsible for supporting fiscal, administrative, and business functions for the Library. The Deputy Director is a new position intended to add a needed level of management overseeing all fiscal and administrative services, including CIP, contracts, HR, IT, collections, and access services.

## **Issues for Council Consideration**

### **Council Budget Priority Items**

Support for maintaining the Library Department's service levels, including library hours and programming, was included in majority of Councilmember budget priority memoranda. As discussed earlier, the FY 2022 Proposed Budget includes significant reductions to library hours while other areas, including funding for electronic materials and library programming have received significant increases.

### **New Pacific Highlands Ranch Library**

The Outlook identified 1.00 FTE and \$56,000 associated with preparations for the opening of the Pacific Highlands Ranch Library which is currently expected to open during the second half of FY 2023. This position and related expenditures was not funded in the Proposed Budget and are now expected to be necessary next fiscal year FY 2023. We note that this project is fully funded in the Proposed Budget.

# Low and Moderate Income Housing Asset Fund

Beginning with FY 2019, the Low and Moderate Income Housing Asset Fund (LMIHAF) was included in the Proposed Budget and the Appropriations Ordinance. Inclusion of the fund is intended to provide increased oversight.

As a result of the dissolution of redevelopment agencies in 2012, housing assets were transferred from the former redevelopment agency to the City, acting as the housing successor agency in January 2013. All housing funds and revenue generated from the housing assets are required to be kept in the LMIHAF for affordable housing purposes.

### Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget includes \$57.6 million in expenditures, an increase of \$15.5 million, or 37%, over the FY 2021 Adopted Budget. It also includes \$22.0 million in revenue, an increase of \$19.0 million, or over 600%, as compared to FY 2021. The significant increase in revenue is due to an anticipated \$20.0 million coming from the sale of one property.

The following is a breakdown of proposed expenditures:

- \$55.3 million for low-income development housing loans for several Council - approved affordable housing projects as well as unallocated funding for additional projects in support of the Affordable Housing Master Plan. Of the \$35.2 million in unallocated funding, an estimated \$15.0 million is planned for a pending Notice of Funding Availability (NOFA) for affordable housing to be run by the Economic Development Department. The \$20.1 million

for previously approved loans reflect loan proceeds that will be incrementally spent down over time as affordable housing projects progress.

- \$1.6 million for administrative support related to negotiating agreements, property management, and staff time to administer the fund.
- \$695,000 for legal, consultant, and staff time costs related to developing and drafting disposition and developer agreements. These costs are also associated with construction management and consultant services.

Also included in the administrative support allocation is \$250,000 to partially support the operation of the Homelessness Response Center. Please refer to the Homelessness Strategies Department review for additional information on this program.

### Issues for Council Consideration

The LMIHAF is largely supported by: 1) unencumbered affordable housing bond proceeds issued by the former redevelopment agency prior to its dissolution; 2) loan repayments and lease payments; and 3) land disposition proceeds. The FY 2022 Proposed Budget anticipates increased revenue from the sale of one property, which is one-time. The only ongoing revenue source is from loan repayments, lease payments, and interest which are projected to be \$2.0 million in FY 2022.

## Department Review: Mobility

# Mobility

### Impacts of Mayor's FY 2022 Budget Proposal

The Mobility Department, which was initially proposed to be created in the FY 2021 Proposed Budget, is tasked with the goal of implementing the City's Mobility Action Plan, as well as the goals relating to mobility within the Climate Action Plan. The Department is formed from elements of multiple existing departments, and includes such discreet functions as ADA Compliance, oversight of the Parking Meter Districts, and responsibility for the regulations regarding Shared Mobility Devices (SMD).

The FY 2022 Proposed Budget for the Department is approximately \$3.1 million, which is an increase of \$162,000 (5.5%), and includes 18.00 FTE positions. The Department has approximately \$2.7 million of budgeted revenue in FY 2022.

### Significant Budget Adjustments

The largest changes to the Department budget concern SMD regulations within the City. For expenditures, there is an increase of \$362,000 to fund the SMD SWEEP Contract. This

contract provides services to remove and impound these devices within the public right-of-way and has been in use since February 2020. This contract was previously funded within the Environmental Services Department and has been funded within Citywide Expenditures in FY 2021.

Within FY 2022, revenues to the General Fund for SMD permits are transferred from the Development Services Department to the Mobility Department, which is a \$1.6 million increase to Mobility Department Revenue. However, due to projected activity for SMD permits, revenue from these permits is projected to decline by \$853,000 in FY 2022, which is also reflected in this budget. This brings total SMD permit revenue to \$870,000. There is also a separate adjustment to add \$50,000 for penalty payments.

Another significant expenditure increase is \$120,000 for the Mobility Action Plan. It is anticipated that this plan will take up to \$350,000 dollars and three years to complete, and as such the funding contained in FY 2022 is just the first of three years' worth of funding. This is also a new Mobility Action Plan

SUMMARY OF MOBILITY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	16.50	\$ 2,797,193	\$ 153,743	\$ 2,950,936	\$ 1,632,790
<b>Programmatic Changes</b>					
<i>Shared Mobility Device SWEEP Contract</i>	-	-	361,972	361,972	-
<i>Mobility Action Plan</i>	-	-	120,000	120,000	-
<i>Position Annualizations</i>	1.50	45,771	-	45,771	-
<i>FY 2021 2.6% Contracts Reduction Allocation</i>	-	-	(6,279)	(6,279)	
<i>Transfer of Shared Mobility Device Permit Funding</i>	-	-	-	-	1,572,750
<i>SANDAG Coop Agreement Funding</i>	-	-	-	-	275,000
<i>Shared Mobility Device Penalties</i>	-	-	-	-	50,000
<i>Shared Mobility Device Permit Fee Adjustment</i>				-	(853,400)
<b>Other Changes</b>					
<i>Other Salary and Fringe Benefit Changes</i>	-	(455,525)	-	(455,525)	-
<i>Discretionary IT Adjustments</i>	-	-	2,827	2,827	-
<i>Non-Discretionary Adjustments</i>	-	-	93,148	93,148	-
<b>FY 2022 Proposed Budget</b>	<b>18.00</b>	<b>\$ 2,387,439</b>	<b>\$ 725,411</b>	<b>\$ 3,112,850</b>	<b>\$ 2,677,140</b>
<b>Difference from 2021 to 2022</b>	<b>1.50</b>	<b>\$ (409,754)</b>	<b>\$ 571,668</b>	<b>\$ 161,914</b>	<b>\$ 1,044,350</b>

## Department Review: Mobility

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from previous plans that have been implemented and will specifically focus on mobility improvements that will implement the Climate Action Plan and related mode shift goals. This new plan is in early stages, and the Department will also be seeking grant funding for this plan to help provide additional enhancements.

Overall, there is an addition of 1.50 FTEs, which reflects the annualization of positions added to the FY 2021 Adopted Budget for the Mobility Department. Overall, however, personnel expenditures are budgeted to decline.

There is also a reduction of \$6,000 related to implementing the FY 2021 2.6% across-the-board Contracts reduction, which is being allocated to departments on an ongoing basis in the Proposed Budget. This reduction is not anticipated to impact services levels for this Department.

As part of the budget modifications, the Department also secured an additional \$275,000 from SANDAG. This funding, which is part of the SANDAG Coop Agreement, is approved to reimburse staffing costs of up to \$275,000 per fiscal year for five years, starting with FY 2021. As part of this agreement, City staff will be participating in multi-modal planning efforts with SANDAG, which City staff have previously participated in without reimbursement.



## Department Review: Boards and Commissions

# Office of Boards and Commissions

The Office of Boards and Commissions was established in the FY 2019 Adopted Budget to support the day-to-day operations for the City's 40+ active boards and commissions. The Office serves as an access point to the volunteer members appointed by the Mayor and City Council. These boards and commissions serve the City in a fiduciary, regulatory, policy-setting, and/or advisory capacity.

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Office of Boards and Commissions is approximately \$762,000, a decrease of \$146,000 or 16.1% from the FY 2021 Adopted Budget. There is a transfer out of 1.00 Executive Director leaving 5.00 FTE positions in the Office. The Office does not have budgeted revenue.

### Significant Budget Reductions

#### Transfer of 1.00 Executive Director Position

On November 3, 2020, San Diego voters approved Measure B creating a new independent Commission on Police Practices replacing the Community Review Board on Police Practices (CRB). The FY 2022 Proposed Budget transfers the Executive Director position providing support to the CRB to the new Office of the Commission on Police Practices. The \$221,000 transfer includes \$161,000 of personnel expense (PE) and \$60,000 of non-personnel expenditures (NPE).

### Follow-up on 2017 Performance Audit

On April 21, 2021, the new Director of the Office of Boards and Commissions (Mathew Gordon) made a presentation to the Rules Committee discussing the Office and mentioning his plans to follow-up on certain recommendations from a 2017 Performance Audit of the City's Management of its Advisory Boards. In particular, he indicated his intention to fill vacancies more quickly, improve diversity on boards and commissions, and facilitate regular reporting to the City Council.

### New User-Friendly Website

The Office is working with the City Clerk's Office to stand up a new user-friendly website to provide the Council and the public with detailed information about opportunities to serve on boards and commissions. The new system is searchable and should help to expedite the filling of vacancies. The cost of the new website is budgeted. The new website is expected to be available early in FY 2022.

SUMMARY OF OFFICE OF BOARDS & COMMISSIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	6.00	\$ 808,444	\$ 99,699	\$ 908,143	\$ -
<b>Programmatic Changes</b>					
<i>Transfer Executive Director to Office of the CPP</i>	(1.00)	(160,809)	(60,245)	(221,054)	-
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(1,962)	(1,962)	-
<i>Other Salary Related Adjustments</i>	-	(2,915)	-	(2,915)	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	71,499	-	71,499	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	7,960	7,960	-
<b>FY 2022 Proposed Budget</b>	<b>5.00</b>	<b>\$ 716,219</b>	<b>\$ 45,452</b>	<b>\$ 761,671</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>(1.00)</b>	<b>\$ (92,225)</b>	<b>\$ (54,247)</b>	<b>\$ (146,472)</b>	<b>\$ -</b>

## Office of Race and Equity

The Office of Race and Equity (ORE) was created with the adoption of the FY 2021 Budget. Starting with issues of race, gender, and disability, ORE will evaluate and reform City policies that perpetuate systematic racism, inequity and inequality. ORE aims to internalize and operationalize race equity in all City operations, policies and procedures through meaningful engagement and collaboration with City staff, communities of color, low and moderate income communities and other disenfranchised groups. Through strategic initiatives grounded in best practices, ORE will create new policies and drive reforms in existing policies, procedures, and practices in City services.

### Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Office of Race and Equity is approximately \$3.8 million, a reduction of \$3.1 million or 44.7% from the FY 2021 Adopted Budget. The Office has 3.00 budgeted FTE positions (1.00 Department Director and 2.00 Program Managers) which is unchanged from FY 2021. Budgeted revenue has been reduced from \$3.0 million in the FY 2021 Adopted Budget to no revenue in the FY 2022 Proposed Budget as described in the next section.

### Significant Budget Reductions

When ORE was initially funded in the FY 2021 Adopted Budget, it received a \$3.0 million allocation of revenue and expense to transfer to the Community Equity Fund (CEF) - a Non-General Fund that will be used to help facilitate ORE goals and objectives. The \$3 million of revenue and expense for the CEF was added on an ongoing basis when it was intended to be a one-time initial allocation. The FY 2022 Proposed Budget corrects that by removing \$3.0 million of NPE and revenue from ORE on a one-time basis. The CEF maintains a \$3.0 million balance in the FY 2022 Proposed Budget as no funds are planned to be expended in FY 2021.

### Status of Recruiting ORE's Director

It has taken longer than might have been expected to hire the new Chief of Race and Equity. This may be partially explained by the change in mayoral administrations. The new administration has been working with the Human Resources Department and an outside Executive Search firm to perform a national search for excellent candidates. The deadline for applications was April 16<sup>th</sup> and the City received numerous qualified applicants. Applications are under review and initial interviews are tentatively planned for mid-May. It is expected that the Chief of Race and Equity can be hired and begin early in FY 2022.

SUMMARY OF OFFICE OF RACE AND EQUITY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	3.00	\$ 524,752	\$ 6,300,000	\$ 6,824,752	\$ 3,000,000
<b>Programmatic Changes</b>					
<i>One-time correction/removal of NPE and Revenue</i>	-	-	(3,000,000)	(3,000,000)	(3,000,000)
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(12,990)	(12,990)	-
<i>Salary Related Adjustments</i>	-	(29,427)	-	(29,427)	-
<i>Fringe Adjustments</i>	-	(19,042)	-	(19,042)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	8,380	8,380	-
<b>FY 2022 Proposed Budget</b>	<b>3.00</b>	<b>\$ 476,283</b>	<b>\$ 3,295,390</b>	<b>\$ 3,771,673</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ (48,469)</b>	<b>\$ (3,004,610)</b>	<b>\$ (3,053,079)</b>	<b>\$ (3,000,000)</b>

# Office of the Chief Operating Officer

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Office of the Chief Operating Officer (COO) is approximately \$3.7 million, an increase of \$2.6 million or 215.3% over the FY 2021 Adopted Budget. This significant increase reflects a decision to consolidate the executive management team within the Office of the COO.

The budget includes 13.00 FTE positions, reflecting an increase of 9.00 FTE positions over the FY 2021 Adopted Budget. There is an addition of \$580,000 in budgeted revenue in the Office as a result of the consolidation.

### Significant Budget Additions

The Office of the COO adds 1.00 Program Manager position in the FY 2022 Proposed Budget. The total personnel cost of this position is \$116,000. This position is planned to be filled by Farhat Popal who was recently hired to serve as the City's new Immigrant Affairs Manager. She succeeds the City's first Immigrant Affairs Manager, Rita Fernandez, who now serves as Director of Global Affairs in the Government Affairs Department.

Farhat Popal filled a vacant position in the Mayor's Office in January 2021 but the plan is to budgetarily transition her to the new Program Manager position in the Office of the COO if approved in the FY 2022 Adopted Budget. This position is to work with City departments to help them better support immigrant relations including the City's new Welcoming San Diego initiative which is intended "to advance the civic, social and economic integration of immigrants and refugees."

### Consolidation of Executive Management Team

The FY 2022 Proposed Budget reorganizes and consolidates the City's executive management team into the Office of the COO. This reorganization eliminates the six standalone budgets below that currently exist in the FY 2021 Adopted Budget:

Office of the Assistant COO  
Office of the CFO  
General Services Branch  
Smart & Sustainable Communities Branch  
Neighborhood Services Branch  
Public Utilities Branch

SUMMARY OF OFFICE OF THE CHIEF OPERATING OFFICER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	4.00	\$ 1,093,046	\$ 93,970	\$ 1,187,016	\$ -
<b>Programmatic Changes</b>					
<i>Transfer In from Office of the CFO</i>	2.00	573,482	39,022	612,504	-
<i>Transfer In from General Services Branch</i>	1.50	516,434	15,462	531,896	97,526
<i>Transfer In from Sustainable Communities Branch</i>	1.50	511,506	3,685	515,191	251,657
<i>Transfer In from Neighborhood Services Branch</i>	1.50	303,216	12,997	316,213	87,272
<i>Transfer In from Assistant COO</i>	1.00	111,541	30,771	142,312	-
<i>Transfer In from Public Utilities Branch</i>	0.50	46,527	103,475	150,002	410,628
<i>Addition of 1.00 Program Manager</i>	1.00	115,669	-	115,669	-
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(57,129)	(57,129)	-
<i>Other Salary and Fringe Related Adjustments</i>	-	60,161	-	60,161	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	168,263	168,263	-
<i>Other Miscellaneous Adjustments to Revenue</i>	-	-	-	-	(267,107)
<b>FY 2022 Proposed Budget</b>	<b>13.00</b>	<b>\$ 3,331,582</b>	<b>\$ 410,516</b>	<b>\$ 3,742,098</b>	<b>\$ 579,976</b>
<b>Difference from 2021 to 2022</b>	<b>9.00</b>	<b>\$ 2,238,536</b>	<b>\$ 316,546</b>	<b>\$ 2,555,082</b>	<b>\$ 579,976</b>

# Department Review: Office of the Chief Operating Officer

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The reorganization consolidates the following 8.00 positions and associated NPE/revenue into the Office of the COO: 3.00 Deputy Chief Operating Officers (DCOOs), 1.00 Chief Financial Officer (CFO), 3.00 Executive Assistants (EAs), and 1.00 Associate Management Analyst (AMA).

Notably, this consolidation eliminates the Assistant Chief Operating Officer (ACOO) position and 1.00 of 4.00 existing DCOO positions resulting in annual savings of approximately \$784,000.

The budgetary components (total expenditures, revenue and positions) being transferred in from each of the six budgets proposed for elimination are listed below and found in the Budget Changes table on the preceding page.

## Office of the CFO

Expenditures: \$613,000

Revenue: None

Positions: 1.00 CFO, 1.00 EA

## Office of the Assistant COO

Expenditures: \$142,000

Revenue: None

Positions: 1.00 AMA

## General Services Branch

Expenditures: \$532,000

Revenue: \$98,000

Positions: 1.00 DCOO, 0.50 EA

## Smart & Sustainable Communities Branch

Expenditures: \$515,000

Revenue: \$252,000

Positions: 1.00 DCOO, 0.50 EA

## Neighborhood Services Branch

Expenditures: \$316,000

Revenue: \$87,000

Positions: 1.00 DCOO, 0.50 EA

## Public Utilities Branch

Expenditures: \$150,000

Revenue: \$411,000

Positions: 0.50 EA

## **Pre-existing Positions in Office of COO**

The new Immigrant Affairs Program Manager position and the 8.00 positions being consolidated into the Office of the COO add to the following 4.00 pre-existing positions for a total of 13.00 FTE positions in the FY 2022 Proposed Budget:

1.00 COO

1.00 Confidential Secretary to COO

1.00 Program Manager

1.00 Senior Management Analyst

# Office of the Mayor

## Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Office of the Mayor is approximately \$3.3 million, a reduction of \$218,000 or 6.2% from the FY 2021 Adopted Budget. The Office has 20.00 budgeted FTE positions which is unchanged from FY 2021. Budgeted revenue has been reduced from \$180,000 in the FY 2021 Adopted Budget to no revenue in the FY 2022 Proposed Budget.

### Significant Budget Additions

There are no significant budget additions.

### Significant Budget Reductions

#### Reduction in TOT Revenue

A portion of the Transient Occupancy Tax (TOT) is allocated to certain General Fund departments providing services in support of City tourism. Approximately \$180,000 of TOT revenue was included in the Mayor's budget in FY 2021. As TOT collections will continue to be significantly lower than pre-pandemic levels in FY 2022, budgeted TOT revenue has been reduced in certain General Fund departments. The FY 2022 Proposed Budget removes the \$180,000 of budgeted TOT revenue from the Mayor's budget.

SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	20.00	\$ 3,181,928	\$ 317,218	\$ 3,499,146	\$ 180,000
<b>Programmatic Changes</b>					
<i>Reduced Revenue from TOT Fund</i>	-	-	-	-	(180,000)
<b>Other Changes</b>					
<i>DoF Allocation of FY 2021 2.6% Contracts Cut</i>	-	-	(720)	(720)	-
<i>Salary Related Adjustments</i>	-	21,652	-	21,652	-
<i>Fringe Adjustments (Includes Retirement ADC)</i>	-	(288,561)	-	(288,561)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	50,075	50,075	-
<b>FY 2022 Proposed Budget</b>	<b>20.00</b>	<b>\$ 2,915,019</b>	<b>\$ 366,573</b>	<b>\$ 3,281,592</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ (266,909)</b>	<b>\$ 49,355</b>	<b>\$ (217,554)</b>	<b>\$ (180,000)</b>



## Department Review: Parks & Recreation

# Parks & Recreation

### Impacts of the Mayor's FY 2022 Budget Proposal

The Parks and Recreation Department is organized under several funds, including the General Fund, the Golf Course Fund, the Los Penasquitos Reserve Fund, and the Environmental Growth Funds. When the Department's funds are combined, the Department's FY 2022 Proposed Budget totals \$168.1 million, an increase of approximately \$11.7 million from the FY 2021 Adopted Budget.

#### General Fund

The FY 2022 Proposed Budget for the Parks and Recreation Department totals approximately \$130.1 million in the General Fund, an \$8.1 million increase from the FY 2021 Adopted Budget. The FY 2022 Proposed Budget includes 921.74 FTEs which represents an increase of 16.02 FTEs from the FY 2021 Adopted Budget.

The Department's General Fund revenue totaling \$28.4 million represents an increase of approximately \$694,000 from the FY 2021 Adopted Budget.

#### New Park Facilities

The FY 2022 Proposed Budget includes 5.90 FTEs and \$892,000 in expenses (of which \$179,000 are one-time costs related to vehicle purchases) to operate and provide maintenance to 11 new parks throughout the City, including seven Joint Use (JU) Facilities. The new parks are as follows:

- Fairbrook Neighborhood Park
- La Paz Mini Park
- Children's Park Enhancement
- Franklin Ridge Pocket Park
- Pacific Trails Middle JU
- Sequoia Elementary JU
- Standley Middle JU Pool
- Marie Curie Elementary JU
- Rolando Park Elementary JU
- King Chavez Elem. Charter JU
- Johnson Elementary JU

SUMMARY OF PARK AND RECREATION DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	905.71	\$ 72,838,738	\$ 49,121,301	\$ 121,960,039	\$ 27,728,827
<b>Programmatic Changes</b>					
<i>New Park Facilities</i>	5.90	273,339	619,080	892,419	8,750
<i>Citywide Maintenance for New Facilities</i>	7.00	454,423	760,000	1,214,423	-
<i>Back to Work SD: Youth Programs</i>	-	160,000	490,000	650,000	-
<i>Addition of Chief Park Ranger</i>	1.00	147,315	88,000	235,315	-
<i>Environmental Growth Funds Reimbursement Revenue</i>	-	-	-	-	3,369,716
<i>TOT Reimbursable Revenue</i>	-	-	-	-	7,476,454
<i>One-Time Reductions and Annualizations</i>	-	(457,557)	(81,315)	(538,872)	(10,160,694)
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	0.91	3,937,083	-	3,937,083	-
<i>Other Salaries &amp; Wages</i>	1.21	269,594	-	269,594	-
<i>Non-Discretionary Adjustments</i>	-	-	2,069,917	2,069,917	-
<i>FY 2021 2.6% Citywide Contracts Cut Allocation</i>	-	-	(573,291)	(573,291)	-
<i>Other Adjustments</i>	-	-	(52,456)	(52,456)	-
<b>FY 2022 Proposed Budget</b>	<b>921.74</b>	<b>\$ 77,622,935</b>	<b>\$ 52,441,236</b>	<b>\$ 130,064,171</b>	<b>\$ 28,423,053</b>
<b>Difference from 2021 to 2022</b>	<b>16.03</b>	<b>\$ 4,784,197</b>	<b>\$ 3,319,935</b>	<b>\$ 8,104,132</b>	<b>\$ 694,226</b>

# Department Review: Parks & Recreation

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The FY 2022-2026 Five-Year Outlook included the anticipated opening of the Dennerly Ranch Neighborhood Park in FY 2022; however, this park has been delayed for various reasons outside of the City's control; it is currently anticipated to open in July 2023 (FY 2024)

## **Citywide Maintenance for New Facilities**

The FY 2022 Proposed Budget includes 7.00 FTEs and approximately \$1.2 million in expenses (of which \$705,000 are one-time costs related to vehicle and equipment purchases) to add additional mowing and specialty maintenance staffing (tree trimming, pool maintenance, etc.) to primarily address needs generated by new parks.

## **Back to Work SD: Youth Programs**

The FY 2022 Proposed Budget includes two programs geared towards youth services:

Youth Programming – \$400,000 in one-time expenditures for youth programming in Council Districts 4, 8, and 9. This funding is intended to be part of a larger program where the Department is partnering with the San Diego Parks Foundation which is in the process of identifying other grant and donor opportunities potentially up to \$750,000-\$1.0 million to supplement the City's funding.

Youth Environmental/Recreation Corps Program – \$250,000 in one-time expenditures for a new Youth Environmental/Recreation Corps Program to fund paid youth internships. While details of the program have not yet been finalized, potential areas for internship opportunities include the Department's Natural Resources Conservation Section (Open Space Division) and Park Ranger shadowing, such as the Shoreline Park Rangers which staff an information table about the sea lion and seal population at La Jolla Cove.

Our Office notes that there were a variety of topics related to youth services that were supported by Councilmembers in their budget

priority memoranda and the Youth Environmental/Recreation Corps Program was one that was mentioned by a majority.

## **Addition of 1.00 Chief Park Ranger**

The addition of a new Chief Park Ranger position is proposed to oversee and centralize all park ranger activities and serve as the Department's primary Clean SD liaison with SDPD and ESD when addressing homeless encampment abatement issues in parks and open space areas. Associated expenditures total \$235,000, of which \$83,000 are one-time costs related to vehicle purchases.

## **Significant Revenue Changes**

The FY 2021 Proposed budget includes a \$7.5 million increase in reimbursable revenue from the TOT Fund and a \$3.4 million increase in reimbursable revenue from the Environment Growth Funds.

## **Issues for Council Consideration**

### **Council Budget Priority Items**

There were several items within Parks and Recreation that received majority support in Councilmember budget priority memoranda, including the following:

- The maintenance of open space brush management service levels, currently at 509 acres; this level of service is maintained.
- The maintenance of Parks and Recreation services, including Recreation Center hours and programming; Recreation Center hours are maintained and programming services have increased to include \$400,000 for summer youth programming (previously discussed).
- The creation of a new Youth Environmental/Recreation Corps Program; \$250,000 in one-time expenditures is included for this new program (previously discussed).

# Department Review: Parks & Recreation

Performance Measure	Target FY 2020	Actual FY 2020	Target FY 2021	Estimated FY 2021	Target FY 2022
Number of hours of operation of recreation centers	169,832	121,532	172,432	0	172,432
Number of aquatic users	290,000	175,341	285,000	18,712	285,000
Percentage of acres of brush management	95%	92%	95%	95%	95%

## Performance Measures

As reflected in the table above, many of the Department's Key Performance Indicators were significantly impacted in FY 2021 due to COVID-19, including Recreation Center operating hours and the number of aquatic users. While these areas were out of the Department's control given facility closures throughout FY 2021, a key area of interest to the Council where they projected to meet their goal is brush management.

We also note that customer satisfaction goals with respect to recreation programs and the overall park system are two key indicators of the public's views regarding the services provided by the Department. As result of recreation center closures, the surveys to gather this data (typically conducted during the summer) did not occur.

## Environmental Growth Fund

The Environmental Growth Funds (EGFs) are projected to receive approximately \$16.6 million in franchise fees from San Diego Gas & Electric which represents one-quarter of the total SDG&E franchise fees received by the City, in accordance with Charter Section 103.1a. This revenue projection is an increase of approximately \$2.8 million from the FY 2021 Adopted Budget given the increase of projected franchise fees from SDG&E. Additional information related to the franchise fees can be found in the Franchise Fee portion of the "General Fund Revenues" Overview Section in our Report.

The EGFs are allocated into a one-third and two-thirds portion, to reflect Charter provisions that up to two-thirds of revenues can be pledged for bonds for acquisition,

improvement and maintenance of park or recreational open space.

To the extent funds exist over and above the requirements for debt service, the Charter provides that they may be used for other purposes so long as it preserves and enhances the environment and is approved by the City Council.

In FY 2009, the Environmental Growth Fund retired the 1004 San Diego Open Space Facilities District No. 1 General Obligation Bonds. Since that time, available revenues have been utilized to reimburse the General Fund for eligible park and open space maintenance activities. For FY 2022, \$3.4 million is being transferred to the Parks and Recreation General Fund budget, including a \$614,000 one-time use of EGF fund balance as a budget mitigation measure. Additional funds are budgeted for reimbursement to Maintenance Assessment Districts and for transfer to the Los Peñasquitos Canyon Preserve Fund.

## Golf Course Fund

The FY 2022 Proposed Budget for the Golf Course Fund totals \$20.5 million, representing an increase of approximately \$209,000 over the FY 2021 Adopted Budget. Golf Fund revenues are unchanged from FY 2021 totaling \$20.5 million.

## Significant Budget Additions

The FY 2022 Proposed Budget includes the following additions:

- 1.00 FTE Pesticide Applicator and \$62,000 in associated personnel expenditures for pesticide application at all golf courses.
- \$189,000 for golf course maintenance and equipment.

# Performance and Analytics

### Impacts of Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Performance and Analytics Department is approximately \$4.5 million, which is a 6% increase from the FY 2021 Adopted Budget. Staffing levels remain unchanged from 15.00 FTE positions in FY 2021. The Department's mission is to "challenge the status quo" and they do this by serving as the City's internal consultant to:

1. Simplify the customer experience,
2. Champion data-informed decision making, and
3. Promote a culture of continuous improvement and accountability.

### Significant Budget Reductions

While the Department has a 6% budget increase overall, this is primarily in areas outside of the Department's control, such as salary and benefit adjustments, that will have no impact on services. However, the 2.6% reduction in contracts (implemented in FY 2021) will reduce the funding available for enhancements and new features in the Get It Done application. This is in addition to the \$150,000 reduction in Get It Done funding that was included in the FY 2021 Adopted Budget.

The Department indicated that reductions in funding for Get It Done limit the enhancements and new features that can be worked on;

however, we note that software licensing is funded separately through the Department of Information Technology and is not impacted by the reduction to contracts.

This year (FY 2021), the Performance and Analytics Department launched a major update to Get It Done which includes Spanish language support. They are currently working to integrate Parks & Recreation into the Get It Done system to handle and track work requests related to park maintenance. Once that is complete, they will evaluate what other departments are ready to be added to Get It Done and what work can be done within the contracts budget.

### Issues for Council Consideration

On April 6, 2021, City Council authorized the Performance and Analytics Department, in partnership with Deloitte, to market the Get It Done software to other cities and agencies. The FY 2022 Proposed Budget does not include any assumed revenue from this marketing venture as no sales are pending yet.

Using CARES Act funding, the Department was able to pilot the use of Medallia for the City's resident and employee satisfaction surveys. Performance and Analytics notes that this software has better analytical tools and would like to procure this long-term for City use at approximately \$140,000/year.

SUMMARY OF PERFORMANCE & ANALYTICS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	15.00	\$ 2,109,173	\$ 2,157,219	\$ 4,266,392	\$ -
<b>Programmatic Changes</b>					
<i>FY 2021 2.6% Citywide Contracts Cut Allocation</i>	-	-	(12,643)	(12,643)	-
<b>Other Changes</b>					
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	196,865	-	196,865	-
<i>Information Technology Adjustments</i>	-	-	81,941	81,941	-
<i>Non-Discretionary Adjustments</i>	-	-	(22,131)	(22,131)	-
<b>FY 2022 Proposed Budget</b>	<b>15.00</b>	<b>\$ 2,306,038</b>	<b>\$ 2,204,386</b>	<b>\$ 4,510,424</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 196,865</b>	<b>\$ 47,167</b>	<b>\$ 244,032</b>	<b>\$ -</b>

## Department Review: Performance and Analytics

Performance Measure	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Estimated FY 2021	Target FY 2022
Downloads of Get It Done mobile app	24,088	41,613	77,117	109,000	135,000	165,000
Active Get It Done customers as a percent of total City population		4%	10%	9%	10%	10%
Number of public facing services available through Get It Done		34	53	56	61	66

### Key Performance Measures

The table above shows performance measure results for the Get It Done going back to FY 2017. This augments the performance measure data found in the FY 2022 Proposed Budget which focuses on the FY 2020-2022. When discussing the contractual reductions to Get It Done (on the previous page), it is important to note the steady increase in downloads of the mobile app and increasing number of public facing services available in the app.



## Department Review: Personnel Department

# Personnel Department

### Impacts of Mayor's FY 2022 Budget Proposal

As shown in the table below, the FY 2022 Proposed Budget for the Personnel Department is \$10.3 million, an increase of \$687,000, or 7.1%, from the FY 2021 Adopted Budget. The Department has minimal budgeted revenue. The number of positions is increasing by 2.00 FTEs, from 69.99 to 71.99.

The FY 2022 Proposed Budget position increases include two Program Coordinators:

- 1.00 FTE to support the medical and background pre-employment process – This position assists with the timely hiring of candidates and is responsible for oversight of the finger printing contract with the California Department of Justice, as well as the contract with the City's medical provider (for random drug and alcohol testing, pre-employment physical exams, including tuberculosis testing, etc.). Additionally, the position is responsible for reviewing State and federal laws and ensuring the City's

processing of candidates is in compliance with those laws. The position has been utilized by the Department since FY 2017 but is not a budgeted position in the FY 2021 Adopted Budget.

- 1.00 FTE to support data analytics for strategic human capital management – This position will manage the Department's Information Technology section and provide support for better data collection, analysis, and reporting; formulating policies for increasing recruiting success rates; developing and automating Personnel Department processes; and developing and maintaining performance dashboards, among other duties.

### Effects of FY 2021 Budget Reductions

The FY 2021 Adopted Budget applied a 4% budget reduction to non-Mayoral departments, which continues in FY 2022. For the Personnel Department, this equates to a \$389,000 decrease in salaries and wages

SUMMARY OF PERSONNEL DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	69.99	\$ 8,556,907	\$ 1,055,770	\$ 9,612,677	\$ 6,200
<b>Programmatic Changes</b>					
<i>Program Coordinator: Medical and Background Pre-employment Process</i>	1.00	149,515	-	149,515	-
<i>Program Coordinator: Data Analytics for Strategic Human Capital Management</i>	1.00	149,515	-	149,515	-
<i>FY 2021 2.6% Citywide Contracts Cut Allocation</i>	-	-	(25,034)	(25,034)	-
<i>Budgeted PE Savings Increase (a budget decrease)</i>	-	(4,846)	-	(4,846)	-
<b>Other Changes</b>					
<i>Vacation Pay-in-Lieu and Termination Pay</i>	-	38,418	-	38,418	-
<i>Hourly Wages</i>	-	9,888	-	9,888	-
<i>Other Salaries &amp; Wages Adjustments</i>	-	45,988	-	45,988	-
<i>Other Fringe Benefits Adjustments</i>	-	215,932	-	215,932	-
<i>Non-Discretionary Adjustments</i>	-	-	108,118	108,118	-
<i>Other Adjustments</i>	-	-	(744)	(744)	-
<b>FY 2022 Proposed Budget</b>	<b>71.99</b>	<b>\$ 9,161,317</b>	<b>\$ 1,138,110</b>	<b>\$ 10,299,427</b>	<b>\$ 6,200</b>
<b>Difference from 2021 to 2022</b>	<b>2.00</b>	<b>\$ 604,410</b>	<b>\$ 82,340</b>	<b>\$ 686,750</b>	<b>\$ -</b>

## Department Review: Personnel Department

Performance Measure	Target FY 2020	Actual FY 2020	Target FY 2021	Estimated FY 2021	Target FY 2022
Number of days to issue certification to hiring departments (without recruitment)	11	11	11	12	12
Number of days to issue certification to hiring departments when recruitment is required	57	54	57	65	60

expenditures. The Department currently has 10.00 FTE vacancies, six of which it has held vacant during FY 2021 to keep spending in line with the Adopted Budget. The Department plans to fill the other four of its recent vacancies in FY 2021.

The 4% budget reduction, and resulting hold on filling six vacant positions, has impacted the Department's key performance measures, specifically the number of days it takes to issue a certification list to hiring departments. Estimated impacts are indicated in the Estimated FY 2021 and Target FY 2022 columns of the preceding table. Note that these are updated estimates from those included in the FY 2022 Proposed Budget.

## Department Review: Planning

# Planning

The Planning Department is responsible for the long-term growth of the City, and is primarily tasked with implementing the General Plan, creating and refining land use policies and ordinances, and conducting analysis for new citywide plans and policies.

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget categorizes the Planning Department into three divisions based upon their respective work functions. These divisions are:

- Community Planning & Implementation Division
- Environment Division & Mobility Planning Division
- Planning Division

Due to varied work functions and multiple funding sources in the Department, the following analysis is organized by funding source.

### General Fund

The FY 2022 Proposed Budget for the Planning Department totals approximately \$8.7 million, an increase of approximately \$887,000 from the FY 2021 Adopted Budget. FY 2022 Adopted Budget. FTEs budgeted in the General Fund remain unchanged at 51.75.

There are no programmatic changes in activities supported by the General Fund.

### Revised Revenue

General Fund revenues in the Proposed Budget are projected to total approximately \$3.1 million, an increase of \$607,000 from the FY 2021 Adopted Budget. This revenue increase is attributable to anticipated transfers in funding from the General Plan Maintenance Fund of \$455,000 and from the Facilities Financing Fund of \$152,000. These transfers are based on reimbursable activities, and will support work program initiatives including the Developer Impact Fee rebuild and the Complete Communities Infrastructure initiative.

### Issues for Council Consideration

#### Community Plan Updates

The Department's planned work schedule for community plan updates in FY 2022 is currently under development, and is anticipated to be completed after the Budget is adopted. The Department's current work plan can be found on [the Planning Department's website](#). The workplan currently specifies seven community plan updates, as noted on the following page.

SUMMARY OF PLANNING DEPARTMENT GENERAL FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	51.75	\$ 6,938,327	\$ 907,151	\$ 7,845,478	\$ 2,474,580
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	744,414	-	744,414	-
<i>Other Personnel Adjustments</i>	-	12,162	-	12,162	-
<i>Information Technology Adjustments</i>	-	-	145,924	145,924	-
<i>Other Adjustments</i>	-	-	(15,288)	(15,288)	606,540
<b>FY 2022 Proposed Budget</b>	<b>51.75</b>	<b>\$ 7,694,903</b>	<b>\$ 1,037,787</b>	<b>\$ 8,732,690</b>	<b>\$ 3,081,120</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 756,576</b>	<b>\$ 130,636</b>	<b>\$ 887,212</b>	<b>\$ 606,540</b>

## Department Review: Planning

COMMUNITY PLAN UPDATE WORK SCHEDULE	
Community	Target Completion
Kerney Mesa	Completed Nov 2020
Barrio Logan	2021
Clairemont	2021
University	2022
Uptown	2022
College Area	2023

### California Coastal Commission Position Support

The Planning Department requested consideration of making \$200,000 in contractual expenditures to support the creation of a position at the California Coastal Commission (CCC) that would have the primary role of reviewing City programs, projects, and permitting request before the CCC. This could benefit both General Fund and non-General Fund Departments. This request was not included in the Proposed Budget; if it were included, funding would have to be allocated proportionally from each Department and funding source that would benefit. Council may wish to ask for more details on this request.

### General Plan Maintenance Fund (GPMF)

The FY 2022 Proposed Budget for the GPMF includes \$4.2 million in expenditures, which is an increase of \$387,000 from the FY 2021 Adopted Budget. The increase in expenditures is associated with planned work on Community Plan Updates scheduled for FY 2022 (see work schedule above).

Revenues in the FY 2022 Proposed Budget for the GPMF total \$3.4 million, an increase of \$100,000 over FY 2021.

### Facilities Financing Fund

The FY 2022 Proposed Budget totals approximately \$3.3 million for the Facilities Financing Fund, which represents an increase of \$159,000 from FY 2021. FTEs supported by the Facilities Financing Fund remain unchanged at 18.00. The increase in expenditures is mostly due to an additional \$95,000 being budgeted to reimburse the General Fund for work on the Complete Communities Infrastructure initiative.

FY 2022 Revenues for the Facilities Financing Fund are budgeted at \$3.3 million, an increase of \$202,000 over FY 2021.

SUMMARY OF PLANNING DEPARTMENT FACILITIES FINANCING FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	18.00	\$ 2,334,083	\$ 799,967	\$ 3,134,050	\$ 3,135,998
<b>Programmatic Changes</b>					
<i>Complete Communities Infrastructure Initiative</i>	-	-	95,465	95,465	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	46,982	-	46,982	-
<i>Information Technology Adjustments</i>	-	-	27,028	27,028	-
<i>Other Adjustments</i>	-	(37,491)	26,919	(10,572)	202,499
<b>FY 2022 Proposed Budget</b>	<b>18.00</b>	<b>\$ 2,343,574</b>	<b>\$ 949,379</b>	<b>\$ 3,292,953</b>	<b>\$ 3,338,497</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 9,491</b>	<b>\$ 149,412</b>	<b>\$ 158,903</b>	<b>\$ 202,499</b>

## Department Review: Police

# Police

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for the Police Department is approximately \$591.8 million for the General Fund, an increase of \$23.5 million or 4.1% from the FY 2021 Budget.

The expenditure increase is predominantly related to two non-programmatic factors: (1) Fringe Benefits increasing by \$13.7 million primarily due to pension cost increases; and (2) Non-Discretionary (i.e., expenses determined by the Department of Finance) increasing by \$7.4 million primarily consisting of IT and fleet vehicle/fuel costs.

Overall, Personnel Expenditures constitute the most significant portion of the Department's Proposed Budget at \$510.6 million, or 86.3%. Non-personnel Expenditures total \$81.7 million, or 13.7%, of which \$52.4 million, or 8.9% is Non-Discretionary.

The FY 2022 Proposed Budget includes 2,634.14 FTE positions, an increase of 2.00 civilian FTE positions from FY 2021. As discussed later in this section, the additional FTEs represent the annualization of positions added in the FY 2021 Adopted Budget for Sexual Assault Evidence Kit testing.

Budgeted revenue totaling \$39.2 million represents a decrease of \$49.2 million primarily reflecting the one-time removal of Coronavirus Relief Fund (CRF) revenue.

We would also like to note that, at the request of the Chair of the Public Safety and Livable Neighborhoods (PS&LN) Committee, our Office conducted a comprehensive analysis of the Police Department FY 2021 Adopted Budget and released IBA Report 20-21 in October 2020 (<https://www.sandiego.gov/sites/default/files/iba-report-20-21.pdf>).

SUMMARY OF POLICE DEPARTMENT FY 2022 GENERAL FUND BUDGET				
	FY 2021 Adopted	FY 2022 Proposed	Change (\$)	Change (%)
<b>Total FTEs</b>	<b>2,632.14</b>	<b>2,634.14</b>	<b>2.00</b>	<b>0.1%</b>
<i>Sworn Positions</i>	<i>2,038.88</i>	<i>2,038.88</i>	<i>0.00</i>	<i>0.0%</i>
<b>Personnel Expense</b>	<b>\$ 496,296,270</b>	<b>\$ 510,588,116</b>	<b>\$ 14,291,846</b>	<b>2.9%</b>
<i>Salary and Wages</i>	<i>247,585,415</i>	<i>251,198,402</i>	<i>3,612,987</i>	<i>1.5%</i>
<i>Overtime</i>	<i>33,715,021</i>	<i>30,678,213</i>	<i>(3,036,808)</i>	<i>-9.0%</i>
<i>Fringe Benefits</i>	<i>214,995,834</i>	<i>228,711,501</i>	<i>13,715,667</i>	<i>6.4%</i>
<b>Non Personnel Expense</b>	<b>\$ 71,947,288</b>	<b>\$ 81,165,167</b>	<b>\$ 9,217,879</b>	<b>12.8%</b>
<i>Supplies</i>	<i>7,102,251</i>	<i>7,088,351</i>	<i>(13,900)</i>	<i>-0.2%</i>
<i>Contracts</i>	<i>15,121,538</i>	<i>15,614,728</i>	<i>493,190</i>	<i>3.3%</i>
<i>Information Technology</i>	<i>3,662,859</i>	<i>5,070,440</i>	<i>1,407,581</i>	<i>38.4%</i>
<i>Energy and Utilities</i>	<i>933,801</i>	<i>933,801</i>	<i>-</i>	<i>-</i>
<i>Other</i>	<i>68,000</i>	<i>-</i>	<i>(68,000)</i>	<i>-100.0%</i>
<i>Transfers Out</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Capital Expenditures</i>	<i>25,000</i>	<i>25,000</i>	<i>-</i>	<i>-</i>
<i>Non-Discretionary</i>	<i>45,033,839</i>	<i>52,432,847</i>	<i>7,399,008</i>	<i>16.4%</i>
<b>Total Expenditures</b>	<b>\$ 568,243,558</b>	<b>\$ 591,753,283</b>	<b>\$ 23,509,725</b>	<b>4.1%</b>



# Department Review: Police

Police Overtime - Historical Budget vs. Actuals (in Millions)								
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*	FY 2021*	FY 2022
<b>Budget</b>	\$11.1	\$18.0	\$21.0	\$26.3	\$24.6	\$35.9	\$38.1	\$30.7
<b>Actual</b>	\$23.1	\$25.0	\$26.0	\$29.7	\$31.9	\$44.8	\$38.1 (Proj.)	-
<b>Overage</b>	<b>\$12.0</b>	<b>\$7.0</b>	<b>\$5.0</b>	<b>\$3.4</b>	<b>\$7.3</b>	<b>\$8.9</b>	<b>-</b>	<b>-</b>

\* FY 2020 and FY 2021 included \$3.9 million and \$4.3 million, respectively, budgeted in the Seized Asset Fund.

This report was heard by the PS&LN Committee on October 28, 2020.

The report is in excess of 100 pages containing detailed information concerning the Department's budget and operations on a unit-by-unit basis. Additionally, it provides an overview on specific topics that have been of interest to the Council and public, such as overtime, contracts, grants, and training. We believe that this report will continue to prove beneficial for the Council as they evaluate the Police Department's FY 2022 Proposed Budget.

## Net Reduction of Overtime

The FY 2022 Proposed Budget decreases the Department's overtime expenditures by \$7.4 million (a net reduction of \$3.0 in the General Fund and \$4.4 in the Seized Assets Fund) for a total overtime budget of \$30.7 million (all General Fund).

As shown in the table above, the overtime reductions proposed for FY 2022 will reverse a trend of increase overtime expenditures that has continued for several years.

For FY 2022, the net reduction of \$7.4 million in overtime is attributed to the following:

- Removal of \$4.4 million in Neighborhood Policing overtime budgeted in the Seized Assets, of which \$3.4 million is assumed on an ongoing basis by the General Fund (a net reduction of \$1.0 million).
- \$2.0 million ongoing reduction in Extension of Shift overtime (\$1.0 million for Patrol Staffing Backfill and \$1.0 million for Communications Staffing).
- \$2.0 million removal of COVID-19 related overtime funded on a one-time basis by CRF.
- \$1.0 million ongoing reduction in Clean SD overtime.

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	2,632.14	\$ 496,296,270	\$ 71,947,288	\$ 568,243,558	\$ 88,379,199
<b>Programmatic Changes</b>					
Neighborhood Policing Overtime	-	3,375,292	-	3,375,292	-
Reduction of Extension of Shift Overtime	-	(2,029,000)	-	(2,029,000)	-
Reduction of Clean SD Overtime	-	(1,014,500)	-	(1,014,500)	-
COVID-19 Related Impacts	-	(1,049,406)	-	(1,049,406)	(6,795,768)
Reduction of Stadium Operations	-	(232,778)	-	(232,778)	(702,928)
Reduction of Operation Stonegarden	-	(101,450)	-	(101,450)	(100,000)
Back to Work SD: No Shots Fired Program	-	-	250,000	250,000	-
COVID-10 Related Expenditures	-	-	250,000	250,000	-
One-Time Reductions and Annualizations	-	(2,454,457)	565,656	(1,888,801)	(42,187,134)
Revised Revenue	-	-	-	-	585,367
<b>Other Changes</b>					
Salary and Benefit Adjustments	2.00	16,568,411	-	16,568,411	-
Other Salaries & Wages	-	1,229,734	-	1,229,734	-
Discretionary Information Technology Costs	-	-	1,407,581	1,407,581	-
Non-Discretionary Adjustments	-	-	7,399,008	7,399,008	-
FY 2021 Citywide Contracts Reduction of 2.6%	-	-	(651,276)	(651,276)	-
Other Adjustments	-	-	(3,090)	(3,090)	-
<b>FY 2022 Proposed Budget</b>	<b>2,634.14</b>	<b>\$ 510,588,116</b>	<b>\$ 81,165,167</b>	<b>\$ 591,753,283</b>	<b>\$ 39,178,736</b>
<b>Difference from 2021 to 2022</b>	<b>2.00</b>	<b>\$ 14,291,846</b>	<b>\$ 9,217,879</b>	<b>\$ 23,509,725</b>	<b>\$ (49,200,463)</b>

Office of the Independent Budget Analyst  
April 2021

# Department Review: Police

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- \$1.0 million one-time reduction in Special Event overtime due to impacts related to COVID-19.
- \$0.2 million ongoing reduction in SDCCU Stadium Special Event overtime.
- \$0.1 million ongoing reduction in grant funded overtime related to Operation Stonegarden, a regional joint operation related to border crime which the Department will no longer be a participant.

Of the adjustments proposed for the Department's overtime budget, the reductions to Extension of Shift, Neighborhood Policing, and Clean SD represent budget mitigating actions.

According to the Department, the reductions to Neighborhood Policing and Clean SD overtime funding is expected to result in 3 fewer officers per day assigned to each of these programs. With respect to the Clean SD reduction they estimate that this could result in 725 fewer tons of litter being removed over the course of the year; for Neighborhood Policing, they estimate that it would equate to 2,820 fewer calls for service responded to and 840 fewer Homeless Outreach Team contacts.

## **Back to Work SD: No Shots Fired Program**

The FY 2022 Proposed Budget includes \$250,000 in one-time funding for the No Shots Fired Pilot Intervention and Prevention Program intended to reduce gang violence. The Gang Intervention Unit will serve as the Department's lead on this initiative.

## **COVID-19 Related Expenditures**

The FY 2021 Adopted Budget included \$250,000 in one-time non-personnel expenditures for police facility sanitation services, personal protective equipment and COVID-19 testing. The FY 2022 Proposed Budget continues this funding for the same purposes.

## **Discretionary IT Costs**

The FY 2022 Proposed Budget includes \$1.4 million in non-personnel expenditures for the following information technology related

purposes:

- \$788,000 in ongoing expenditures for lease costs associated with ruggedized laptops used by patrol officers within their patrol vehicle. The laptops are a primary means for officers to communicate with dispatch using the Department's Mobile for Public Safety (MPS) program.
- \$550,000 in expenditures for Computer Aided Dispatch (CAD) upgrades, of which \$500,000 is one-time funding for a contractually mandated version update, and \$50,000 is ongoing for as-needed change orders.
- \$70,000 in ongoing expenditures for maintenance of the Police Department's back-up dispatch center.

## **Annualization of SART Kit Testing Positions**

The FY 2021 Adopted Budget included the addition of 4.00 Criminalist 2 positions to ensure that the Department is able to meet SB 22 mandates which require sexual assault evidence (SART) kits to be tested within 120 days. A starting date of January 2021 was assumed and therefore the four positions were prorated as 2.00 FTEs. The FY 2022 Proposed Budget annualizes the remaining 2.00 FTEs. 2.00 Criminalist 2 positions are expected to be filled in May 2021; the other 2.00 FTEs remain vacant. The Department has cited candidate background clearance issues as the cause for delay.

## **Budgeted Personnel Expenditure Savings**

The FY 2022 Proposed Budget includes a \$2.8 million reduction in Budgeted Personnel Expenditure (PE) Savings (effectually results in a budget increase) based on trends which have reflected improved academy sizes and reduced average vacancies. This would decrease budgeted PE savings from \$20.4 million in the FY 2021 Adopted Budget down to \$17.6 million. We note that this adjustment is the

# Department Review: Police

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primary reason that overall Salaries and Wages are increasing.

## **One-Time Reductions and Annualizations**

The FY 2022 Proposed Budget includes One-Time Reductions and Annualizations totaling \$1.9 million. This reduction is primarily the net result of the following:

- Removal of \$2.3 million in COVID-19 related expenditures funded on a one-time basis by CRF in FY 2021, including, \$2.0 million for overtime and \$250,000 for NPE; and
- Addition of \$900,000 for helicopter maintenance which was reduced on a one-time basis in FY 2021 as a budget mitigation measure.

## **Non-Discretionary Adjustments**

The FY 2022 Proposed Budget includes a \$7.4 million net increase in Non-Discretionary Adjustments. Approximately \$2.9 million of this reflects non-discretionary IT cost increases (i.e., data center, voice/data network, help desk and desktop support, cyber security, etc.) and \$3.6 million is for increased fleet vehicle and fuel costs. In addition, there is a \$1.5 million increase in estimated debt service expenditures (non-discretionary) related to the anticipated purchase and financing of new public safety radios for Police and Fire-Safety. The Department of IT, which is leading the project, expects to bring the purchase contract for Council approval later in CY 2021.

## **Significant Revenue Changes**

The FY 2022 Proposed Budget includes a net revenue decrease of \$49.2 million, primarily due to the removal of \$42.2 million one-time revenue from the Coronavirus Relief Fund (CRF).

Aside from one-time revenue removal, other revenue adjustments included in the FY 2022 Proposed Budget result in a net revenue

decrease of \$7.0 million:

- \$6.8 million reduction in revenue from parking enforcement (\$4.0 million), special event reimbursements (\$1.6 million), and the San Diego Municipal Court (\$1.2 million) due to impacts related to COVID-19. This level of reduction assumes a return to normal operations in fall 2021.
- \$703,000 reduction related to the discontinuance of stadium operations for which the Department was reimbursed for special events (regular time and overtime).
- \$100,000 reduction in grant revenue related to the discontinuance of Operation Soundgarden.
- \$500,000 reduction in TOT reimbursement for tourism-related safety services provided the Department.
- \$200,000 reduction in Proposition 69 (DNA Fingerprint, Unsolved Crime and Innocence Protection Act) revenue received from the County, largely due to reduced criminal offense collections and the closure of courts due to COVID-19.
- \$981,000 increase in Safety Sales Tax allocation and a \$304,000 one-time use of Public Safety Services and Debt Fund fund balance, as a budget mitigation measure

## **Issues for Council Consideration**

### **Council Budget Priority Items**

A majority of Councilmembers expressed support in their budget priority memoranda for the reallocation of Police Department funding and the reassignment of services currently being conducted by law enforcement. This priority was partially met given that \$4.0 million in ongoing overtime expenditures was reduced from the Department's budget, though the funding was not specifically reallocated, nor were services performed by the

## Department Review: Police

Department reassigned to non-law enforcement service providers.

### Officer Recruitment and Retention

Sworn officer attrition thus far in FY 2021 stands at 115 officers, a rate of approximately 12 per month. As shown in the table below, this represents an incremental improvement compared to the last few years.

Total Sworn Attrition		
Fiscal Year	Total Lost	Monthly
FY 2018	174	14
FY 2019	158	13
FY 2020	155	13
FY 2021	138 Proj.	12

The improvement is primarily stemming from a reduction in officers lost to other law enforcement agencies (8 projected in FY 2021 at year-end compared to 33 lost in FY 2018) and fewer retirements (65 projected in FY 2021 compared to 82 in FY 2018). The FY 2022 Proposed Budget assumes a sworn attrition rate of 13 departures per month.

Recruiting results have also improved notably over the last couple years with academy sizes constantly starting in the range of 50-55 recruits. The Department is currently experiencing a successful completion rate of 74% from the Police Academy and the Field Training Program. Therefore, each academy produces approximately 40 officers who are ultimately assigned to work the Community.

The Department has noted that they have had to adjust their approach to recruiting as a result of COVID-19. Recruiting efforts in FY 2021 have consisted of doing virtual events to include career fairs, colleges, and police academies. They have done several Instagram live sessions to highlight different units within the Department, such as ABLE, K-9, Homicide, Media Unit, and Academy.

Since the Recruiting Unit was not attending in-person events in FY 2021, the Department contracted Loma Media in January 2021 to run digital advertisements in San Diego through Google and YouTube through the remainder of FY 2021. We note that these services differ from the recruitment marketing/branding services previously provided by Loma Media. As restrictions lift and the Recruiting Unit is able to attend in-person events, Department personnel plan to do so. The Department's Recruiting Unit consists on 1.00 Police Sergeant and 5.00 Police Officers and has a budget of \$50,000 for recruiting efforts.

## Department Review: Public Utilities

# Public Utilities

The Public Utilities Department is responsible for providing water and sewer services throughout the City of San Diego. Three major enterprise funds support the Public Utilities Department's operations: the Metropolitan Sewer Utility Fund, Municipal Sewer Revenue Fund, and the Water Utility Operating Fund. Additionally, the Department manages recreational use of the City's reservoirs via the General Fund.

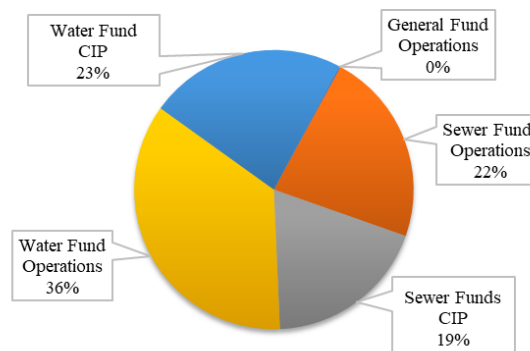
## Impacts of Mayor's FY 2022 Budget Proposal

A summary of operating budget expenditure and position changes for the Public Utilities Department is shown in the table below broken out by fund. For FY 2022, the Proposed Operating Budget for all funds combined is approximately \$987.6 million, which is an increase of \$35.6 million, or 4%, from the FY 2021 Adopted Budget. Positions are increased by 66.07 for a total of 1,775.5 FTE positions in the Department.

The table below only includes the operating budget for the Public Utilities Department which will be discussed in this section. However, the pie chart above and to the right displays the allocation of the Department's full \$1.7 billion FY 2022 Proposed Budget, including new allocations for the Capital Improvements Program (CIP). For more information on the CIP, see the *Capital Improvements Program* review section earlier in this report.

The CIP represents approximately 42% of the Department's proposed budget for FY 2022.

**PUBLIC UTILITIES FY 2022 PROPOSED BUDGET**



When combined, the operating and CIP components of the Water Fund represent 59% of the Department's total proposed budget and Sewer is 41%. The General Fund, at \$2.4 million, represents less than a percent of the Department's total proposed budget for FY 2022.

The following discussion of budget adjustments will start with the General Fund, followed by Department-wide activities that span both the Sewer and Water Funds, followed by adjustments that are unique to each funding source.

## General Fund

The City offers recreational use of the water reservoirs. The recreational activities are fully supported by the General Fund with no impact on Public Utilities Department's enterprise funds or the rate payers. The expenses are partially offset by fees from recreation patrons.

The FY 2022 Proposed Budget for the reservoir recreation program is \$2.4 million, which is a reduction of \$331,000, or 12%, from the FY 2021 Adopted Budget. Revenue to support

SUMMARY OF PUBLIC UTILITIES DEPARTMENT OPERATING BUDGET						
Fund	FY 2021 FTE	FY 2022 FTE	Change	FY 2021 Expense	FY 2022 Expense	Change
General Fund	-	-	-	2,727,387	2,396,709	(330,678)
Sewer Funds	902.86	923.83	20.97	371,201,659	381,277,765	10,076,106
Water Fund	806.57	851.67	45.10	578,008,736	603,901,160	25,892,424
<b>Combined Public Utilities Funds</b>	<b>1,709.43</b>	<b>1,775.50</b>	<b>66.07</b>	<b>\$ 951,937,782</b>	<b>\$ 987,575,634</b>	<b>\$ 35,637,852</b>



## Department Review: Public Utilities

the program is budgeted at approximately \$1.3 million for FY 2022, which represents roughly 56% of the cost of the program. There are no staff budgeted in this program as expenses reimburse Water Fund staff for running the program.

### Significant Budget Reductions

The Public Utilities Department proposes to eliminate water contact sport activities at the El Capitan Reservoir for a budgetary reduction of \$148,000. This permanently eliminates jet skiing and water skiing at this reservoir. This activity was proposed for reduction in the FY 2021 Proposed Budget; however, City Council restored the funding in their final budget approval. The Ranger/Diver position that supports these activities has been vacant all of FY 2021 and there has been no water contact sport activity at El Capitan Reservoir during FY 2021. The Department indicated that demand for these activities is low at El Capitan Reservoir and the San Vicente Reservoir is available for water contact sports.

The other notable adjustment in the General Fund is the transfer of \$181,000 of waste removal expenses at Lake Murray to the Water Fund. This amount includes the 2.6% reduction applied to General Fund contracts in FY 2021 that has been allocated to Departments in the FY 2022 Proposed Budget.

During the COVID-19 pandemic, when reservoir recreation activities had to be shut down, the Department noted expenses which still had to be supported regardless of the recreational activities, such as waste removal at Lake Murray. As such, the Water Fund picked up any necessary unfunded maintenance activities at

the water reservoirs as part of their responsibility to provide safe drinking water to customers. For FY 2022, the budget is being moved to the Water Fund with no impact on services or recreational activities.

### Department-Wide Activities

The table below summarizes the total Department impact of various budget adjustments that span both the Sewer and Water Funds. For specific amounts by fund including the breakdown of personnel and non-personnel expenses for these activities, refer to each fund's table of budget changes later in this section.

DEPARTMENT-WIDE ACTIVITIES		
Description	FTE	Expense
Preventative Maintenance	16.00	\$ 14,558,810
Condition Assessments	-	2,200,000
Pure Water Program	11.50	1,942,123
Advance Metering Infrastructure	12.00	949,039
Analysis & Monitoring	-	941,000
Customer Service	4.50	807,288
Industrial Control System	5.00	459,652
Regulatory Compliance	2.00	348,255
Outfitting of Vehicles	-	345,000
Inventory Control Management	2.00	134,436
Budgeted Contingency Reserves	-	(7,000,000)

For the purposes of review, we will discuss these activities holistically across the department, rather than by fund.

- \$14.6 million and 16.00 FTE positions for preventative maintenance of various sewer and water infrastructure. The Department is making efforts to be more proactive by increasing preventative maintenance conducted on the Department's facilities and infrastructure. Funding

SUMMARY OF PUBLIC UTILITIES GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	-	\$ -	\$ 2,727,387	\$ 2,727,387	\$ 1,345,146
<b>Programmatic Changes</b>					
<i>Eliminate Water Contact Rec at El Capitan Reservoir</i>	-	-	(147,889)	(147,889)	-
<i>Transfer Waste Removal Service at Lake Murray</i>	-	-	(181,291)	(181,291)	-
<b>Other Changes</b>					
<i>Non-Discretionary Adjustments</i>	-	-	(1,498)	(1,498)	-
<b>FY 2022 Proposed Budget</b>	-	\$ -	\$ 2,396,709	\$ 2,396,709	\$ 1,345,146
<b>Difference from 2021 to 2022</b>	-	\$ -	\$ (330,678)	\$ (330,678)	\$ -

## Department Review: Public Utilities

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allocated for FY 2022 will include needed maintenance and repairs at major sewer facilities, including the Point Loma Wastewater Treatment Plant, North City Water Reclamation Plant, Metro Bio-Solids Center, and Pump Station 64; and major water facilities, including the City's 3 water treatment plants at Alvarado, Otay and South Bay.

In addition, the Water Fund adds 16.00 FTE positions to support ongoing operations and maintenance of the 3 water treatment plants (14.00 FTE positions) and conduct repairs of sidewalks, streets, water main breaks, and water meter boxes and lids (2.00 FTE positions).

- \$2.2 million for condition assessments to begin a program of looking at the sewer and water infrastructure holistically. The goal is to develop a Department-wide Master Plan with a comprehensive view of needed repairs, rehabilitation and maintenance needed to maximize the useful life of the Department's infrastructure. This is in addition to the preventative maintenance funding discussed above and the condition assessments for the dams listed under the Water Fund.
- \$1.9 million and 11.50 FTE positions for the Pure Water Program. This is part of a multi-year plan to staff up for the operations of Phase I of the Pure Water Program. Positions began being added to the budget 2 years ago. Positions being added include Pure Water plant operators and supervisors, technicians, chemists, and biologist. In addition to staff, this year's budget includes lab supplies and equipment, vehicles, software licenses, and interim office space.
- \$949,000 and 12.00 FTE positions for advance metering infrastructure (AMI). This increase in positions and funding will support the existing AMI infrastructure with replacements of broken meters, boxes and

lids plus the backlog of inspections for backflow connectors. The added positions include water utility workers and backflow cross-connection specialists. This budget allocation does not include expansion of the AMI program at this time. The Department is conducting a Request for Proposal to hire a consultant to develop an implementation plan for the expansion.

- \$941,000 for analysis and monitoring of wastewater flow to control and minimize pollutants, ensure the treatability of wastewater, maintain regulatory compliance, and deliver safe and high-quality drinking water. This includes the purchase of lab and field equipment, such as two replacement auto-sampler units, as well as contracts for testing and analysis of samples. These activities support the wastewater treatment plans, pump stations and the Pure Water Program.
- \$807,000 and 4.50 FTE positions to support customer service, including the addition of 2.00 FTE Customer Service Supervisors, 2.50 FTE hourly Customer Service Representatives and information technology system enhancements and equipment.
- 5.00 FTE positions at a cost of \$460,000 to support the industrial control system which provides electronic surveillance and access control to sewer and water facilities. The positions added are instrument control technicians and supervisors. The added support is intended to reduce the frequency of system component failures and increase availability of in-house staff to address issues.
- \$348,000 and 2.00 FTE positions for regulatory compliance. The increase includes 2.00 FTE Senior Planners and software to track and ensure compliance with various complex permit and regulatory requirements throughout the Department for both the sewer and water systems.

## Department Review: Public Utilities

- \$345,000 to outfitting vehicles to meet the Department's unique requirements for mobile laboratories and field inspections.
- 2.00 FTE positions at a cost of \$134,000 for inventory control management at a new in-house warehouse. The positions added are a Storekeeper and a Fleet Parts Buyer.
- \$7.0 million reduction in the budgeted reserves (\$3.5 million each for Sewer and Water Funds) to match Reserve Policy requirements.

### Sewer Funds

The FY 2022 Proposed Budget for operating expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals

\$381.3 million, which is an increase of \$10.1 million, or 3%, from FY 2021. Revenues in the Sewer Funds are budgeted at \$609.7 million, which is an increase of \$199.4 million from FY 2021 primarily due to the addition of State Revolving Fund loans to support CIP projects. Positions are increased by 20.97 FTE positions to 923.83 FTE positions for FY 2022.

### Significant Budget Adjustments

Department-wide activities, as noted by an asterisk in the table below, were discussed previously under the *Department-Wide Activities* header in combination with the budget amounts from the Water Fund. Following are the notable FY 2022 budget adjustments that are unique to the sewer system.

- \$2.1 million true-up of the contract budget for the Energy Program. This contract

SUMMARY OF SEWER FUNDS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	902.86	\$ 99,781,171	\$ 271,420,488	\$ 371,201,659	\$ 410,298,397
<b>Programmatic Changes</b>					
<i>Preventative Maintenance*</i>	-	-	4,460,000	4,460,000	-
<i>Energy Program Contracts</i>	-	-	2,073,400	2,073,400	-
<i>Biosolids Hauling &amp; Disposal</i>	-	-	1,785,000	1,785,000	-
<i>Condition Assessments*</i>	-	-	1,360,000	1,360,000	-
<i>Power Reliability Project &amp; New Pump Station Section</i>	9.00	917,672	-	917,672	-
<i>Chemicals</i>	-	-	900,000	900,000	-
<i>Analysis &amp; Monitoring*</i>	-	-	821,000	821,000	-
<i>Flow &amp; Depth Monitoring</i>	-	-	745,890	745,890	-
<i>Pure Water Program Operations*</i>	3.86	337,193	239,200	576,393	-
<i>NPDES Waiver &amp; Permit Compliance</i>	1.35	132,455	300,000	432,455	-
<i>Customer Service*</i>	2.25	145,289	282,625	427,914	-
<i>Outfitting of Vehicles*</i>	-	-	305,000	305,000	-
<i>Regulatory Compliance*</i>	1.08	123,257	87,600	210,857	-
<i>1.00 Assistant Deputy Director</i>	1.00	155,540	-	155,540	-
<i>Advance Metering Infrastructure*</i>	2.30	142,177	-	142,177	-
<i>Inventory Control Management*</i>	1.06	71,251	-	71,251	-
<i>Industrial Control System*</i>	0.53	49,192	-	49,192	-
<i>Budgeted Contingency Reserve Reduction*</i>	-	-	(3,500,000)	(3,500,000)	-
<b>Other Changes</b>					
<i>Information Technology Adjustments</i>	-	-	3,419,047	3,419,047	-
<i>Salary &amp; Fringe Benefit Adjustments</i>	(0.35)	1,877,489	-	1,877,489	-
<i>City Branch Management Cost Allocation</i>	-	-	(26,263)	(26,263)	-
<i>Equipment Rental Rate Reduction</i>	-	-	(127,452)	(127,452)	-
<i>Reallocation to Water Fund</i>	(1.11)	(206,749)	-	(206,749)	-
<i>Miscellaneous Consultant &amp; Contract Reductions</i>	-	-	(213,394)	(213,394)	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(1,827,451)	(1,827,451)	(1,107,975)
<i>Non-Discretionary Adjustments</i>	-	-	(4,752,862)	(4,752,862)	-
<i>Revised Revenue, incl State Revolving Fund Loan</i>	-	-	-	-	200,468,358
<b>FY 2022 Proposed Budget</b>	<b>923.83</b>	<b>\$ 103,525,937</b>	<b>\$ 277,751,828</b>	<b>\$ 381,277,765</b>	<b>\$ 609,658,780</b>
<b>Difference from 2021 to 2022</b>	<b>20.97</b>	<b>\$ 3,744,766</b>	<b>\$ 6,331,340</b>	<b>\$ 10,076,106</b>	<b>\$ 199,360,383</b>

\* Department-wide activity

## Department Review: Public Utilities

supports the production of energy at the sewer treatment plants. The Public Utilities Department uses the energy produced, which has a lower cost than current SDG&E rates.

- \$1.8 million for an increase in the hauling and off-site disposal of biosolids processed at the Metro Bio-solids Center due to annual cost increases combined with new State regulatory requirements.
- 9.00 FTE positions at a cost of \$918,000 for the Power Reliability Project and a new Pump Station section to ensure a reliable power source at the wastewater treatment plants and pump stations in the event power from SDG&E is lost. The additional staff will create a new work unit for ongoing preventative maintenance at the City's 80+ sewer pump stations. Positions added include plant operators and technicians.
- \$900,000 for a 5% increase in the cost to purchase wastewater treatment chemicals.
- \$746,000 for an increase in the cost of flow and depth monitoring due to annual cost increases and expansion to additional sites. These monitoring services are used to identify where there may be breaks in the sewer system through monitoring pipe conditions and conducting cleanings to prevent overflows and protect public health. The Department indicated that they are gradually switching from depth to flow monitoring over a 3-year period.
- \$432,000 and 1.35 FTE positions to support the National Pollution Discharge Elimination System (NPDES) waiver and permit requirements, including securing the new waiver for the Point Loma Wastewater Treatment Plant.
- 1.00 FTE Assistant Deputy Director at a cost of \$156,000 for the Wastewater Collection Division. The new position will

assist with supporting the 24/7 operations of the division in preventing sewer spills and support the division's Deputy Director in handling complex situations and interacting with regulatory agencies.

### Water Fund

Expenditures in the FY 2022 Proposed Budget for the Water Utility Operating Fund total \$603.9 million, which is an increase of \$25.9 million, or 4%, from the FY 2021 operating budget. Revenues in the Water Fund are proposed at \$1.0 million, an increase of \$187.3 million from the FY 2021 Adopted Budget, primarily from additional Water Infrastructure Finance and Innovation Act (WIFIA) and commercial paper debt revenue supporting the CIP. Positions are increased by 45.10 FTE positions to 851.67 FTE positions for FY 2022. (see *Water Fund table on next page*)

### Significant Budget Adjustments

Department-wide activities, as noted by an asterisk in the table on the following page, were discussed previously under the *Department-Wide Activities* header in combination with the budget amounts from the Sewer Funds. Following are the notable FY 2022 budget adjustments that are unique to the water system.

- \$8.3 million for an estimated increase in the cost and quantity of purchased water. Approximately half of the City's purchased water comes from the San Diego County Water Authority (CWA) and the FY 2022 Proposed Budget assumes a 5% increase in cost; however, the actual CWA rate increase is not yet known. In addition, the quantity of water purchased by the City fluctuates greatly based on our weather and availability of our own water in the reservoirs.
- \$3.4 million and 4.00 FTE positions in additional support to conduct condition assessments for the City's 9 dam. The Department estimates completing condition

## Department Review: Public Utilities

assessments for 2-3 dams each year and being done with assessments for all 9 dams in 3 years. They began with the Lake Hodges and El Capitan Dams which currently have imposed height limits. Once the assessments are completed, additional capital and operating funding will likely be needed to complete required repairs and maintenance of the infrastructure. The positions added are civil engineers.

- 7.00 FTE positions at a cost of \$530,000 for the water distribution system. The new positions will allow the Department to add another work shift and create backups during absences to ensure 24/7 coverage at the water facilities.

### Issues for Council Consideration

#### Rate Case/Cost of Service Study

The Public Utilities Department released the wastewater (sewer) cost of service study in

March 2021 and presented to the Budget and Government Efficiency Committee on April 7, 2021. The Office of the IBA has retained the services of Stantec to conduct an independent review of the cost of service study and proposed rate increases. That evaluation is currently underway and anticipated to be presented to the Budget and Government Efficiency Committee on May 26, 2021. The Public Utilities Department then intends to return to the Budget and Government Efficiency Committee in June followed by presentation to the City Council in July in order to initiate the Proposition 218 public review process, with the goal of having City Council approve the requested wastewater rate increases in September 2021.

The timing of release of the next water cost of service study and request for rate increases is unknown at this time.

SUMMARY OF WATER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	806.57	\$ 82,591,266	\$ 495,417,470	\$ 578,008,736	\$ 834,023,316
<b>Programmatic Changes</b>					
<i>Preventative Maintenance*</i>	16.00	1,269,910	8,828,900	10,098,810	-
<i>Water Purchases</i>	-	-	8,332,800	8,332,800	-
<i>Dam Support</i>	4.00	426,335	3,000,000	3,426,335	-
<i>Pure Water Program Operations*</i>	7.64	764,930	600,800	1,365,730	-
<i>Condition Assessments*</i>	-	-	840,000	840,000	-
<i>Advance Metering Infrastructure*</i>	9.70	654,862	152,000	806,862	-
<i>Water Distribution System</i>	7.00	530,254	-	530,254	-
<i>Industrial Control System*</i>	4.47	410,460	-	410,460	-
<i>Customer Service*</i>	2.25	145,289	234,085	379,374	-
<i>Regulatory Compliance*</i>	0.92	104,998	32,400	137,398	-
<i>Analysis &amp; Monitoring*</i>	-	-	120,000	120,000	-
<i>Inventory Control Management*</i>	0.94	63,185	-	63,185	-
<i>Outfitting of Vehicles*</i>	-	-	40,000	40,000	-
<i>Budgeted Contingency Reserve Reduction*</i>	-	-	(3,500,000)	(3,500,000)	-
<b>Other Changes</b>					
<i>Salary &amp; Fringe Benefit Adjustments</i>	(8.94)	2,094,171	-	2,094,171	-
<i>Non-Discretionary Adjustments</i>	-	-	1,819,157	1,819,157	-
<i>Information Technology Adjustments</i>	-	-	1,156,270	1,156,270	-
<i>Reallocation from Sewer Funds</i>	1.11	206,749	-	206,749	-
<i>City Branch Management Cost Allocation</i>	-	-	(21,303)	(21,303)	-
<i>Equipment Rental Rate Reduction</i>	-	-	(161,308)	(161,308)	-
<i>Miscellaneous Consultant &amp; Contract Reductions</i>	-	-	(413,176)	(413,176)	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(1,839,344)	(1,839,344)	(195,525)
<i>Commercial Paper and WIFIA Revenue</i>	-	-	-	-	187,471,526
<b>FY 2022 Proposed Budget</b>	<b>851.67</b>	<b>\$ 89,262,409</b>	<b>\$ 514,638,751</b>	<b>\$ 603,901,160</b>	<b>\$1,021,299,317</b>
<b>Difference from 2021 to 2022</b>	<b>45.10</b>	<b>\$ 6,671,143</b>	<b>\$ 19,221,281</b>	<b>\$ 25,892,424</b>	<b>\$ 187,276,001</b>

\* Department-wide activity



## Department Review: Public Utilities

SUMMARY OF PUBLIC UTILITIES ENTERPRISE FUNDS BUDGETS					
Fund	FTE	Operating Expense	CIP Expense	Total Expense	Revenue*
Sewer Funds	923.83	381,277,765	321,162,358	702,440,123	609,658,780
Water Funds	851.67	603,901,160	387,988,939	991,890,099	1,021,299,317
<b>Total FY 2022 Proposed Budget</b>	<b>1,775.50</b>	<b>\$ 985,178,925</b>	<b>\$ 709,151,297</b>	<b>\$ 1,694,330,222</b>	<b>\$ 1,630,958,097</b>

*\*Revenues include AB 1600 revenues of \$17.5 million for the Sewer Funds and \$14.5 million for the Water Fund.*

### Enterprise Funds - Combined CIP and Operating Budgets for FY 2022

The table above shows the combined budgets for the Capital Improvements Program (CIP) and operating budgets of the water and sewer funds, totaling \$1.7 billion in proposed appropriations for FY 2022. The revenue amounts reflected in the previous tables for the Sewer and Water Funds support both operations and the Public Utilities Department's substantial CIP. The combined revenue for operations and CIP is proposed at \$1.6 billion for FY 2022.

# Purchasing and Contracting

### Impacts of Mayor's FY 2022 Budget Proposal

The Purchasing & Contracting Department's proposed budget for FY 2022 totals approximately \$26.3 million. The department has three funding sources, with distinct functions:

- General Fund for procurement, equal opportunity contract compliance, and the animal services contract,
- Central Stores maintains an inventory of various supplies for City departments, and
- Publishing Services provides printing and graphics services to City departments.

The FY 2022 Proposed Budget for the entire department reflects an increase of approximately \$1.9 million, or 7.6%, primarily from restoring inventory budget in the Central Stores Fund. The Department's FY 2022 Proposed Budget also includes the reduction of 4.96 FTE positions in the General Fund, primarily due to the transfer of Living Wage and Administrative Hearing Programs to the new Compliance Department. A summary of the total FY 2022 Proposed Budget by fund is provided in the table below and further discussion of budget adjustments is provided under each fund header.

#### General Fund

Purchasing & Contracting's General Fund FY 2022 Proposed Budget is approximately \$17.6 million. This is a reduction of \$755,000 from the FY 2021 Budget, which represents a 4%

decrease from the \$18.3 million FY 2021 Budget. The department's General Fund budget has a proposed transfer of 4.00 FTE positions and reduction of 0.96 FTE positions. For FY 2021, General Fund revenue is reduced by \$124,000. (*see table next page*)

#### Significant Budget Reductions

In the FY 2021 Budget, a 2.6% reduction was applied to General Fund contracts. In the FY 2022 Proposed Budget, that reduction is allocated across all General Fund departments. For the Purchasing and Contracting Department, this results in a \$572,000 reduction to the Departments \$12.8 million contract budget, bringing the budget to \$12.2 million. The Department has indicated that they cannot absorb the contracts budget reduction.

The only contract in the Purchasing and Contracting Department's General Fund budget is the Animal Services contract with the San Diego Humane Society which was approved by City Council in December 2019. The FY 2022 contract cost is \$13.4 million. In addition, the contract allows for \$2.2 million in reimbursement for deferred maintenance at the animal shelter (over the life of the contract). The San Diego Humane Society has submitted their first reimbursement request for \$770,000, which is not accounted for in the Proposed Budget. Added together, *the Animal Services contract is underfunded by \$2.0 million in the FY 2022 Proposed Budget*. The Purchasing and Contracting Department indicated they hope to address this in the Mayor's May Revision to the FY 2022 Proposed Budget.

The other notable reduction in the FY 2022

SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES						
Fund	FY 2021 FTE	FY 2022 FTE	Change	FY 2021 Expense	FY 2022 Expense	Change
General Fund	47.96	43.00	(4.96)	\$ 18,340,297	\$ 17,584,955	\$ (755,342)
Central Stores Fund	20.00	20.00	-	4,747,802	7,338,676	2,590,874
Publishing Services Fund	3.00	3.00	-	1,349,236	1,372,934	23,698
<b>Total Combined</b>	<b>70.96</b>	<b>66.00</b>	<b>(4.96)</b>	<b>\$ 24,437,335</b>	<b>\$ 26,296,565</b>	<b>\$ 1,859,230</b>

# Department Review: Purchasing and Contracting

Proposed Budget for the General Fund component of the Purchasing and Contracting Department is the 0.96 FTE Student Intern. The Department indicated that the intern's assignment will be complete by the end of the current fiscal year and the position will be vacant.

## Programs Transferred to Compliance Department

The FY 2022 Proposed Budget creates a new Compliance Department to consolidate various compliance-related programs. This was requested by City Council in their Budget Priorities for FY 2022. More specifically, City Council called for the creation of an Office of Labor Standards Enforcement (OLSE), which will be a component within the new Compliance Department, to consolidate the City administration and enforcement of various programs related to enforcing labor laws and protecting workers' rights and safety. As such, the Living Wage and Administrative Hearings Programs will be moved to the new Compliance Department. These two programs have 2.00 FTE positions each, for a total transfer of 4.00 FTE positions and \$435,000 to the Compliance Department with no net impact to the City's General Fund.

## Issues for Council Consideration

### Equal Opportunity Contracting Program

When City Council requested the creation of an Office of Labor Standards Enforcement in

their FY 2022 Budget Priorities, the Equal Opportunity Contracting Program was one of the functions mentioned that could be consolidated into the new office. While the Living Wage Program was moved to the new Compliance Department in the FY 2022 Proposed Budget, the Equal Opportunity Contracting Program has not been moved and there is no mention of a planned move in the Proposed Budget. The Mayor's Office has informed us that they are considering if the Equal Opportunity Contracting Program should be moved into the Office of Race and Equity rather than the new Compliance Department. They intend to address this in the Mayor's May Revision to the FY 2022 Proposed Budget.

### Consolidation of Procurement Functions into Purchasing and Contracting Department

With the restructure of compliance programs to the new Compliance Department, there are also plans to consolidate procurement functions into the Purchasing and Contracting Department. The FY 2022 Proposed Budget states that the procurement team within the Contracts Division of the Engineering and Capital Projects Department is anticipated to be consolidated into the Purchasing and Contracting Department during Fiscal Year 2022. This procurement team has 19.00 FTE positions and a nearly \$2.0 million budget. However, it is unclear if this will be done in the Mayor's May Revision to the FY 2022 Proposed Budget or if reporting will take effect in

SUMMARY OF PURCHASING & CONTRACTING GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	47.96	\$ 4,583,803	\$ 13,756,494	\$ 18,340,297	\$ 299,647
<b>Programmatic Changes</b>					
<i>FY 2021 2.6% Citywide Contracts Cut Allocation</i>	-	-	(571,637)	(571,637)	-
<i>Transfer of Living Wage &amp; Admin Hearings Programs</i>	(4.00)	(411,161)	(23,732)	(434,893)	-
<i>Reduction of Student Intern</i>	(0.96)	(29,162)	-	(29,162)	-
<b>Other Changes</b>					
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	478,746	-	478,746	-
<i>Information Technology Adjustments</i>	-	-	67,481	67,481	-
<i>Equipment Rental Rate Reduction</i>	-	-	(3,893)	(3,893)	-
<i>Non-Discretionary Adjustments</i>	-	-	(13,199)	(13,199)	-
<i>Removal of Prior Year Funding for Disparity Study</i>	-	-	(248,785)	(248,785)	(124,393)
<b>FY 2022 Proposed Budget</b>	<b>43.00</b>	<b>\$ 4,622,226</b>	<b>\$ 12,962,729</b>	<b>\$ 17,584,955</b>	<b>\$ 175,254</b>
<b>Difference from 2021 to 2022</b>	<b>(4.96)</b>	<b>\$ 38,423</b>	<b>\$ (793,765)</b>	<b>\$ (755,342)</b>	<b>\$ (124,393)</b>

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# Department Review: Purchasing and Contracting

FY 2022 with the budgetary change to follow in FY 2023.

## Disparity Study – Next Steps

The 2020 Disparity Study was recently completed and presented to the Budget and Government Efficiency Committee on April 28, 2021. The report from BBC Research and Consulting notes disparities within several ethnic and gender groups in the City's contracts for construction, professional services, and goods and services (see BBC report for details). The report also makes recommendations on ways to increase participation by minority- and woman-owned businesses. At this time, no specific program changes or new programs have been proposed, nor are included in the FY 2022 Proposed Budget. However, based on Council direction, it is likely that any program changes or new programs developed will require additional resources, particularly staff.

## Vacancies

The Purchasing and Contracting Department continues to experience a high number of vacancies and difficulties filling positions. This table shows the number of positions in the two major General Fund programs and the number of positions vacant as of the printing of this report.

Vacancy Rate			
	FTEs	Vacant	%
Procurement	25.00	10.00	40%
Equal Opportunity Contracting	13.00	5.00	38%

Procurement is experiencing a 40% vacancy rate and Equal Opportunity Contracting is at 38%. The Department notes the lengthy

recruitment process as a significant challenge, with candidates accepting other job offers before they are able to complete the process. Compensation has also been noted in the past, particularly in comparison to equivalent positions in other agencies.

## Central Stores

The Central Stores Fund has a proposed FY 2022 budget of \$7.4 million. This is an increase of approximately \$2.6 million, or 55%, from the FY 2021 Adopted Budget. There are no changes to the 20.00 FTE positions. Revenue is also increased by approximately \$2.8 million.

## Significant Budget Increase

Central Stores FY 2022 Proposed Budget restores the \$2.6 million that was cut in FY 2021. This budget is used to purchase an inventory of supplies for City departments. With the increase in the availability of Citywide purchase orders, it was assumed that departments would shift to ordering directly from vendors rather than going through Central Stores. Based on that assumption, the inventory budget was reduced last fiscal year.

However, the Purchasing and Contracting Department indicated that they did not see a significant change in inventory purchasing trends and it has created budget constraints in the current year. Some noted difficulties with the intended change in operations include the ability for vendors to deliver to various City locations as well as departments' limited storage space for inventory. In addition, a

SUMMARY OF CENTRAL STORES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	20.00	\$ 1,530,838	\$ 3,216,964	\$ 4,747,802	\$ 4,824,266
<b>Programmatic Changes</b>					
Reversal of Prior Year Reduction to Inventory	-	-	2,641,302	2,641,302	2,777,237
<b>Other Changes</b>					
Salary & Fringe Benefit Adjustments	-	4,346	-	4,346	-
Information Technology Adjustments	-	-	(65)	(65)	-
Non-Discretionary Adjustments	-	-	(54,709)	(54,709)	-
Revised Revenue	-	-	-	-	(123,088)
<b>FY 2022 Proposed Budget</b>	<b>20.00</b>	<b>\$ 1,535,184</b>	<b>\$ 5,803,492</b>	<b>\$ 7,338,676</b>	<b>\$ 7,478,415</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 4,346</b>	<b>\$ 2,586,528</b>	<b>\$ 2,590,874</b>	<b>\$ 2,654,149</b>

# Department Review: Purchasing and Contracting

SUMMARY OF PUBLISHING SERVICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	3.00	\$ 250,733	\$ 1,098,503	\$ 1,349,236	\$ 1,640,551
<b>Programmatic Changes</b>					
<i>None</i>	-	-	-	-	-
<b>Other Changes</b>					
<i>Non-Discretionary &amp; Information Technology Adj</i>	-	-	29,756	29,756	-
<i>Salary &amp; Fringe Benefit Adjustments</i>	-	(6,058)	-	(6,058)	-
<b>FY 2022 Proposed Budget</b>	<b>3.00</b>	<b>\$ 244,675</b>	<b>\$ 1,128,259</b>	<b>\$ 1,372,934</b>	<b>\$ 1,640,551</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ (6,058)</b>	<b>\$ 29,756</b>	<b>\$ 23,698</b>	<b>\$ -</b>

significant amount of personal protective equipment (PPE) was purchased by Central Stores for the City due to COVID-19.

continues to meet targets for processing of Quick-Copy service requests.

We note that this inventory budget is used as needed and departments are charged based on inventory purchases. Should a shift to more direct departmental purchasing of inventory occur in the future, Central Stores would have expenditure savings and under budget revenues.

## Publishing Services

The FY 2022 Proposed Budget for the Publishing Services Fund is \$1.4 million with approximately \$1.6 million in revenue and 3.00 FTE positions. This is an increase of \$24,000, or 2%, from the FY 2021 Budget. There are no notable changes to the Publishing Services proposed budget for FY 2022.

## Key Performance Measures

The table below shows the Purchasing and Contracting Department's performance measures included in the FY 2022 Proposed Budget. The Department is a little behind target on the number of days to award a contract, this is likely due to the large number of vacancies noted previously. It is reassuring to see that despite the large reduction in staffing in the FY 2021 Budget, Publishing Services

Performance Measure	Target FY 2020	Actual FY 2020	Target FY 2021	Estimated FY 2021	Target FY 2022
Average number of days to award a contract	66	73	66	73	66
Percentage of contracts, based on total dollar value, awarded to SLBE	20%	N/A	20%	20%	20%
Percentage of purchase orders processed within 10 days	88%	88%	88%	88%	90%
Percentage of on-line Quick Copy services requests processed for production within 1 business day	90%	92%	92%	92%	90%

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## Department Review: Real Estate Assets

# Real Estate Assets

The Real Estate Assets Department manages the City's real estate portfolio, including the administration of leases, permits and operating agreements, in addition to maintenance of City-owned facilities. The Department also provides direction for operations of the City Concourse and Parking Garages, the City's Airports, and the Joint Use Management Agreement for PETCO Park.

In FY 2019, Facilities Services was transferred from the Public Works Department to the Real Estate Assets Department. However, the Proposed Budget now moves Facilities Services to the Fleet Department. More information on Facilities Services is included in our review of the Fleet Department.

In prior fiscal years, Real Estate Assets also was tasked with managing stadium operations at SDCCU Stadium. As the sale of the stadium and surrounding land to San Diego State University was completed in FY 2021, the Stadium Operations Fund is being closed, with the residual balance of \$1.1 million being transferred to the General Fund.

## Impacts of Mayor's FY 2022 Budget Proposal

The table below summarizes the entire budget of the Real Estate Assets Department. In the FY 2021 Adopted Budget, there were 52.00 FTE positions and expenditures of \$28.6 million. The FY 2022 Proposed Budget for the Department increases FTE positions by 1.00,

and total expenditures across all areas by \$4.9 million.

The budgets for each of these areas is discussed on the following pages.

### General Fund

As shown on the table on the next page, the FY 2022 Proposed Budget for the General Fund portion of Real Estate Assets is approximately \$4.4 million with 27.00 FTE positions. This is an increase of \$1.3 million in expenditures and 1.00 FTE position over the FY 2021 Adopted Budget.

Departmental revenue in the Proposed Budget totals \$48.6 million, which is a decrease of \$1.2 million from the FY 2021 Adopted Budget. Additional details on changes to revenue are further discussed in this section.

### Significant Budget Additions

#### *Homeless Services Support*

The Proposed Budget includes the addition of one Program Coordinator and \$111,000 in associated personnel costs to support the maintenance of facilities that house homeless services. An additional \$492,000 in expenditures for repairs, maintenance, utilities, and other services in support of facilities that serve the homeless population is also included the Proposed Budget.

SUMMARY OF REAL ESTATE ASSETS DEPARTMENT BUDGET CHANGES						
Fund	FY 2021 FTEs	FY 2022 FTEs	Change	FY 2021 Expense	FY 2022 Expense	Change
Real Estate Assets (General Fund)	26.00	27.00	1.00	4,398,424	5,677,782	1,279,358
Airports	23.00	23.00	-	5,492,647	7,629,368	2,136,721
Councourse & Parking Garages	2.00	2.00	-	3,261,775	2,979,278	(282,497)
PETCO Park	1.00	1.00	-	15,476,653	17,216,657	1,740,004
<b>Total Combined</b>	<b>52.00</b>	<b>53.00</b>	<b>1.00</b>	<b>\$28,629,499</b>	<b>\$33,503,085</b>	<b>\$ 4,873,586</b>

## Department Review: Real Estate Assets

SUMMARY OF REAL ESTATE ASSETS DEPARTMENT GENERAL FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	26.00	\$ 3,108,096	\$ 1,290,328	\$ 4,398,424	\$ 49,771,568
<b>Programmatic Changes</b>					
<i>Additional Homeless Services</i>	1.00	111,110	492,000	603,110	-
<i>Sports Arena Consulting Services</i>	-	-	112,475	112,475	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	599,592	-	599,592	-
<i>Information Technology</i>	-	-	18,367	18,367	-
<i>Telecom/Building/Other</i>	-	-	-	-	461,096
<i>Utility Reimbursement Reduction</i>	-	-	-	-	(97,875)
<i>Other Adjustments</i>	-	(12,235)	(41,951)	(54,186)	4,000
<b>Lease Revenue Adjustments</b>					
<i>Revised Surf Camps Revenue</i>	-	-	-	-	41,126
<i>Mission Bay Lease Revenue</i>	-	-	-	-	(2,402,995)
<i>Pueblo Lands Lease Revenue</i>	-	-	-	-	(836,282)
<i>Belmont Park Lease Revenue</i>	-	-	-	-	416,000
<i>Mission Bay Aquatic Center</i>	-	-	-	-	472,540
<i>Other Lease Revenue Adjustments</i>	-	-	-	-	729,892
<b>FY 2022 Proposed Budget</b>	<b>27.00</b>	<b>\$ 3,806,563</b>	<b>\$ 1,871,219</b>	<b>\$ 5,677,782</b>	<b>\$48,559,070</b>
<b>Difference from 2021 to 2022</b>	<b>1.00</b>	<b>\$ 698,467</b>	<b>\$ 580,891</b>	<b>\$ 1,279,358</b>	<b>\$ (1,212,498)</b>

### *Sports Arena Consultant*

The Proposed Budget includes \$112,000 in expenditures for a consultant to assist the City in evaluating and negotiating an agreement for the development the Sports Arena area. Council may wish to ask for more details on this expenditure during the departmental hearings.

## Issues for Council Consideration

### Lease Revenues

The Real Estate Assets Department is a significant revenue generating department, with revenue mostly derived from numerous lease agreements the City maintains with other entities for the use of City property. The Proposed Budget includes \$48.6 million in lease revenue, from various sources. That amount is a decrease of \$1.2 million from FY 2021. Additional detail on large shifts leading to this net decrease are shown on the table above.

While some leases are expected to generate increased revenue in FY 2022, there are significant decreases in revenue projected for

leases in Mission Bay and on Pueblo Lands. Much of this lease revenue is associated with hotels that sit on City-owned land in those areas, and that pay the City rent using a percent-of-revenue basis. Revenue from those hotels has been significantly impacted by the COVID-19 pandemic, which has resulted in lower lease payments to the City.

However, revenue amounts in the Proposed Budget are lower than FY 2021 amounts. As the City anticipates continued recovery from the pandemic in FY 2022, it is possible the decreases associated with these hotel leases in the Proposed Budget may be moderated. Council may wish to ask for additional review of this area during its deliberations on the Proposed Budget.

### 101 Ash Street Building

The Real Estate Assets Department continues to perform property management functions for the 101 Ash Street building. A more detailed discussion of the status of the 101 Ash Street building can be found in the “Key Citywide Issues – Facilities Updates” section earlier in this report.

## Department Review: Real Estate Assets

### Airports

The Airports Division is responsible for operations and maintenance of the two City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Airport. Expenditures in the FY 2022 Proposed Budget for both airports total approximately \$7.6 million, which is an increase of \$2.1 million from the FY 2021 Adopted Budget. Revenues in the Proposed Budget show a similar increase of \$2.3 million, for total revenues of \$7.1 million. FTE positions remain unchanged at 23.00.

#### Significant Budget Additions

Increases in the Airports Budget are largely driven by two items:

- \$1.2 million in expenditures to make repairs to roofing, HVAC, electrical, plumbing, carpeting, and flooring at three new commercial buildings and one retail center that were acquired in FY 2020.
- \$2.0 million in increased revenue associated with bringing existing leases to market rate, and with some City departments leasing space at Montgomery Field.

### Concourse & Parking Garages

The FY 2022 Proposed Budget for the Concourse & Parking Garages Operating Fund includes \$3.0 million in expenditures and \$3.0 million in revenues. Both figures are decreases from FY 2021, with expenditures decreasing by \$282,000 and revenues by \$773,000. Decreases here are associated with decreased use of the Parkade and the suspension of public events at the Civic Center Complex.

### PETCO Park

The FY 2022 Proposed Budget for the PETCO Park Fund includes \$17.2 million in expenditures, an increase of approximately \$1.7 million from FY 2021 Adopted Budget. Increases in expenditures are consistent with increased use of PETCO Park as recovery from the COVID-19 pandemic begins and the ballpark begins allowing the return of spectators. Revenues to the Fund are also budgeted to increase by \$2.3 million; \$2.1 million of that amount is due to increased support of the park from the City's TOT Fund. FTE positions for PETCO Park remain flat at 1.00.

SUMMARY OF AIRPORTS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	23.00	\$ 2,392,803	\$ 3,099,844	\$ 5,492,647	\$ 4,881,882
<b>Programmatic Changes</b>					
<i>Maintenance of New Centers</i>	-	-	1,231,000	1,231,000	-
<i>Facility Upgrades (One-Time)</i>	-	-	270,000	270,000	-
<i>Revised Lease Revenue</i>	-	-	-	-	2,016,671
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	255,586	-	255,586	-
<i>Information Technology</i>	-	-	39,661	39,661	-
<i>Other Adjustments</i>	-	-	340,474	340,474	250,000
<b>FY 2022 Proposed Budget</b>	<b>23.00</b>	<b>\$ 2,648,389</b>	<b>\$ 4,980,979</b>	<b>\$ 7,629,368</b>	<b>\$ 7,148,553</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 255,586</b>	<b>\$ 1,881,135</b>	<b>\$ 2,136,721</b>	<b>\$ 2,266,671</b>

## Department Review: Risk Management

# Risk Management

The Risk Management (RM) Department manages the City's self-insured Workers' Compensation Program; coordinates public liability and loss control measures; and administers employee savings plans and the Long-Term Disability Plan.

The RM Administration Fund is an internal service fund from which risk management administration costs are paid. In order to operate, an internal service fund needs sufficient revenues to cover expenditures.

City departments contribute to the RM Administration Fund revenues, on a per employee basis, as part of fringe benefits.<sup>1</sup> The FY 2022 amount budgeted for these fringe benefits contributions is \$11.3 million, including \$7.4 million from the General Fund

(65.5%) and \$3.9 million from non-general fund departments (34.5%).

The \$11.3 million in fringe expenditures from departments is \$740,000 lower than the \$12.1 million in revenue budgeted in the RM Administration Fund. It is anticipated that RM Fund balance will be able to absorb some or all of the difference. If there is a small portion not covered by fund balance, additional fringe contributions may be needed to support RM operations.

## Impacts of Mayor's FY 2022 Budget Proposal

The following table presents a summary of budget changes from the FY 2021 Adopted Budget to the FY 2022 Proposed Budget. The

SUMMARY OF RISK MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	85.23	\$ 10,042,143	\$ 2,197,581	\$ 12,239,724	\$ 11,000,000
<b>Programmatic Changes</b>					
<i>Safety and Environment Program Transfer to the Compliance Department (incl. revenue reduction in citywide fringe contributions to Risk Management)</i>	(7.00)	(942,910)	(8,762)	(951,672)	(951,672)
<i>True-up of Risk Management Revenues (citywide fringe contributions to Risk Management) to Expense Level</i>	-	-	-	-	2,175,026
<i>Discontinuation of the Service Level Agreement with the Public Utilities Department</i>	-	-	-	-	(139,031)
<i>Claims Management System Support</i>	-	-	30,964	30,964	-
<b>Other Changes</b>					
<i>Budgeted PE Savings Decrease (a budget increase)</i>	-	225,712	-	225,712	-
<i>Removal of Additional Reduction to Wages</i>	-	90,000	-	90,000	-
<i>Pay-in-Lieu of Annual Leave Increase</i>	-	30,332	-	30,332	-
<i>Other Salaries &amp; Wages Adjustments (incl. special salary adjustments and merit increases)</i>	-	154,841	-	154,841	-
<i>Other Fringe Benefits Adjustments</i>	-	509,494	-	509,494	-
<i>Non-Discretionary Rent</i>	-	-	(306,900)	(306,900)	-
<i>Other Non-Discretionary Adjustments</i>	-	-	292,968	292,968	-
<i>Net Other Adjustments</i>	-	-	(52)	(52)	-
<b>FY 2022 Proposed Budget</b>	<b>78.23</b>	<b>\$10,109,612</b>	<b>\$2,205,799</b>	<b>\$12,315,411</b>	<b>\$12,084,323</b>
<b>Difference from 2021 to 2022</b>	<b>(7.00)</b>	<b>\$ 67,469</b>	<b>\$ 8,218</b>	<b>\$ 75,687</b>	<b>\$ 1,084,323</b>

<sup>1</sup> Fringe benefits are non-wage costs related to personnel, such as Workers' Compensation, Long-Term Disability, the Actuarially Determined Contribution (ADC) pension payment, Flexible Benefits, and Medicare.

## Department Review: Risk Management

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number of FTE positions has decreased by 7.00, from 85.23 in FY 2021 to 78.23 in FY 2022. Highlights of budget changes are discussed below.

Personnel Expenditures (PE) changes include the transfer of the Safety and Environment Program to the General Fund Compliance Department. As shown in the preceding table, this includes a reduction of 7.00 FTE, \$943,000 in PE, and \$9,000 in non-personnel expenditures (NPE), as well as a reduction of \$952,000 in related revenue (citywide fringe benefits contributions to Risk Management that are not needed with the removal of the program).

There is also a \$139,000 decrease to revenue in FY 2022 related to the discontinuance of a service level agreement with the Public Utilities Department (PUD). For FY 2022, PUD's public liability claims which were formerly assigned to a dedicated claims adjuster will now be distributed among all claims adjusters. PUD continues to contribute to Risk Management Administration through its fringe benefits contributions.

### **Requests Not Included in the FY 2022 Proposed Budget**

The Department requested 1.00 Claims Representative 2 (\$84,000 for wages and fringe) to support the Public Liability and Loss Recover Division in handling caseloads, conducting additional fieldwork investigations, and other duties. Current staff caseloads are already higher than industry standards. This position was *not funded* in the Proposed Budget.

### **Other Risk Management Funds**

RM Administration oversees the Public Liability, Workers' Compensation, and Long-Term Disability Funds. Information on these

three funds is included in this report, under Reserves.



## Department Review: Special Promotional Programs

# Special Promotional Programs

### Impacts of the Mayor's FY 2022 Budget Proposal

The FY 2022 Proposed Budget for Special Promotional Programs is approximately \$82.3 million, which is an increase of \$4.1 million

or 5.3% over the FY 2021 Adopted Budget. Total expenditures from the TOT Fund include additional transfers of \$3.3 million to support Cultural Affairs and special events, bringing total TOT Fund expenditures to \$85.6 million, as reflected on the table below.

SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS/TOT FUND BUDGET CHANGES				
	FY 2021 ADOPTED	FY 2022 PROPOSED	CHANGE (\$)	(%)
<b>Revenue</b>				
<i>Transient Occupancy Tax (TOT) - (5.0 cents)</i>	\$ 81,157,714	\$ 85,672,705	\$ 4,514,991	5.6%
<b>Total Revenue</b>	<b>\$ 81,157,714</b>	<b>\$ 85,672,705</b>	<b>\$ 4,514,991</b>	<b>5.6%</b>
<b>Allocations</b>				
<b>Arts, Culture, and Community Festivals</b>	<b>\$ 7,790,645</b>	<b>\$ 7,136,291</b>	<b>\$ (654,354)</b>	<b>-8.4%</b>
<i>Creative Commons San Diego</i>	699,406	699,406	-	0.0%
<i>Organizational Support</i>	5,066,572	5,066,572	-	0.0%
<i>Cultural Affairs Department (Arts &amp; Culture)</i>	2,024,667	1,370,313	(654,354)	-32.3%
<b>Capital Improvements</b>	<b>\$ 24,348,480</b>	<b>\$ 23,858,023</b>	<b>\$ (490,457)</b>	<b>-2.0%</b>
<i>Convention Center Debt Service</i>	12,560,050	12,091,993	(468,057)	-3.7%
<i>Mission Bay Park/Balboa Park Imps. Debt Service</i>	1,432,430	1,416,280	(16,150)	-1.1%
<i>PETCO Park Debt Service</i>	9,291,500	9,288,375	(3,125)	0.0%
<i>Trolley Extension Reserve Debt Service</i>	1,064,500	1,061,375	(3,125)	-0.3%
<b>Economic Development Programs</b>	<b>\$ 1,027,200</b>	<b>\$ 847,200</b>	<b>\$ (180,000)</b>	<b>-17.5%</b>
<i>Business Expansion, Attraction, and Retention</i>	847,200	847,200	-	0.0%
<i>Other Economic Development Program Admin.</i>	180,000	-	(180,000)	-100.0%
<b>Safety &amp; Maintenance of Visitor-related Facilities</b>	<b>\$ 21,635,289</b>	<b>\$ 25,755,410</b>	<b>\$ 4,120,121</b>	<b>19.0%</b>
<i>Mission Bay Park/Balboa Park Imps. Operations</i>	432,406	432,406	-	0.0%
<i>Convention Center</i>	1,099,865	1,235,441	135,576	12.3%
<i>PETCO Park Operations</i>	2,908,265	5,053,407	2,145,142	73.8%
<i>Cultural Affairs Department (Special Events)</i>	963,210	1,899,615	936,405	97.2%
<i>Discretionary TOT Support for General Fund Activities</i>	16,231,543	17,134,541	902,998	5.6%
<b>TOTAL ALLOCATIONS</b>	<b>\$ 54,801,614</b>	<b>\$ 57,596,924</b>	<b>\$ 2,795,310</b>	<b>5.1%</b>
<b>Additional General Fund Reimbursements</b>				
<i>Reimbursements for Fire-Rescue (Lifeguards)</i>	21,447,490	20,000,000	(1,447,490)	-6.7%
<i>Reimbursements for Parks &amp; Recreation (Tourism Sup.)</i>	523,546	8,000,000	7,476,454	1428.0%
<i>Reimbursements for Mayor's Office (Tourism Sup.)</i>	180,000	-	(180,000)	-100.0%
<i>Reimbursements for Library (Tourism Sup.)</i>	533,993	-	(533,993)	-100.0%
<i>Reimbursements for Storm Water (Street Sweeping)</i>	1,126,979	-	(1,126,979)	-100.0%
<i>Reimbursements for DoF (Admin.)</i>	5,000	-	(5,000)	-100.0%
<i>Reimbursements for Facilities (Tourism Sup.)</i>	50,000	-	(50,000)	-100.0%
<i>Reimbursements for Special Events (Public Safety)</i>	1,600,000	-	(1,600,000)	-100.0%
<i>Reimbursements for Treasurer (Admin.)</i>	897,540	-	(897,540)	-100.0%
<b>TOTAL ADDITIONAL GENERAL FUND REIMBURS.</b>	<b>\$ 26,364,548</b>	<b>\$ 28,000,000</b>	<b>\$ 1,635,452</b>	<b>6.2%</b>
<b>TOTAL</b>	<b>\$ 81,166,162</b>	<b>\$ 85,596,924</b>	<b>\$ 4,430,762</b>	<b>5.5%</b>

Office of the Independent Budget Analyst  
April 2021

## Department Review: Special Promotional Programs

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The increases are due to a 5.5% projected increase of transient occupancy tax (TOT) revenue from the FY 2021 Adopted Budget, as was discussed in our review of Major General Fund Revenues. As noted there, TOT revenue remains a volatile revenue source, and has been heavily impacted by the COVID-19 pandemic and the anticipated recovery from that crisis.

Funding for Special Promotional Programs comes from 5.0 of the 10.5 cents of TOT revenue received by the City. Per the San Diego Municipal Code, 5.5 cents of the City's 10.5 cent TOT levy are deposited into the General Fund to support general government services, while the remaining 5.0 cents is deposited into the TOT Fund. Of this 5.0 cents, the Municipal Code requires that 4.0 cents be used solely for the purpose of promoting the City, while the remaining 1.0 cent can be used for any purpose as directed by the City Council.

The expenditure budget displayed in the table on the previous page incorporates allocations that support the FY 2022 proposed operating budget for the Cultural Affairs Department which consists of the former Commission for Arts and Culture Department (included under Arts, Culture, and Community Festivals) and the Special Events and Filming Department (included under Safety and Maintenance of Visitor-Related Facilities).

We note that TOT Fund amounts indicated in the Proposed Budget's TOT Fund summary for support of the Cultural Affairs Department (\$1.4 million) and Special Events and Filming (\$1.9 million) are different than those indicated in those department's specific budgets (where Cultural Affairs TOT Fund expenditures show as \$1.8 million and Special Events and Filming TOT Fund expenditures show as \$1.5 million). While the combined amount of expenditures here is similar, adjustments to ensure consistency in TOT Fund expenditures across the Budget document may be merited.

### **Discretionary TOT to the General Fund**

In the FY 2022 Proposed Budget, all revenue from the 1.0 cent of City Council discretionary TOT, or \$17.1 million, is transferred to the General Fund. This represents a \$903,000 or 5.5% increase from the FY 2021 Adopted Budget. Prior to FY 2021, Mayoral and Council allocation for Arts, Culture, and Community Festivals of \$40,000 for each office (\$400,000 total) were funded with the 1.0 cent City Council Discretionary TOT; however, these allocations were not included in the Proposed Budget.

### **Program and Department Budgets**

A number of promotional programs, agencies, and City departments are supported wholly or in part by the TOT Fund. The following sections discuss FY 2022 arts and culture funding, economic development program funding, funding allocated to the Mission Bay Park/Balboa Park Improvements Fund and for TOT administration and promotional activities.

#### **Arts and Culture Funding**

The FY 2022 proposed Arts and Culture funding is approximately \$7.1 million, a decrease of \$654,000 or 8.4% from the FY 2021 Adopted Budget, and a decrease of 50.0% from the pre-pandemic funding level of \$14.2 million. This reduction to arts and culture was proposed by the prior Mayor as a significant resource for mitigating the projected FY 2021 deficit, and that mitigation continues in the FY 2022 Proposed Budget.

Of the \$7.1 million in FY 2022 funding, \$1.4 million is directed in the Proposed Budget to support the Arts and Culture Division of the Cultural Affairs Department. The remaining \$5.8 million will be allocated to Creative Communities San Diego (CCSD) and Organizational Support Programs (OSP). No funding is included for Arts, Culture and Community Festivals (including Mayoral and Council

## Department Review: Special Promotional Programs

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allocations as previously discussed) or the Public Arts Fund.

This reduction in the Proposed Budget continues to be a departure from past practices allocating funding to arts and culture, and is a divergence from the priorities of a majority of Councilmembers who requested some manner of restored funding for arts and cultural programs in their budget priority memoranda.

Arts and culture funding as a percent of Citywide TOT in the Proposed Budget equates to 4.0%, which is less than the FY 2013 funding level of 5% that was in place the year that Council adopted the Penny for the Arts Blueprint in October 2012. Reduced funding will mean that organizations approved for arts and culture funds will be drawing from a reduced pool of resources and will very likely have a smaller allocation from prior fiscal years.

Should Council be interested in allocating additional arts and culture funding, our Office notes that:

- Any ongoing increase to funding above what was included in the Proposed Budget should be supported by an ongoing resource (either new funding source or an off-setting ongoing reduction elsewhere); and
- Council may alternately consider a one-time increase for FY 2022 with available one-time resources.

### **Economic Development Funding**

The FY 2022 proposed funding for Economic Development Programs is approximately \$847,000, a decrease of \$180,000 from FY 2021. The reduction eliminates all Special Promotional Programs support for economic development programs besides the Business Expansion, Attraction, and Retention Program, which is budgeted to receive the same amount (\$847,000) in FY 2022 as it did in FY 2021.

### **Mission Bay Park/Balboa Park Improvements Fund (Improvements Fund)**

The Improvements Fund budget includes debt service payments, maintenance of the Balboa Park tram, and other miscellaneous costs. In the FY 2022 Proposed Budget, the Improvements Fund is budgeted to receive approximately \$462,000 from Special Promotional Programs, which is unchanged from FY 2021.

### **Additional General Fund Reimbursements**

Historically, a number of City Departments, including Fire-Rescue (Lifeguards), Libraries, Parks & Recreation, and Storm Water (street sweeping) have received reimbursement for work that helped to promote or maintain San Diego as a tourist destination. A number of other Departments received reimbursement for work administering the TOT Fund and the Special Promotional Programs budget. As shown on the summary of changes, all of these reimbursements except two have been eliminated in the FY 2022 Proposed Budget. Remaining reimbursements include \$20.0 million for Fire-Rescue (Lifeguards), and \$8.0 million for Parks & Recreation.

## Department Review: Stormwater

# Stormwater

### Impact of the Mayor's FY 2022 Proposed Budget

The Stormwater Department was proposed for creation in the FY 2021 Proposed Budget. Previously contained within the Transportation & Storm Water (now Transportation) Department, Stormwater is responsible for the maintenance and upkeep of storm drains as well as leads efforts to protect and improve water quality in the City's waterways and the ocean. Prior to FY 2012, Stormwater was a separate department from Transportation.

The Proposed Budget for the Department is \$56.1 million, which is an increase of \$8.6 million (18.1%). The total number of positions is 252.25 FTEs, which is an increase of 39.50 FTEs. The majority of this increase is for a new Pipe Repair Team.

### Significant Budget Adjustments

#### Stormwater Funding Strategy Funding

The largest budget adjustment is an increase

of \$2.5 million for the Stormwater Funding Strategy. This funding will support consulting costs and other items. More information on the Funding Strategy is included below.

#### Pipe Repair Team Addition

Another significant increase is 25.00 FTEs and \$2.4 million in expenditures for a Pipe Repair team. This team, which has been requested for numerous years and is in response to a 2018 Performance Audit Recommendation, would ensure that the Department can perform an average of 25 storm drain repairs per year. Storm drainpipe failures have become a major issue in recent years, requiring numerous emergency repairs which shifts money away from other priorities within the Capital Improvement Program (CIP). Having an in-house pipe repair team will not only lead to more repairs, but also make those repairs more efficient, reducing the need for additional capital financing. This addition also includes \$1.7 million in revenue, which would

SUMMARY OF STORMWATER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	212.75	\$ 23,563,474	\$ 23,957,965	\$ 47,521,439	\$ 13,583,079
<b>Programmatic Changes</b>					
<i>Funding Strategy Support</i>	-	-	2,500,000	2,500,000	-
<i>Pipe Repair Team</i>	25.00	1,895,998	540,000	2,435,998	1,700,000
<i>Bacteria TMDL Assessments</i>	-	-	500,000	500,000	-
<i>Bacteria Source Investigation Team</i>	6.00	441,127	-	441,127	-
<i>San Diego River Investigative Order Work Plan</i>	-	-	415,000	415,000	-
<i>Street Sweeping Enforcement</i>	2.00	130,163	200,000	330,163	400,000
<i>Dig Alert Positions</i>	5.00	304,295	14,720	319,015	-
<i>Alternative Compliance Program</i>	-	-	300,000	300,000	-
<i>Integrated Planning Framework</i>	-	-	250,000	250,000	-
<i>Bacteria Discharge Investigator</i>	1.00	60,502	-	60,502	20,000
<i>Reinstate Word Processor Position</i>	0.50	34,315	-	34,315	-
<i>Equipment Rental Reduction</i>	-	-	(40,619)	(40,619)	-
<i>FY 2021 2.6% Contracts Reduction</i>	-	-	(645,270)	(645,270)	-
<i>Street Sweeping Revenue from Stadium Fund</i>	-	-	-	-	(86,500)
<i>Special Promotional Programs Reimbursement</i>	-	-	-	-	(1,126,979)
<b>Other Changes</b>					
<i>Other Salary and Benefit Changes</i>	-	169,181	-	169,181	-
<i>Non-Discretionary Adjustments</i>	-	-	1,531,343	1,531,343	-
<b>FY 2022 Proposed Budget</b>	<b>252.25</b>	<b>\$ 26,599,055</b>	<b>\$ 29,523,139</b>	<b>\$ 56,122,194</b>	<b>\$ 14,489,600</b>
<b>Difference from 2021 to 2022</b>	<b>39.50</b>	<b>\$ 3,035,581</b>	<b>\$ 5,565,174</b>	<b>\$ 8,600,755</b>	<b>\$ 906,521</b>

## Department Review: Stormwater

Performance Measure	Target FY 2020	Actual FY 2020	Target FY 2021	Estimated FY 2021	Target FY 2022
Number of Failed Storm Drain Pipes	0	8	0	12	0
Percentage of Progress Towards Achieving the Final Bacteria TMDL Wet Weather Storm Sample Compliance Threshold	84%	86%	86%	TBD	87%
Miles of Streets Swept Annually	117,000	90,000	117,000	105,000	117,000

come from the CIP for eligible work performed.

### San Diego River Bacteria Investigative Order

The Department also has numerous other additions related to monitoring bacteria Total Maximum Daily Loads (TMDLs), which support an Investigative Order that the City is initiating at the request of the Regional Water Quality Control Board (RWQCB). The one addition that is mandatory is \$415,000 in contract expenditures for the City to develop a workplan with other Copermitees within the San Diego River watershed on technical pathways to remove human fecal material from the lower San Diego River.

In addition to the work plan, the Department also received \$500,000 to conduct various studies related to bacteria TMDL loads as part of the overall Investigative Order. These studies will involve taking samples within the San Diego River watershed and will inform work conducted in response to the Investigative Order. The Department is also adding 6.00 FTE and \$441,000 for a Bacteria Source Investigation Team. This would increase the total number of such teams to three. These teams gather data and map locations of hot spot areas of noncompliance and illegal discharges, and work with multiple City departments and agencies to abate sources of bacteria, including human waste. And finally, to help with the response to the Investigative Order, there is another 1.00 FTE and \$61,000 added for an additional discharge investigator, which is partially offset by \$20,000 in revenue. This investigator would focus on bacteria-related investigation requests, which have increased by 200% in recent years.

### Street Sweeping Additions

For street sweeping activities, there are 2.00 FTEs and \$330,000 for additional street sweeping enforcement activities. This increase would support needed Water Quality Improvement Plan related tasks to provide enforcement and posting of up to 4 existing routes of street sweeping. These positions and funding would also assist in posting and modifying routes to fulfill a recommendation from the 2020 Performance Audit. These expenditures also include \$400,000 in increased revenue, which is expected to be annualized to \$800,000 in FY 2023.

### Other Additions

Other additions include 5.00 FTE and \$319,000 for positions to fulfill dig alert requirements due to a new State law. As of January 1, 2021, every utility operator is required to supply a positive response and inspect all dig alerts to ensure that all assets have been marked out and/or cleared. This will require additional personnel to ensure that the City is responding to all dig alerts appropriately. There is a similar addition in the Transportation Department.

The final personnel addition is 0.50 FTE and \$34,000 to restore a full-time Word Processor position which was partially reduced in FY 2021.

There are also two significant non-personnel expenditure additions for the Department, both of which are considered one-time expenditures. These significant non-personnel expenditure increases include:

- \$300,000 in one-time funding for the Alternative Compliance program. This program allows for developers to buy mitigation credits offsite, and this funding is



# Department Review: Stormwater

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needed to set up the software and other compliance measures needed to put the program in place; and

- \$250,000 in one-time funding for the Integrated Planning Framework, which would provide additional consultant support to make technical updates to the City's six Water Quality Improvement Plans and Jurisdictional Runoff Management Plan to meet the requirements of the next Stormwater Permit, which will be reissued during FY 2022.

## Budget Reductions

The only two expenditure reductions are for items that affect multiple departments. The first is \$645,000 for the Department's allocation of the 2.6% across-the-board Contracts reduction, which was included in the FY 2021 Adopted Budget and is now ongoing. For FY 2022, the Department is currently reviewing their contractual spending arrangement, and have yet to determine how they will absorb this reduction.

The other expenditure reduction is \$41,000 for the Equipment Rental Reduction. This reduction is not anticipated to affect service levels.

Beyond the revenue changes already mentioned, there were two other significant changes to the Department's revenues, both of which are reductions in reimbursements for street sweeping activities. This includes an \$87,000 decrease in revenue from the Stadium Operations Fund, since no sweeping activities will occur at that property, and a decrease of \$1.1 million from the Special Promotional Programs Fund due to decreases in TOT revenue.

## **Issues for Council Consideration**

### **Unfunded Requests**

Even with the numerous additions to the Stormwater Department Proposed Budget,

there were still some requested that went unfunded in FY 2022.

One request includes 2.00 FTEs and \$745,000 in funding for positions to establish a stormwater re-inspection fee. The two positions would set up a database system for implementing and tracking the fee (costs for which represent \$600,000 of the requested \$745,000 and are one-time only). The implementation of this fee was recommended in the June 2018 Stormwater Performance Audit. While it did not include a revenue estimate of just a re-inspection fee, the Funding Strategy estimated that inspection and reinspection fees could be utilized to cover the costs of the program, which are estimated at \$1.4 million in FY 2021. This request also included \$20,000 worth of revenue.

Another request is for 3.00 FTEs and \$693,000 in funding for a team to conduct pipe cleaning and inlet inspections in line with the State Trash Policy requirements. The State Trash Policy is a new regulation that is on a ten-year schedule until 2030. Not funding this request could eventually leave the City in non-compliance with the State Trash Policy.

Finally, the last unfunded request is for 9.00 FTEs and \$1.4 million for a levee maintenance crew, as well as supplies and as-needed consulting. This request would support the inspection, repair, and maintenance of all City levee systems, and ensure that the City levees retain coverage in the Federal Rehabilitation Program. All City levees are currently in compliance with federal regulations, but this request may need to be further considered in the future if there is a risk of levee systems losing federal coverage.

### **Storm Water Permit Compliance**

In May 2012, the new Municipal Storm Water Permit (permit) was adopted by the RWQCB. This permit mandates more stringent regulations which require a significant increase in

## Department Review: Stormwater

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expenditures over the next several decades to comply with permit requirements.

In FY 2014, the Department prepared a Watershed Asset Management Plan (WAMP) that incorporated both the costs of permit compliance and the costs of flood risk management activities. The WAMP is used as a planning tool to project how much funding is necessary for permit compliance, including costs associated with TMDLs, Areas of Special Biological Significance, upcoming compliance deadlines, the deferred capital backlog, and the Department's operational activities. As part of the lead up to the release of the initial Funding Strategy report in January, the WAMP underwent an extensive update.

The latest WAMP estimates compliance costs through FY 2040 to total almost \$5.5 billion. This includes a total of \$1.1 billion in flood risk management needs, and \$4.3 billion in water quality compliance needs. As has been pointed out in numerous reports from our Office, as well as the Office of the City Auditor, the City currently does not have a dedicated financial resource to cover these costs. Even with the additions that Stormwater received as part of the FY 2022 Adopted Budget, the overall operating budget for the Department is still \$27.3 million below what is envisioned within the WAMP for this fiscal year. This also does not include the projected \$1.3 billion deficit projected in the latest Five-Year Capital Infrastructure Planning Outlook.

As is typical, Department staff continue to work proactively with environmental stakeholders and the RWQCB to refine regulations and decrease compliance costs. Previous achievements include a reduction in compliance costs of roughly \$0.8 billion as a result of changes to the Chollas Creek Dissolved Metals TMDL. Even with further reductions, however, compliance costs will remain extensive. The City currently lacks a dedicated funding source sufficient enough to address the full costs of compliance. Penalties for not

complying with the permit could be up to \$10,000 per day per violation.

There are multiple TMDL deadlines that are constantly approaching as well. As these deadline approach, the City being in noncompliance could lead to either fines, or requirements to begin funding investigative order tasks, such as the one for the bacteria TMDL within the San Diego River watershed that received significant funding in FY 2022. **The Department should comment on its ability to continue to meet these compliance deadlines, and if the reductions will significantly hamper the Department's ability to ensure compliance and avoid fines.**

### Storm Water Funding Strategy

As mentioned previously, the City currently lacks a dedicated funding source sufficient enough to address the full costs of compliance currently contained in the WAMP.

In response to an audit recommendation as well as previous IBA reports on this very issue, the Department in January released an initial Funding Strategy document, which included an assessment of the needs of the Department, as well as an initial analysis on the various funding mechanisms that the Department could pursue to close this funding gap. An important conclusion of this Funding Strategy is that the City will most likely need to seek a ballot measure to increase fees related to the stormwater system through the Proposition 218 process.

Following Council approval of the document, the Department is currently assessing actual projects that will need to be funded, as well as a more accurate assessment of the level of funding that is required to complete these projects. This next work product is expected to be brought to Council towards the end of summer, which is in line with an overall strategy to potentially ready a ballot measure to implement a funding mechanism for the November 2022 ballot.

## Department Review: Stormwater

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As our Office as previously mentioned in the past, there still needs to be a determination made as to what activities an additional funding mechanism would cover. While the need for CIP projects remains high, as displayed in this Proposed Budget, funding the Stormwater Department currently requires \$34.4 million in General Fund revenue beyond what the Department generates. A decision will need to be made on if additional funding in the future is prioritized for currently unfunded CIP projects, or General Fund relief.

For more information on the Stormwater Funding Strategy and these issues, please refer to IBA Report 21-04 Analysis of the Stormwater Division Funding Strategy Report.

## Department Review: Sustainability

# Sustainability

### Impact of Mayor's FY 2022 Budget Proposal

The Department of Sustainability leads the implementation of the City's Climate Action Plan (CAP) and facilitates innovative efforts across multiple City departments to enhance economic, social, and environmental sustainability. These efforts promote renewable electricity; water and energy efficiency; zero waste; bicycling, walking, transit, smart growth and land use; and resiliency measures.

The FY 2022 Proposed Budget for the Department is approximately \$6.0 million, which is an increase of \$226,000 million (20.8%) from the FY 2021 Adopted Budget. The Department includes 28.00 FTE positions in FY 2022, which is an increase of 1.25 FTE positions from FY 2021.

#### General Fund

The General Fund Proposed Budget for the Department of Sustainability is \$1.0 million, which is an increase of \$198,000 (23.8%) from the FY 2021 Adopted Budget. There is also 1.00 additional FTE within the General Fund.

#### Significant Budget Adjustments

The largest increase in General Fund expenditures is due to the transfer of a Deputy Director position from the former Smart &

Sustainable Communities Branch into the Sustainability Department. This transfer increases the budget by 1.00 FTE and \$173,000, with a corresponding decrease within the Smart & Sustainable Communities Branch, which is being transferred to the Office of the Chief Operating Officer.

The other expenditure change is a decrease of \$11,000 due to the allocation of the 2.6% across-the-board Contracts reduction from FY 2021. The Department is still considering how they will absorb this reduction.

Finally, there is a reduction of \$150,000 in revenue for the removal of a grant that was received as one-time revenue in FY 2021.

Of note, the Council added \$250,000 for support of the CAP in FY 2021, which remains mostly intact in FY 2022. This funding supports the development of various CAP related products, including the Annual Report and the CAP 2.0, which is currently under development. For more information on the CAP, please refer to the Climate Action Plan section within this report.

#### Energy Conservation Program Fund

The FY 2022 Proposed Budget for the Energy Conservation Program Fund (ECPF) is \$5.0 million, which is an increase of \$27,000 (0.5%) from the FY 2021 Adopted Budget.

SUMMARY OF SUSTAINABILITY (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	4.00	\$ 557,929	\$ 274,974	\$ 832,903	\$ 150,000
<b>Programmatic Changes</b>					
<i>Deputy Director Position Restructure</i>	1.00	173,480	-	173,480	-
<i>FY 2021 2.6% Contracts Reduction Allocation</i>	-	-	(10,825)	(10,825)	-
<i>Removal of Grant Revenue</i>	-	-	-	-	(150,000)
<b>Other Changes</b>					
<i>Other Salary and Fringe Benefit Changes</i>	-	13,483	-	13,483	-
<i>Non-Discretionary Adjustments</i>	-	-	22,234	22,234	-
<b>FY 2022 Proposed Budget</b>	<b>5.00</b>	<b>\$ 744,892</b>	<b>\$ 286,383</b>	<b>\$ 1,031,275</b>	<b>\$ -</b>
<b>Difference from 2021 to 2022</b>	<b>1.00</b>	<b>\$ 186,963</b>	<b>\$ 11,409</b>	<b>\$ 198,372</b>	<b>\$ (150,000)</b>

## Department Review: Sustainability

There is also an increase of 0.25 FTEs, bringing the total number of FTEs supported by the ECPF to 23.00.

### Significant Budget Adjustments

The only significant adjustment for the ECPF is the addition of 0.25 FTEs. This is the result of an addition of an Information System Analyst 3 position for 1.00 FTE, which is offset by the removal of three intern positions, reducing FTEs by 0.75. The expenditure difference on this change is minimal.

There is also a slight revenue decline of \$43,000. This represents a loss of two grants for the fund, which is mostly offset by increases in revenue from the non-discretionary allocation for the fund.

### Climate Equity Fund

In March 2021, the City Council approved an ordinance that established the Climate Equity Fund. This fund is to be used to provide targeted infrastructure and other CAP related improvements to communities of concern, including those identified in the Climate Equity Index.

To provide revenue for this fund, the resolution set a minimum goal of providing an amount equal to 10% of the General Fund budget for gas and electric franchise fees, and 1% each of the budgeted revenue from the Gas Tax and TransNet funds.

For FY 2022, the Mayor has included \$5.0 million in revenue for the Climate Equity Fund, which is equal to 10% of the gas and

electric General Fund franchise fees. However, the funding aligned with a 1% TransNet and a 1% Gas Tax diversion, which is an additional \$722,000 (\$365,000 for TransNet and \$357,000 from the Gas Tax) is currently budgeted within the Gas Tax Fund and the TransNet Fund for this purpose. Due to auditing compliance and legal concerns, no direct allocation will be made to the Climate Equity Fund, but projects will be identified that adhere to the goals of the Climate Equity Fund that will be supported with these revenues.

As of this report, no projects or programs have been identified for any of funding. A call memo was issued by the Mayor's office on April 27<sup>th</sup> soliciting input from the various Council offices for project identification, with responses requested by May 5<sup>th</sup>. After reviewing the memo, it is our understanding that the funding allocations will be outlined for the May Revision.

SUMMARY OF SUSTAINABILITY (ENERGY CONSERVATION PROGRAM FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	22.75	\$ 3,418,598	\$ 1,567,430	\$ 4,986,028	\$ 4,550,084
<b>Programmatic Changes</b>					
<i>Positions Changes</i>	0.25	264	-	264	-
<i>Revised Revenue</i>	-	-	-	-	(42,511)
<b>Other Changes</b>					
<i>Other Salary and Benefit Adjustments</i>	-	86,518	-	86,518	-
<i>Non-Discretionary Adjustments</i>	-	-	(59,469)	(59,469)	-
<b>FY 2022 Proposed Budget</b>	<b>23.00</b>	<b>\$ 3,505,380</b>	<b>\$ 1,507,961</b>	<b>\$ 5,013,341</b>	<b>\$ 4,507,573</b>
<b>Difference from 2021 to 2022</b>	<b>0.25</b>	<b>\$ 86,782</b>	<b>\$ (59,469)</b>	<b>\$ 27,313</b>	<b>\$ (42,511)</b>



## Department Review: Transportation

# Transportation

### Impact of the Mayor's FY 2022 Proposed Budget

The Transportation Department is responsible for the operations and maintenance of streets, sidewalks, street trees, plans and coordinates the City's rights-of-way, and performs traffic and transportation engineering. The Department has three main divisions: Administration & Right-of-way (ROW), Street, and Transportation Engineering Operations (TEO).

In addition to the General Fund, the Department receives both operating and Capital Improvement Fund (CIP) funds from various sources, including transfers from the Underground Surcharge Fund, the Gasoline Tax, the Road Maintenance and Rehabilitation Act (RMRA) Fund, and TransNet.

### General Fund

The FY 2022 Proposed General Fund Budget for Transportation is \$77.3 million, which is an increase of \$2.4 million (2.7%). The total number of positions for the Department is 424.70, which is an increase of 4.25 FTEs.

### Significant Budget Adjustments

There are two changes which increase the number of positions within the Department.

This includes 4.00 FTE and \$289,000 for positions to fulfill dig alert requirements due to a new State law. As of January 1, 2021, every utility operator is required to supply a positive response and inspect all dig alerts to ensure that all assets have been marked out and/or cleared. This will require additional personnel to ensure that the City is responding to all dig alerts appropriately. There is a similar addition in the Stormwater Department.

There is also an addition of 0.25 FTE and \$29,000 to reverse a reduction to a Code Compliance position made in FY 2021.

The largest increase for non-personnel expenditures is \$200,000 for the trench cut fee transfer, which brings the trench cut fee transfer up to \$300,000. This transfer represents the payments that SDG&E would have made to the Trench Cut Fund, if not for the current franchise agreement which substitutes the franchise fee in lieu of these payments. This fee is based on the amount of work SDG&E performs that requires the cutting of streets, as well as the age of those streets that are cut, and varies from year to year.

One reduction in the Proposed Budget is the allocation of the 2.6% across-the-board reduction to Contracts in the FY 2021 Adopted

SUMMARY OF TRANSPORTATION GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	420.45	\$ 40,830,357	\$ 34,439,492	\$ 75,269,849	\$ 56,848,232
<b>Programmatic Changes</b>					
Dig Alert Positions	4.00	288,752	-	288,752	-
Code Compliance Restoration	0.25	29,267	-	29,267	-
Trench Cut Fees	-	-	200,000	200,000	-
Allocation of FY 2021 2.6% Contracts Reduction	-	-	(327,503)	(327,503)	-
Equipment Rental Reduction	-	-	(545,177)	(545,177)	-
FY 2021 Gas Tax and TransNet Revenue Restoration	-	-	-	-	2,531,233
FY 2022 TransNet Revenue	-	-	-	-	1,262,400
<b>Other Changes</b>					
Other Salary and Benefit Adjustments	-	2,367,799	-	2,367,799	-
Non-Discretionary Adjustments	-	-	50,507	50,507	-
Qualified Energy Conservation Bond Revenue	-	-	-	-	(32,362)
<b>FY 2022 Proposed Budget</b>	<b>424.70</b>	<b>\$ 43,516,175</b>	<b>\$ 33,817,319</b>	<b>\$ 77,333,494</b>	<b>\$ 60,609,503</b>
<b>Difference from 2021 to 2022</b>	<b>4.25</b>	<b>\$ 2,685,818</b>	<b>\$ (622,173)</b>	<b>\$ 2,063,645</b>	<b>\$ 3,761,271</b>

Office of the Independent Budget Analyst  
April 2021

## Department Review: Transportation

Performance Measure	Target FY 2020	Actual FY 2020	Target FY 2021	Estimated FY 2021	Target FY 2022
Miles of Streets Repaired	430	189	365	200	350
Number of Trees Trimmed	42,000	15,000	39,000	29,500	29,200
Number of Trees Planted	N/A	589	2,700	2,400	2,336
Average Number of Days to Mitigate a Reported Sidewalk Hazard	20	15	15	15	15
Square Feet of Sidewalks Replaced/Repaired	170,000	111,107	170,000	137,000	170,000
Miles of Overhead Utilities Relocated Underground	15.0	0.3	15.0	12.7	15.0

Budget. This reduction in FY 2021 was only included in Citywide Program Expenditures in the budget. However, the Department of Finance has developed a methodology for allocating this reduction in FY 2021, which has also been effectuated in FY 2022 to make the reduction ongoing. The impact to the Transportation Department is \$328,000, and the Department indicates that they will absorb this reduction by reducing the overall budget for weed abatement services. With the remaining budget, the Department will still be able to abate Fire Marshal requests and some abatement in hardscaped medians once per year, but other clearing activities will drop from 85 acres down to 40 acres.

The other reduction is \$545,000 for the Department's share of the Equipment Rental Reduction that affects multiple departments. This reduction is not anticipated to impact service levels.

Departmental Revenues for Transportation increase by \$3.8 million in the Proposed Budget. This includes an increase of \$1.3 million from the TransNet Fund to support operations. There is also an increase of \$2.5 million from a combination of Gas Tax and TransNet revenues that were reduced on a one-time basis in FY 2021. However, after reviewing the overall budget, this increase in revenues is an error that will need to be corrected in the May Revision. Additional revenues or expenditure reductions will need to be identified to offset this correction.

## Issues for Council Consideration

### Unfunded Requests and Potential Service Level Impacts

For FY 2022, the only unfunded request for the Transportation Department is \$500,000 for a pavement condition assessment to update the Overall Condition Index (OCI) of the City streets. This assessment is recommended for completion every four years, but the City has not completed one since 2016.

Of note, and different from prior years, there are no significant service level reductions proposed in the FY 2022 Budget, with the exception of the weed abatement reduction to absorb the 2.6% Contracts reduction from FY 2021. This is a dramatic change as previous years have included reductions for various services, including tree trimming, weed abatement, graffiti abatement, and pothole repair. No reductions from current service levels or funding have been included in this Proposed Budget for these services, with the exception of weed abatement.

However, this does not mean that all of these services are funded at the recommended service levels. For example, tree trimming standards would recommend that all palm trees receive service once every two years, and shade trees once every seven. Given the current level of funding, palm trees are being taken care of at the two-year rate, but shade trees currently average 24 years between service. Part of this is a lack of sufficient funding, but the Department has also had to spend tree trimming budget on numerous unanticipated tree related

## Department Review: Transportation

activities, mostly unexpected palm tree removals. In order to increase the service level of shade tree trimming to once every seven years, the Department would need an additional \$900,000. Additionally, to fully fund tree removal, the Department would need \$700,000 to keep up with the existing demand.

Further, the Department still does not have all of the resources necessary to abate all residential graffiti requests, which average between 2,500-3,000 annually. To fund all of these requests, the Department would need an additional \$100,000, on top of the current allocation of \$150,000, to fulfill all of these requests.

The Department also did not include an item that has been identified as Critical Strategic Expenditure in previous Five-year Financial Outlooks. This would be the addition of 21.00 FTE positions and \$4.4 million in spending for sidewalk repair and replacement teams. The Department indicates that they did not ask for this request this year due to the potential of a dramatic revenue shortfall. However, the need for these teams still exists.

### Street Repaving Program and “Sexy Streets”

As noted in the Key Performance Metrics table, the Department maintains a goal to pave approximately 360 miles of streets during FY 2022. This would include 320 miles of slurry seal, 29 miles of overlay, and one mile of road reconstruction. These activities would be funded from a variety of sources, including previous appropriations, Gas Tax Funds, Road Maintenance and Rehabilitation Funds, TransNet funding, trench cut funds, and financing. The Department’s plan for the allocation of these funds is provided in the following table.

Road Repaving Allocations	
Slurry Seal	
Funding Source	Allotment (\$ in millions)
Continuing Appropriations	\$18.8
Gas Tax Fund	1.5
RMRA Fund	27.8
<b>Total</b>	<b>\$48.1</b>
Overlay/Reconstruction	
Funding Source	Allotment (\$ in millions)
Continuing Appropriations	\$40.0
Financing	31.1
TransNet Fund	1.8
Trench Cut Fund	2.0
<b>Total</b>	<b>\$74.9</b>

Contained within this funding is \$31.1 million in anticipated financing for overlay, which will be a part of the Mayor’s “Sexy Streets” Initiative. This initiative, which totals \$40 million, would provide overlay as well as Complete Streets work within communities of concern. This initiative also includes a \$10 million General Fund revenue diversion to the Infrastructure Fund for FY 2022.

At this time, the specific projects, street sections, and project elements have not been identified. It is our understanding that the Transportation Department, Engineering & Capital Projects Department, and the Mayor’s Office will work with City Council offices and the community to proactively identify the appropriate street sections and project elements to be funded with these allotments.

# Department Review: Transportation

## Underground Surcharge Fund

### Impact of the Mayor's FY 2022 Proposed Budget

The Underground Surcharge Fund collects fees that are contributed by electricity rate payers within the City for the purpose of undergrounding the electric utility lines within the City. The FY 2022 Proposed Budget for the Underground Surcharge Fund includes \$92.9 million in expenditures and 22.16 FTEs. This is a decrease of \$14.8 million (13.7%) from the FY 2021 Adopted Budget.

The only major expenditure change is the removal of \$15.3 million in construction funding which was added as a one-time addition in FY 2021 in order to keep up with the pace of SDG&E undergrounding activities.

There is a large increase in revenue of \$13.1 million (23.7%) this year for the Underground Surcharge Fund. The largest increase is \$11.6 million in franchise fee revenue, which is due to the same factors which are contributing to increasing Franchise Fee revenue in the General Fund. For more information, refer to the General Fund Revenues Overview. Other revenue adjustments include an increase of \$1.7 million in interest earnings within the fund, as well as a decrease of \$100,000 based on less work reimbursable work happening on Rules 20A private property projects. The variance between revenues and expenditure will be made up with fund balance.

SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2021 Adopted Budget	22.16	\$ 2,777,732	\$ 104,962,628	\$ 107,740,360	\$ 55,612,716
<b>Programmatic Changes</b>					
<i>Removal of One-Time FY 2021 Costs</i>	-	-	(15,305,000)	(15,305,000)	-
<i>Revenue Adjustment Based on Franchise Fee</i>	-	-	-	-	11,599,662
<i>Interest Earnings</i>	-	-	-	-	1,680,000
<i>Rule 20A Adjustment</i>	-	-	-	-	(100,000)
<b>Other Changes</b>					
<i>Salary and Benefit Changes</i>	-	20,058	-	20,058	-
<i>Non-Discretionary Adjustments</i>	-	-	491,993	491,993	-
<b>FY 2022 Proposed Budget</b>	<b>22.16</b>	<b>\$ 2,797,790</b>	<b>\$ 90,149,621</b>	<b>\$ 92,947,411</b>	<b>\$ 68,792,378</b>
<b>Difference from 2021 to 2022</b>	<b>-</b>	<b>\$ 20,058</b>	<b>\$ (14,813,007)</b>	<b>\$ (14,792,949)</b>	<b>\$ 13,179,662</b>

# Other Departments

### Cultural Affairs

The Cultural Affairs Department is funded with TOT and budgeted in the TOT Fund. The FY 2022 Proposed Budget is approximately \$1.8 million, a reduction of \$1.2 million from the FY 2021 Adopted Budget. The reduction is primarily attributable to the restructure of the Special Events and Filming program into its own separate department (discussed later in this section), which includes the transfer of 6.00 FTEs and \$1.0 million and other non-discretionary NPE reductions. After this transfer, the Cultural Affairs Department will consist of 7.00 FTEs.

### Ethics Commission

The FY 2022 Proposed Budget for the Ethics Commission is approximately \$1.3 million, a decrease of approximately \$109,000 from the FY 2021 Proposed Budget. Ethics Commission staff is reduced by 0.25 FTEs from 6.25 FTEs to 6.00 FTEs. The expenditure and FTE decrease is primarily associated with the completion of the Commission's Executive Director succession plan which involved a three month overlap during which the former Executive Director could assist during the transition period. The new Executive Director started in November 2020.

### Office of Homeland Security

On April 9, 2021, the Mayor announced his intention to remove the Office of Homeland Security (OHS) as a program of the San Diego Police Department. This decision reverses the reorganization that occurred in FY 2020 under which OHS has operated under the purview of the Police Department, though it continued to be budgeted independently.

The FY 2022 Proposed Budget for OHS is

approximately \$3.3 million, an increase of \$639,000 or 19.4% from the FY 2021 Adopted Budget. The increase reflects the addition of 1.00 Executive Director and \$152,000 in associated personnel expenditures, \$418,000 for salary and benefit adjustments, and \$66,000 in miscellaneous NPE increases (primarily non-discretionary IT costs). Budgeted revenue totaling \$1.6 million represents an increase of \$293,000 primarily associated with fringe benefit increases for positions that are 100% grant reimbursable.

### Office of the IBA

The FY 2022 Proposed Budget for the Office of the Independent Budget Analyst (IBA) is approximately \$2.5 million, an increase of \$275,000, or 12.4% from the FY 2021 Adopted Budget. This is largely attributable to an increase in salary and fringe benefits, with a smaller increase in non-personnel expense. The Office is comprised of 10.00 FTE positions, unchanged from FY 2021.

### Special Events and Filming

Special Events and Filming is re-established as its own department in the FY 2022 Proposed Budget after being merged together with the Cultural Affairs Department for one fiscal year (FY 2021). The FY 2022 Proposed Budget is approximately \$1.5 million, with 6.00 FTEs and \$40,000 of budgeted revenue. The transfer of 6.00 FTEs and \$1.0 million from the Cultural Affairs Department comprises the majority of the Department's Budget. Non-discretionary NPE increases account for the remainder of the Department's budget, which, similar to Cultural Affairs, is funded with TOT and budgeted in the TOT Fund.