



Review of the
FY 2023 PROPOSED
BUDGET

Office of the Independent Budget Analyst
IBA Report No. 22-08

The City of
SAN DIEGO

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Independent Budget Analyst
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Overview: IBA Review and Analysis of the Mayor's FY 2023 Proposed Budget

IBA Review and Analysis of the Mayor's FY 2023 Proposed Budget

Each year, the Independent Budget Analyst (IBA) provides a comprehensive analysis of the Mayor's Proposed Budget for the City Council and the public – reviewing expenditures and revenues, consistency with City Council and community priorities, identifying service level impacts, ensuring the application of City budget policies and best practices, and pointing out potential impacts on future years. This involves significant cooperation from the Executive Branch to understand the workings of the \$4.9 billion proposed budget, and we appreciate the time taken by the Department of Finance, Mayor's Office, and all operating departments to meet with our Office and to answer our many questions over the past two weeks.

Role of the City Council in the FY 2023 Budget Process

After release of the Mayor's Proposed Budget on April 15, 2022, the City Charter vested budget authority for finalizing the FY 2023 budget in the hands of the City Council. The Council holds many public hearings reviewing the budget proposals for all City departments, hosts meetings to solicit more feedback from constituents and communities, and fully reviews the Proposed Budget.

Council ultimately is tasked with determining whether modifications to the Proposed Budget are necessary to fund critical community priorities that are not yet addressed in the Proposed Budget. The Council has the authority to change budget line items and programs, provided the overall budget remains balanced.

Over the next several weeks, Council will hold evening meetings to solicit public

feedback, and meet as the Budget Review Committee to hear presentations from all operating departments on the proposed budget for their departments. During these meetings, the Office of the IBA will also present issues of interest, areas of concern, and potential questions for each department, with the goal of working with Councilmembers and staff to provide information that assists the Council in making informed decisions. Our Office will also participate in Council Budget Town Halls held throughout the City.

In May, we will also review and analyze that FY 2022 Third Quarter Budget Monitoring Report and evaluate the Mayor's May Revision to the FY 2023 Proposed Budget (scheduled to be released on May 17, 2022). Councilmembers will issue memos to our Office on May 27, 2022 that detail each Council Office's budget modification priorities, and we will issue a final report on recommended modifications to the FY 2023 Proposed Budget and Mayor's May Revision on June 8, 2022.

On June 13, 2022, Council is scheduled to consider final adoption of the budget, and at that time the Council will have the authority to change line items or services and programs in the Proposed Budget, provided the Budget remains balanced. The Mayor has the authority to veto Council changes, but the Council can overturn the Mayor's veto with six votes of the Council.

Overview of IBA Review and Analysis

This report provides an overview of the City's revenues, expenditures, and reserves in the

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Proposed Budget, discusses key citywide issues identified by our Office for Council's consideration, and reviews the proposed budgets for each department in the City.

In general, our Office finds that the Proposed Budget provides increased resources across almost all City functions, and is consistent with the City's improving financial condition as it moves past the worst impacts of the COVID-19 pandemic. Aggregated together, City revenues and expenditures in the Proposed Budget are at all-time highs (though individual revenues and services may not be). Most City services are proposed to receive additional support, and several long-underfunded services are proposed to receive significant increases in funding. The Proposed Budget also allocates funding to begin tackling longstanding equity issues throughout the City by increasing funding for the Office of Race and Equity, and in particular departments like the Parks and Recreation Department. The Proposed Budget also includes funding for most (but not all) of the priorities that were included in the Budget Priorities Resolution that the City Council adopted earlier this year on February 7, 2022.

While our Office finds that the Proposed Budget largely makes enhancements to the City's services and infrastructure in a responsible manner, we do also highlight some concerns. Most notably, while the Proposed Budget is balanced in that proposed expenditures equal proposed revenues, it remains structurally imbalanced, with one-time resources like federal American Rescue Plan Act (ARPA) revenues being used to support ongoing expenses; this, combined with not funding City reserve to targeted levels, may lead to a significant budget shock when those one-time revenues run out absent any new revenue source. Additionally, while the Proposed Budget is making necessary and overdue investments in the City's aging

infrastructure, more investment will be necessary to address the City's growing infrastructure backlog.

General Fund Revenue Overview

The Proposed Budget includes \$1.89 billion in revenues. Of this amount, \$1.30 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 significant growth in all four major General Fund revenues.

In general, major General Fund revenues are proposed to increase by \$130.7 million from the FY 2022 Adopted Budget, and \$91.8 million from year-end projections that were included in the FY 2022 Mid-Year Budget Monitoring Report. Revenue from Property Tax, Sales Tax, and Franchise fees are projected at all-time highs, and while TOT revenue was hit badly by the COVID-19 pandemic and is still below where it was projected to be before the pandemic, it is projected to recover to pre-pandemic levels in FY 2023.

We also note that revenue growth is augmented by the planned use of \$123.5 million in federal ARPA funding, which is an increase over the \$120.4 million of ARPA funding projected for FY 2022. It is important to note that ARPA funds are one-time in nature, and after use of these amounts, only \$55.8 million is anticipated to be available to balance any FY 2024 revenue shortfalls.

Our Office's discussion of these revenues and projected growth rates are included in this report's **General Fund: Revenue Overview** section.

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General Fund Expenditure Overview

Total General Fund expenditures are increasing by \$143.3 million, or 8.2%, from the \$1.74 billion in the FY 2022 Adopted Budget. There are a large number of changes in both Personnel Expenditures (PE) and Non-Personnel Expenditures (NPE).

The net PE increase to the General Fund is \$57.5 million. This increase is largely due to a net increase of 504.68 FTE positions, mostly in the Parks and Recreation, Environmental Services, Stormwater, and Transportation departments (\$48.1 million). Other additions include various compensation increases (\$24.1 million), and estimated amounts associated with recent and ongoing negotiations with the City's Recognized Employee Organizations (\$23.2 million). Offsetting these PE increases is a decrease in the City's pension payment (the Actuarially Determined Contribution) due to higher-than anticipated investment returns in FY 2021 (\$30.4 million) and budgeted PE savings (\$5.9 million).

The net NPE increase to the General Fund is \$85.7 million. The largest NPE increases are one-time in nature and are largely associated with contributions to City infrastructure through direct allocations to CIP projects and to the Infrastructure Fund. There are a number of other large one-time increases, several large ongoing expenditure increases, and significant decreases for the removal of FY 2022 one-time costs.

How the Mayor Balanced the FY 2023 Budget

While total revenue increases are sufficient to support expenditures in the Proposed Budget, this was only possible through several mitigation measures. They include proposals to:

- Use \$123.5 million in ARPA funding to support general City services, as discussed in the Revenue overview.
- Use \$7.9 million in the Pension Payment Stabilization Reserve to mitigate costs associated with the wind-down of Proposition B.
- Suspending contributions to the General Fund Reserve of \$25.8 million.
- Suspending contributions to the Risk Management Reserve of \$3.4 million.
- Use \$3.0 million in fund balances from the Information Technology Funds and Fleet Operations Fund.

These mitigations are discussed in additional detail in this report's sections on *General Fund Overview: Revenue Overview* and *Reserves*, and potential issues associated with them are discussed later in this section.

Key FY 2023 Budget Issues

While the Proposed Budget is balanced and increases funding for many City programs and services, our Office has identified several potential key issues that merit additional discussion. We note that the Budget remains structurally unbalanced, that increased use of ARPA and delays in funding our reserves to targeted levels could contribute to future year deficits, and that increased infrastructure spending being proposed is not sufficient to close a growing infrastructure funding gap.

The Proposed Budget Remains Structurally Imbalanced

The Proposed Budget for the General Fund is balanced, with \$1.9 billion in expenditures matching \$1.9 billion in revenues. However, resources classified as one-time in the Budget total \$150.1 million, while expenditures classified as one-time total \$104.5 million. This means that the City is using \$45.6 million in one-time resources to support ongoing expenditures. Further, we know that some

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expenses that are classified as one-time in nature (notably the \$28.4 million contribution to the City's Infrastructure Fund and the \$6.2 million allocated for homelessness programs) are likely to be required in future years as well.

This is troubling, as absent increases in revenue equal to or exceeding \$45.6 million in FY 2024, some ongoing expenditures included in the FY 2023 Proposed Budget (all of which are associated with ongoing services the City provides to the public) will have to be cut. Even if additional resources for FY 2024 are found so that ongoing expenditures do not need to be cut, relying on one-time funding to support ongoing expenditures now limits the City's ability to expand or respond to new needs in the future.

One-Time Resources (ARPA, Delaying Reserve Contributions) Could Compound to Create Severe Future Impacts

The vast majority of one-time resources proposed in the budget come from ARPA, which is projected to provide \$123.5 million in funding in FY 2023. At the same time, the Proposed Budget suspends contributions in the amounts of \$25.8 million to the City's General Fund Reserve and \$3.4 million to the City's Risk Management Reserve.¹ While the targeted Risk Management Reserve level can fluctuate from year to year, the targeted General Fund Reserve level is set to increase by a fixed percentage of General Fund operating revenues until it reaches 16.7% of General Fund operating revenues in 2025.

The Department of Finance notes that it plans to suspend contributions to the General Fund Reserve until all ARPA funding has been used, and the remaining \$55.8 million in ARPA funding is anticipated to be used in FY 2024. Meanwhile, the General Fund Reserve is expected to remain funded at \$205.6 million. Absent any changes to the Reserve Policy, the City's targeted reserve target will be 16.7% in FY 2025, which would total \$266.1 million, assuming projections from the FY 2023-2027 Five Year Financial Outlook.²

Given existing policies, in order for the City to meet that General Fund Reserve target level in FY 2025, it would need to make a contribution of \$60.4 million, in the same year when it will need to deal with a decrease in one-time funding of \$55.8 million associated with no longer having ARPA to draw on. These impacts combined generate an expected net impact of \$116.2 million in FY 2025.

Infrastructure Funding Remains Insufficient to Address Growing Capital Backlog

The Proposed Budget includes significant support for infrastructure and capital projects, with \$808.8 million included in the CIP for FY 2023, with \$107.4 million appropriated for projects that support General Fund capital infrastructure, an increase of \$34.1 million from FY 2022. However, General Fund capital needs identified in the most recent Five-Year CIP Outlook total \$141.2 million.

The two key funding sources the City has to support almost any General Fund capital project are the Infrastructure Fund and the

¹ While the Department of Finance notes that it plans to avoid funding reserves in the same years it is drawing on ARPA, because ARPA is forbidden from being used to fund reserves, we note that it is not clear the City cannot fund its reserves to targeted levels using other General Fund revenues. ARPA also has restrictions against being used to fund pension payments, but the City will still make contributions to SDCERS from other General Fund resources in years when it is drawing on ARPA.

² The actual reserve target for FY 2025 may exceed this amount, as this estimate does not include increases to operating revenues that have occurred after release of the FY 2023-27 Five Year Financial Outlook. More information on how the General Fund Reserve target is set can be found in the *Reserves* section of this report.

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General Fund. The Infrastructure Fund receives a portion of growth in sales tax revenue, and totals \$28.4 million in the Proposed Budget. The General Fund is providing \$28.7 million for capital projects in the Proposed Budget; the General Fund is used to support capital, maintenance, and operational needs of most City departments, and many City priorities compete for General Fund dollars.

The City's General Fund CIP needs far outweigh available resources as evidenced by the \$4.3 billion funding gap in the [FY 2023-27 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#). Absent a new and dedicated funding source, the City's capital backlog will continue to grow, the City's exposure to risk and liability associated with failing infrastructure will continue increase, and the costs to make emergency repairs to failing infrastructure – which are more expensive than regular maintenance would be – will continue to grow.

Vacancy Levels Continue to Impact City Services

Many Departments currently have high vacancy rates, including Engineering & Capital Projects, Department of Information Technology, Transportation, and Parks and Recreation, among many others. High vacancy rates have direct impacts on the delivery of City services and jeopardize the ability for Departments to deliver projects and programs on time and on budget. Many Departments are also forced to prioritize immediate work over longer-term strategic work.

There are many reasons why many departments face high vacancy rates, but chief among them are compensation levels and a lengthy recruitment and hiring process that often puts the City at a competitive disadvantage compared to other public and private employers, especially given the tight labor market and affordability issues in San Diego. Additional information on the impacts of vacancies

discussed in this report's section on *Key Citywide Issues: Departmental Vacancies* and in individual Department reviews, and additional discussion on the City's compensation levels is included in the *Key Citywide Issues: Labor Negotiations* section.

Notable FY 2023 Budget Adjustments

Stormwater Funding Additions and Needs

The Stormwater Department Proposed Budget increases by 42.75 FTEs and \$14.2 million above the FY 2022 Adopted Budget. The increase is primarily attributable to various new positions and programming, including a ramp up of the CIP program in anticipation of enhanced funding from the WIFIA program (15.00 FTEs, \$8.8 million), additional pump repair station and automation staff (20.00 FTEs and \$4.1 million), and additional street sweeping resources (10.00 FTEs and \$4.1 million).

Compliance with SB 1383 – Organics Collection

FY 2023 also continues the City's implementation efforts under SB 1383, which among other requirements will require the City to provide weekly organics collection services to residents receiving refuse disposal services from City crews. The FY 2023 Proposed Budget increases by 90.92 FTEs and \$11.7 million in the General Fund for this purpose, the majority of which is for the annualizations for positions partially included in the FY 2022 Adopted Budget (43.17 FTEs, \$3.4 million) as well as a restructuring of positions which currently collect yard waste from the Recycling Fund to the General Fund (31.65 FTEs and \$3.0 million).

Funding for City Equity Efforts

Many additions to the Proposed Budget are proposed to support the City's efforts to

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increase diversity and equity. Some significant additions include:

- 2 Program Coordinators and \$319,000 in expenditures in the Office of Race and Equity that will be focused on developing and providing training to City Departments and employees and that will work to operationalize equity in City operations.
- 18.50 FTEs and \$1.9 million in the Parks and Recreation Department for various purposes intended to address park inequities. This includes 5.00 FTEs and \$555,000 to implement recreation programming audit recommendations, 7.50 FTEs and \$664,000 for Back to Work SD programs geared towards equity-focused youth programming and paid youth internship and mentoring opportunities, and 6.00 FTEs and \$705,000 to support the implementation of the Parks Master Plan.
- \$1.3 million in the Economic Development Department to continue the Back to Work Connect2Carrers Program (\$750,000), and the Small Business Enhancement Program (\$500,000).
- 4 positions in the Planning Department, including 2.00 FTEs for the implementation of Parks for All of Us, and 2.00 FTEs to create an Equitable Public Engagement Program to enhance input received on department initiatives.
- \$850,000 in non-personnel expenditures to implement Disparity Study recommendations for Small Business Assistance in Purchasing & Contracting. This includes \$500,000 to support a bonding assistance program and \$350,000 to implement a technical assistance program for the City.
- \$189,955 and 2.0 FTE for a Program Coordinator and 1.00 Administrative Aide in Purchasing & Contracting to support the Equal Opportunity Contracts (EOC)

Program to provide bandwidth for proactive compliance reviews of Equal Employment Opportunity (EEO) Plans.

Homelessness and Housing Programs and Services

The Proposed Budget includes \$14.2 million in the General Fund to continue the following services: several existing shelters, one substance use disorder shelter that recently opened, resume a criminal diversion program, and continue coordinated outreach. Many more homelessness programs will be supported with grant funds outside of the budget process for a total of \$63.4 million in FY 2023.

The Proposed Budget also includes 44.00 FTEs and \$2.6 million to support the Housing Program in the Development Services Department. The program is intended to add staff to reduce the time it takes to process permits that will result in new housing units.

Support for Environment and Climate Action Activities

The FY 2023 Proposed Budget contains numerous additions for the further development of the Climate Action Plan and other environmental efforts. Within the Sustainability and Mobility Department, there are 6.00 FTEs and \$814,000 in both the General Fund and Energy Conservation Program Fund for Climate Action Plan analysts. Additionally, the General Fund contains \$1.3 million in expenditures for various plans and outreach initiatives, including the Public Power Feasibility Study, Mobility Action Plan, and Zero Emission Vehicle Strategy. The Proposed Budget also includes 1.00 FTE for a new Climate Resiliency Officer in the Planning Department to oversee the implementation of the Climate Resilient SD Plan.

Infrastructure Fund Commitments

The Infrastructure Fund which receives a portion of growth in sales tax revenue, totals \$28.4 million in the Proposed Budget. This

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funds improvement projects for Parks (\$12.0 million, Fire Stations (\$1.95 million), Facilities (\$1.8 million), Sidewalk Repair (\$7.0 million), Street Lights Circuits (\$1.0 million), and Traffic Calming (\$450,000).

Street Vending Ordinance Support

The Proposed Budget includes 44.00 FTE positions and \$4.0 million in funding across the Environmental Services, Parks and Recreation and Development Services departments.

Short Term Residency Occupancy Compliance

The Proposed Budget includes 16.00 FTE positions and \$2.0 million in funding across Development Services Department, City Treasurer's Office, and City Attorney's office to support the Short-term Residency Occupancy Compliance Program

Lease Administration

The Proposed Budget includes the addition of 5.00 Property Agents to assist with clearing the backlog of lease holdovers, rent reviews, and inspections in response to a recommendation in the Performance Audit of the City's Lease Management Renewal Process.

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

The FY 2023 City Council Budget Priorities Resolution ([R-313887](#)), which identifies the highest priority fiscal and policy items identified by Councilmembers for the upcoming fiscal year, was adopted by Council on February 7, 2022. The table on the following pages compares the City Council's FY 2023 Budget Priorities to the Mayor's FY 2023 Proposed Budget. The status of each budget priority is categorized as an addition or increase over FY 2022 budget or service levels (A), maintained at FY 2022 levels (M), reduced from what was included in the FY 2022 Adopted Budget (R), or a new item which was not added to the Proposed Budget (N). The Mayor has added or maintained funding for many of the City Council's priorities as shown on this table. Notably, the Proposed Budget does not include a pilot subsidy for seniors, funding for library facilities; or increased staff to address the Americans with Disabilities Act.

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COMPARISON OF COUNCIL FY 2023 BUDGET PRIORITIES TO MAYOR'S FY 2023 PROPOSED BUDGET (A=Added, M=Maintained, R=Reduced, N=Not Included)		
City Council Operating Budget Priorities	Status	Notes
Environment and Climate Action		
Climate Action Plan implementation and staffing	A	Added 5.00 FTEs and \$0.6 million in GF for CAP Analysis, with additional 1.00 FTE and \$167,000 in Energy Conservation Program Fund
Urban Forestry program and staffing	A	Added 2.00 FTE Horticulturalist positions (\$270,000)
Stormwater	A	Added 46.00 FTE and a net budget increase of \$14.2 million in General Fund for various operating activities.
Mobility Master Plan, continued funding	A	Added NPE of \$350,000 on a one-time basis to complete drafting of plan in FY 2023
Climate Equity Fund, continued funding	A	\$7.4 million in funding provided, projects to be determined in May Revision
Grant Writers	A	Added 3.00 FTE (\$258,000) in Transportation to assist the grant program
Climate Resilient SD Plan development and implement	A	Added a Climate Resiliency Officer position.
Public Power Feasibility Study	A	Added NPE of \$400,000 one a one-time basis
Public Safety		
Lifeguards, increase resources	A	Added 2.00 Marine Safety Lieutenants; \$300,000 for a new locker room trailer for the Boating Safety Unit; and \$100,000 for a new sleeping quarters trailer for La Jolla Lifeguard night staff
Fire Rescue, additional personnel	A	Added 1.00 Fire Captain for the Professional Standards Unit
Neighborhood Services		
Library, maintain/increase budget and operating hours	A	Added \$1.8 million for various purposes, including the replacement of public-use computers, an increase to library materials and donation matching funds, window washing, and security services
Brush and Weed Abatement, continued funding	A	Added NPE of \$400,000 on an ongoing basis
Code Enforcement, increase officers	A	Added 13.00 Zoning Investigators for Short Term Residential Occupancy and Sidewalk Vending Ordinances
Parks and Recreation, maintain/increase services	M/A	Recreation Center hours are maintained; Funding for park maintenance is increased by \$2.5 million; Park Ranger staffing is increased by 19.00 FTEs
Human Capital and Employee Compensation		
Fill Vacancies and Increase Salaries	A	Tentative agreements with MEA and AFSCME Local 127 were reached in April on wage adjustments for scores of job classifications. Negotiations with public safety REOs over FY 2023 compensation increases are ongoing
Homelessness and Housing		
Rental Assistance	R	One-time expansion in FY 2022 for Rapid Rehousing was not carried forward to FY 2023
Create Housing Stability Fund	N	Not Included
Pilot Subsidy Program for Older Adults	N	Not Included
Homeless Shelters for LGBTQ Youth and Seniors	M/N	Maintains existing beds for LGBTQ Youth. Shelters for seniors are not included but may be funded separately
Youth Services		
Office of Child & Youth Success, maintain/increase funding	A	Added 2.00 FTE positions, 1.00 FTE for a Senior Management Analyst, and 1.00 FTE for a Program Coordinator, and \$444,000 in expenditures
Youth Environmental/Recreation Corps Program, continue/expand	M	Program is continuing with the inclusion of 7.50 FTEs and approximately \$250,000 in the FY 2023 Proposed budget
Accessibility		
Americans with Disabilities Act, additional staff	N	Not Included
SDAccess4All, continue funding	A	Included \$441,000 in ongoing funds in Department of IT's budget to continue to provide public Wi-Fi as well as an enhancement to this Program to provide digital literacy training and equity support

Office of the Independent Budget Analyst
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COMPARISON OF COUNCIL FY 2023 BUDGET PRIORITIES TO MAYOR'S FY 2023 PROPOSED BUDGET (A=Added, M=Maintained, R=Reduced, N=Not Included)		
City Council Operating Budget Priorities	Status	Notes
Language translation services, increase services	M	Planning Department is maintaining translation services to reduce barriers to provide input on its initiatives
Arts & Cultural Programs		
Maintain/enhance arts & culture program funding to at least pre-pandemic levels	A	Added \$3.1 million in overall funding for Arts and Culture; however, funding remains \$1.5 million less than pre-pandemic levels
Office of Labor Standards Enforcement		
Provide funding for Office of Labor Standards Enforcement	A/N	1.00 Deputy Director; 2.00 FTEs for Department administration (shared with Commission for Arts & Culture and Performance & Analytics); positions in priorities memoranda not included
Public Banking Feasibility Study		
Study viability of creating a public bank	N	Not Included
Technical Support for IBA		
As-needed consultant to assist with analysis of major building acquisitions	N	Not Included
Priorities Added at Committee		
Office of Race and Equity	A	City Equity Training and to Operationalize Equity in City Functions.
Commission on Police Practices	A	Added \$1.2 million in total funding
Digital Equity	A	Added \$441,000 in ongoing to fund SDAccess4All
Small Business and Non-Profit relief	N	No funding for the Small Business Relief Program
City Council Infrastructure Budget Priorities	Status	Notes
Transportation Safety and Mobility		
Pedestrian and bicycle safety measures	A	Added \$2.1 million for bike facilities
Traffic calming measures to reduce speed of traffic	A	Added \$650,000 for traffic calming projects
Traffic Signals, new and modified to improve traffic flow and safety	A	Added \$2.8 million for traffic signals, which will include ADA upgrades such as audible pedestrian signals
Streetlights, new and repair	A	Added \$1.2 million, including \$1 million for series circuit upgrades and \$200,000 for new streetlights
Streets		
Street resurfacing and slurry sealing	A	Added \$17.1 million for street pavement
Sidewalks		
Installation and repair of new sidewalks	A	Added \$7.5 million, including- \$4 million for repairs to existing sidewalks, \$500,000 for new sidewalks, and \$3 million for ADA improvements
Stormwater		
Stormwater maintenance and capital projects	A	Added \$27.5 million for Stormwater projects, including \$26.5 million from the General Fund
Facilities		
Parks & Recreation, maintenance and repair of existing facilities and new facilities	A	Added \$26.1 million for improvements to Parks & recreation facilities
Library, improve or expand of existing, and new libraries	N	No new funding added for Library CIP projects
Fire Rescue, maintenance and repair of existing facilities and new facilities, new Fire training facility	A	Added \$2.4 million for Fire Stations projects
Americans with Disabilities Act (ADA)		
Transition Plan projects and ADA complaint backlogs	A	Added \$7.9 million for ADA improvements, including \$3 million for sidewalks and \$4.9 million for Parks. It is unclear whether this would reduce the ADA complaint backlog
City Council Budget Resource and Mitigation Priority	Status	Notes
Use of Excess Equity	N	Not budgeted - Held for Proposition B unwinding (e.g. for costs that are currently anticipated as not requiring upfront payment in FY 2023); if upfront payments needed in FY 2023, they could be budgeted with a mid-year adjustment

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Identifying Potential Resources for Council Modifications to the Mayor's FY 2023 Proposed Budget

While the Proposed Budget contains numerous additions that directly address many of Council's budget priorities, not all priorities received funding in the FY 2023 Proposed Budget. To this end, in order to add additional items to the budget, Council must identify additional resources or reduce other expenditures in order to add priorities while maintaining a balanced budget.

Our Office continues to work with the Department of Finance to identify additional resources for Council modifications. While we generally agree with the forecasts for major revenues, these forecasts will inevitably be updated in the May Revision, in tandem with release of the FY 2022 Third Quarter Budget Monitoring Report. Additional information on FY 2022 revenues will provide the Department of Finance and our Office with a better sense of where revenue forecasts should be set for FY 2023, as well as provide additional updates on anticipated excess equity or other potential resources that might carry forward for use in FY 2023 or subsequent years. This will provide greater clarity on whether there might be potential additional revenues for any desired Council modifications.

Additionally, below we provide further detail on some resources that may be resources for the Council to consider as it moves through its budget process.

Sales Tax Projection

The FY 2023 sales tax projection of \$369.3 million falls between the City's sales tax consultant's "conservative" scenario and "most-likely" scenario. Since there was a significant increase in the consultant's projections

between the last two quarters of the current year, the most recent monthly actuals will be closely monitored to see if they support an increased growth rate adjustment for the May Revise. Therefore, there may be room to increase sales tax projections in the May Revise.

We do note however that any additional projected sales tax revenue will be diverted to the Infrastructure Fund per the requirements of the City Charter. The Charter requires that the annual increases in sales tax revenue above a 2016 baseline, adjusted for inflation, be deposited into the Infrastructure Fund. Projections in the Proposed Budget already exceed the baseline. We do note that in addition to supporting capital improvement projects, the Charter allows the Infrastructure Fund to support infrastructure-related operating costs such as debt service, maintenance of City assets, and personnel costs associated with infrastructure projects. Many of the operational increases funded in the Proposed Budget – including increases in Stormwater and Transportation, may eligible uses for Infrastructure Fund dollars.

Excess Equity

The City is currently projected to end FY 2022 with \$26.7 million in unspent General Fund dollars, which will be carried forward to FY 2023 as excess equity. The FY 2023 Proposed Budget does not allocate those dollars to any specific purpose, and instead leaves that amount unallocated, with the potential to be used to mitigate costs associated with the unwinding of Proposition B. Additional information on Excess Equity is included in *Reserves* and *Key Citywide Issues: Pension* section.

While it may be wise to leave this amount unallocated, at least until final Proposition B unwinding costs are better known, we do note that these unallocated funds exist and that it is ultimately Council's decision whether or not to allocate them in the FY 2023 Budget.

Overview: IBA Review and Analysis of the Mayor's FY 2023 Proposed Budget

Infrastructure Investment and Jobs Act (IIJA) Funding

The IIJA was signed into law on November 15, 2021, and will provide an estimated \$1.2 trillion for infrastructure projects nationwide over the next ten years, with the State of California expected to receive \$46.6 billion. IIJA is anticipated to be a critical source of funding for City infrastructure projects. Most funding from the IIJA is anticipated to be awarded on a competitive basis, and as such IIJA that has not yet been awarded to the City should not be included in the Proposed Budget, but our Office believes it is important to highlight the IIJA as a potential source of substantial resources for infrastructure in the future.

American Rescue Plan Act Funding

As noted above, the Proposed Budget includes the use of \$123.5 million, which leaves \$55.8 million in ARPA funds for use in future fiscal years. While we do not recommend that Council use additional ARPA funding in FY 2023 to support additional expenditures, as the City already faces a substantial existing structural deficit, we do note that additional ARPA funds are available if Council ultimately determines that they should be used in the FY 2023 budget.

Critical Need for Resources

While the Mayor has proposed a balanced budget for FY 2023, the City's needs are substantially larger than existing resources can support. Even with the City's General Fund revenues hitting record highs, additional resources are necessary to support existing and upcoming needs. Federal relief money from ARPA is projected to help close City deficits in FYs 2023 and 2024, but the City's Five-Year Financial Outlook projected baseline deficits through FY 2025, and overall deficits through FY 2027 and beyond when new services, facilities, and planned commitments were included. Funding needs, such as the

homeless budget shortfall after FY 2023 and the need for expanded homelessness programs, stormwater compliance requirements, the growing \$4.3 billion capital infrastructure funding gap, and more, 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.

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

May 4-10: Budget Review Committee hears "IBA Review of the FY 2023 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals.

May 16: City Council holds evening hearing to receive further input from the public.

May 19: Budget Review Committee hears the Mayor's May Revision and Third Quarter Budget Monitoring Report for consideration in final budget decisions.

May 27: City Councilmembers issue final budget modification priority memoranda, including recommendations for potential budget revisions, to the Office of the IBA.

June 8: Office of the IBA releases final report on recommended revisions to the Mayor's FY 2023 Proposed Budget including the May Revision, based on input from City Council memoranda and feedback, public comment, and independent analysis.

June 13: City Council makes final FY 2023 budget decisions and takes action on any FY 2022 budget revisions

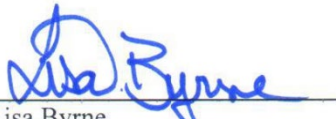
June 28: City Council introduces and adopts the FY 2023 Appropriations Ordinance

Overview: IBA Review and Analysis of the Mayor's FY 2023 Proposed Budget

Additional Reports

Our Office will also be issuing individual reports for the following agencies prior to their budget hearings, scheduled for May 10, 2022:

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



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Independent Budget Analyst

General Fund Overview: Expenditures

Expenditures Overview

As shown in the following table, General Fund expenditures are increasing by \$143.3 million, or 8.2%, from \$1.74 billion to \$1.89

billion. Non-Personnel Expenditure (NPE) changes net to a \$85.7 million increase. Larger changes are shown below.

GENERAL FUND EXPENDITURE CHANGES				
<i>(dollars in millions)</i>	FTE	PE	NPE	TOTAL
FY 2022 Adopted Budget	7,731.03	\$ 1,214.2	\$ 529.3	\$ 1,743.5
Budget Change Highlights				
FY 2023 PE Increase (See Next Page for Listing)	504.68	57.5	-	57.5
<i>Transfer to the Capital Improvements Program (onetime)</i>	-	-	29.7	29.7
<i>Transfer to the Infrastructure Fund (onetime)</i>	-	-	28.4	28.4
<i>Public Liability Costs: Onetime - \$9.4m; Ongoing - \$7.4m</i>	-	-	16.8	16.8
<i>Watershed Master Planning (\$5.3m onetime; \$2.0m ongoing)</i>	-	-	7.3	7.3
<i>Fleet Fees - Usage and Replacement</i>	-	-	6.2	6.2
<i>Operating Costs for Homeless Shelters (onetime)</i>	-	-	6.2	6.2
<i>Transition Costs for Unwinding Proposition B (onetime)</i>	-	-	5.6	5.6
<i>Wireless Communication (\$1.8m), Voice/Data Network (\$1.1m), SAP Support (\$1.0m)</i>	-	-	4.0	4.0
<i>Park Improvements Funds Transfer (ongoing)</i>	-	-	3.9	3.9
<i>Encampment Abatements & Sidewalk Sanitation: Vehicles - \$1.2m (onetime); Ongoing Costs - \$2.3m</i>	-	-	3.5	3.5
<i>Street Sweep Efficiency & Expansion, Vehicles & Sign Postage (onetime)</i>	-	-	3.1	3.1
<i>Senate Bill 1383 Costs (\$1.3m); Stormwater Outreach (\$1.0m) - onetimes</i>	-	-	2.3	2.3
<i>Traffic Signal Cabinet Replacement: Vehicles - \$664k (onetime); Ongoing Costs - \$1.2m</i>	-	-	1.9	1.9
<i>Support for SB 1383 - Organic Waste Containers (ongoing)</i>	-	-	1.9	1.9
<i>Deferred Capital Debt Service</i>	-	-	1.8	1.8
<i>Pump Station Repair & Automation, Vehicles & IT Equipment (onetime)</i>	-	-	1.7	1.7
<i>Transfer to the Energy Independence Fund (ongoing)</i>	-	-	1.6	1.6
<i>Coordinated Street Outreach (ongoing)</i>	-	-	1.5	1.5
<i>Sheriff, SD County - Misdemeanant Bookings Rate Increase (ongoing)</i>	-	-	1.4	1.4
<i>Refuse Disposal Fees (ongoing)</i>	-	-	1.3	1.3
<i>Transfer to TOT Fund for Arts Funding</i>	-	-	(2.0)	(2.0)
<i>Capital Lease (\$2.3m); Electric Services (\$1.5m) - ongoing</i>	-	-	(3.8)	(3.8)
<i>Data Center (\$3.3m), Info Tech Services Transfer (\$1.8m), Help Desk (\$1.1m)</i>	-	-	(6.2)	(6.2)
<u>Largest FY 2022 One-time Cost Removals</u>				
<i>Convention Center Operational Support</i>	-	-	(10.2)	(10.2)
<i>"Sexy Streets" Funding for Communities of Concern</i>	-	-	(10.0)	(10.0)
<i>Funding for Homelessness Programs</i>	-	-	(10.0)	(10.0)
<i>Back to Work SD - Small Business Relief Funds</i>	-	-	(10.0)	(10.0)
<i>SB 1383 - Facility Upgrades</i>	-	-	(5.9)	(5.9)
<i>IT Service Provider Transition Costs</i>	-	-	(3.8)	(3.8)
<i>Back to Work SD - Youth Programming</i>	-	-	(3.4)	(3.4)
<i>Stormwater Funding Strategy - Consulting Services</i>	-	-	(2.5)	(2.5)
<i>Net Other Budget Changes</i>	-	-	23.3	23.3
FY 2023 Proposed Budget	8,235.71	\$ 1,271.8	\$ 615.0	\$ 1,886.8
Net Increase (Decrease): FY 2022 to FY 2023 (Total incr. is 8.2%)	504.68	\$ 57.5	\$ 85.7	\$ 143.3

Note: Table may not total due to rounding.

General Fund Overview: Expenditures

Personnel Expenditure (PE) changes net to a \$57.5 million increase and are shown in the following table. A brief discussion of some of

these changes begins on the next page of this section.

General Fund Personnel Expenditure (PE) Changes (Salaries/Wages & Fringe Benefits)				
<i>(dollars in millions)</i>	FTE	Wages	Fringe	Total PE
FY 2022 Adopted Budget	7,731.03	\$ 680.9	\$ 533.4	\$ 1,214.2
Net Departmental Position Additions, Reductions, Transfers ¹				
<i>Environmental Services</i>	112.47	6.5	3.3	9.8
<i>Parks & Recreation</i>	97.27	5.7	2.8	8.5
<i>Library</i>	56.10	2.0	1.9	3.9
<i>Stormwater</i>	42.75	3.0	1.3	4.3
<i>Transportation</i>	28.00	1.8	0.8	2.6
<i>Police</i>	23.00	1.1	0.6	1.7
<i>Purchasing & Contracting</i>	21.00	1.9	0.9	2.8
<i>Development Services</i>	17.50	1.4	0.5	1.8
<i>Compliance</i>	17.00	1.3	0.6	1.8
<i>Real Estate & Airport Management</i>	11.00	0.9	0.3	1.2
<i>City Attorney</i>	10.00	1.0	0.3	1.3
<i>Human Resources</i>	10.00	1.0	0.3	1.3
<i>Sustainability & Mobility</i>	9.75	0.6	0.2	0.7
<i>City Treasurer</i>	8.00	0.7	0.2	0.9
<i>Planning</i>	8.00	0.8	0.2	1.0
<i>Office of the Chief Operating Officer</i>	7.00	0.7	0.2	0.9
<i>Department of Finance</i>	6.00	0.4	0.0	0.4
<i>Commission on Police Practices</i>	4.50	0.4	0.1	0.5
<i>Homelessness Strategies & Solutions</i>	3.00	0.2	0.1	0.3
<i>Facilities Services</i>	3.00	0.3	0.1	0.4
<i>Communications</i>	2.00	0.2	0.1	0.3
<i>Office of Race & Equity</i>	2.00	0.2	0.1	0.3
<i>Fire-Rescue</i>	2.00	0.4	0.5	0.8
<i>City Clerk</i>	1.00	0.1	0.0	0.2
<i>Personnel</i>	1.00	0.1	0.0	0.1
<i>Performance & Analytics</i>	1.00	0.1	0.0	0.1
<i>Office of Emergency Services</i>	0.35	0.0	0.0	0.0
Subtotal - Net Departmental Position Changes	504.68	\$ 32.7	\$ 15.4	\$ 48.1
<i>Removal of Fringe Above (avoids double counting in this table)</i>	-	-	(15.4)	(15.4)
<i>Actuarially Determined Contribution (ADC) Decrease</i>	-	-	(30.4)	(30.4)
<i>Decrease in Contributions to the Workers' Compensation Fund</i>	-	-	(1.0)	(1.0)
<i>Increase in Contributions to the Risk Management Administration Fund</i>	-	-	1.4	1.4
<i>Flexible Benefits Plan Increases (partly due to position adds)</i>	-	-	4.8	4.8
<i>Increase in Adjustment for Compensation Increases Being Negotiated</i>	-	23.2	-	23.2
<i>Net Increase to Police Overtime</i>	-	5.6	-	5.6
<i>Net Adjustments Incl. Partial Restoration of the 4% Reductions to Non-Mayoral Departments</i>	-	2.4	-	2.4
<i>Budgeted PE Savings Increase (decreases wages)</i>	-	(5.9)	-	(5.9)
<i>Net Other Wage Increases (incl. previously negotiated compensation increases, step increases, promotions)</i>	-	24.1	-	24.1
<i>Net Other Fringe Adjustments</i>	-	-	0.5	0.5
FY 2023 Proposed Budget	8,235.71	\$ 763.0	\$ 508.7	\$ 1,271.8
Net Increase/(Decrease) FY 2022 to FY 2023, 4.7% PE Increase	504.68	\$ 82.2	\$ (24.6)	\$ 57.5

Notes: Table may not total due to rounding.

¹ Transfers only include those to/from non-general funds. Transfers among General Fund departments are not shown. Not shown in this table: P&C transferred 1.00 FTE to Compliance; 18.00 positions were transferred from Mobility to Sustainability & Mobility.

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 2022 Adopted Budget to the FY 2023 Proposed Budget is \$57.5 million. This net amount is comprised of a number of increases and offsetting decreases. The largest *increases* are listed below.

- The largest increase relates to net departmental position additions. These net additions to the General Fund total 504.68 FTE and \$48.1 million, as shown in the “Net Departmental Position Additions, Reductions, Transfers” section of the previous table. Refer to the department sections of this report for further details and analysis of specific FTE and PE changes.
- The next largest increase, \$24.1 million shown in the bottom portion of the Wages column, is largely related to previously negotiated compensation increases, step increases, and promotions. For additional information on negotiations and compensation issues, see the Labor Negotiations section of this report.
- The third largest increase, \$23.2 million, also in the Wages column, is for estimated increases in employee compensation related to more recent labor negotiations. The City is currently negotiating with its three public safety recognized employee organizations (REOs) regarding FY 2023 terms and conditions of employment for their members. Additionally, two non-public safety REOs recently negotiated increases for scores of job classifications. A more accurate cost estimate for compensation increases will not be known until the good

faith bargaining process for the public safety REOs has been fully completed, which could be before or after the FY 2023 Adopted Budget is approved. See the Labor Negotiations section of this report for additional information.

- The next largest increase shown in the bottom portion of the Wages column is \$5.6 million for Police Department overtime. See the Police Department section of this report for additional information.

Offsetting to the General Fund PE increases

is a reduction to the City’s pension payment totaling \$30.4 million (shown in the bottom section of the Fringe column). The pension payment is known as the Actuarially Determined Contribution (ADC), which was determined by the FY 2021 actuarial valuation. This decrease is largely related to FY 2021 investment return being higher than previously assumed. For more on the ADC and pension information, see the Pension section of this report.

The next largest PE decrease is related to Budgeted PE Savings. This decrease totals \$5.9 million and is shown in the bottom section of the Wages column. Budgeted PE Savings is used to balance wages costs by accounting for vacancies and turnover etc.

Non-Personnel Expenditures (NPE)

Significant NPE changes are included in the table on the first page of this section. NPEs are increasing by \$85.7 million in the FY 2023 Proposed Budget. This net increase includes a number of large offsetting increases and decreases, and several are highlighted below.

The largest *increases* in NPE for the FY 2023 Proposed Budget are mainly onetime additions, and are described in the [General Fund Expenditures](#) section of Volume I of the Proposed Budget. Some of the larger additions

General Fund Overview: Expenditures

include:

- \$29.7 million in onetime transfer of General Funds to the CIP. These funds are proposed for a variety of stormwater and facilities CIP projects. See the Capital Infrastructure Needs section of this report for more information on capital improvements.
- \$28.4 million in a onetime transfer to the Infrastructure Fund, which is in line with the transfer mandated by Proposition H. This funding is proposed for a multitude of CIP projects, including many transportation and facilities projects. See the Citywide Program Expenditures Department section for additional information.
- \$16.8 million, including \$9.4 million in onetime costs and \$7.4 million in ongoing costs, are budgeted to support the Public Liability Fund. See the Public Liability section under Reserves for additional information.
- \$7.3 million, of which \$5.3 million is onetime with the rest ongoing, for the Stormwater Department as part of their ramp-up in preparation for the WIFIA loan.
- \$6.2 million in onetime costs for homelessness programs' operating costs – see the Homelessness Strategies and Solutions Department section in this report for more information.
- \$6.2 million in increased Fleet fees, including for vehicle usage and replacement. These charges are mostly related to the implementation of SB 1383.
- \$5.6 million for onetime transition costs for unwinding Proposition B. See the Pension section for additional information.
- \$3.9 million for transfers to the Park Improvements Funds due to higher Mission Bay revenues.
- \$3.5 million in ongoing costs for

additional encampment abatement team vehicles and sidewalk sanitation services for Environmental Services.

- \$3.1 million for street sweeping efficiency and expansion activities, including additional posted routes for the Transportation Department.

There are a number of NPE *decreases* year-over-year which are offsetting to the NPE increase listed above. These larger decreases are related to the removal of FY 2022 onetime costs from the budget. The bottom of the table on the first page of this section contain \$55.7 million of such onetime cost removals.

General Fund Overview: Revenue

Revenue Overview

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)							
	FY 2022 ADOPTED	FY 2022 MID-YEAR PROJECTED YEAR-END	FY 2023 PROPOSED	CHANGE, ADOPTED/ PROPOSED	% CHANGE, ADOPTED/ PROPOSED	CHANGE, MID-YEAR/ PROPOSED	% CHANGE, MID-YEAR/ PROPOSED
Major General Fund Revenues	\$ 1,168.5	\$ 1,207.4	\$ 1,299.2	\$ 130.7	11.2%	\$ 91.8	7.6%
Property Tax	672.2	658.5	700.1	27.9	4.2%	41.6	6.3%
Sales Tax	320.8	341.1	369.3	48.5	15.1%	28.2	8.3%
Transient Occupancy Tax	95.5	119.9	132.2	36.7	38.4%	12.3	10.3%
Franchise Fees	80.0	87.9	97.6	17.6	22.0%	9.7	11.0%
Other General Fund Revenues	\$ 575.1	\$ 556.8	\$ 587.5	\$ 12.4	2.2%	\$ 30.7	5.5%
American Rescue Plan Act Funds	149.3	120.4	123.5	(25.8)	-17.3%	3.1	2.6%
Other Revenues	425.8	436.4	464.0	38.2	9.0%	27.6	6.3%
Total Revenue	\$ 1,743.5	\$ 1,764.2	\$ 1,886.8	\$ 143.3	8.2%	\$ 122.6	6.9%

Table may not total due to rounding.

The FY 2023 Proposed Budget for the General Fund includes approximately \$1.89 billion in revenues, an increase of \$143.3 million or 8.2% above the FY 2022 Adopted Budget. The four largest General Fund revenues – property tax, sales tax, transient occupancy tax (TOT), and franchise fees – total \$1.30 billion, or 68.9% of all General Fund revenues. In FY 2023, major General Fund revenues are proposed to increase by \$130.7 million (11.2%) from the FY 2022 Adopted Budget, and \$91.8 million (7.6%) 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

The revenues projected in the FY 2023 Proposed Budget reflect a continued rebound from the COVID-19 pandemic as vaccination rates have increased leading to decreased COVID-19 infection rates. This has facilitated an environment for increased economic activity through consumption of taxable goods as well as many people engaging in overdue leisure travel. Although the Omicron variant impacted many City residents in the beginning of calendar year 2022 overall the City’s

economic outlook is positive. Additionally, as a result of updated inflation calculations, as well as increased home sales and prices, the Proposed Budget includes a 6.0% growth rate for the bulk of property taxes.

Revenues in the Proposed Budget reflect the positive trends as we are seeing in key economic indicators as discussed in the sections that follow. Accordingly, the Proposed Budget projects growth in all four major General Fund revenues, hitting pre-pandemic levels.

Although the economic outlook is generally positive, risks do remain such as prolonged inflation, additional increases to interest rates, and supply chain disruptions. We also note that the City will not be able to rely on federal American Rescue Plan Act funds, which are significantly mitigating negative budgetary impacts, beyond FY 2024.

Additional details on each of the major General Fund revenues follows.

Property Tax

The FY 2023 Proposed Budget for property tax is \$700.1 million. This represents an increase of \$27.9 million from the FY 2022 Adopted Budget. However, the FY 2022 projection for property tax, as of mid-year, is

General Fund Overview: Revenue

\$658.5 million, which is \$13.7 million below the Adopted Budget. As such, the increase in property tax from the FY 2022 Mid-year Projection to the FY 2023 Proposed Budget is \$41.6 million.

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

The FY 2023 Proposed Budget assumes a 6.0% growth rate in the 1% property tax and MVLFF payment, which make up 93.8%, or \$656.9 million, of total property tax revenue. The growth rate represents an increase from the FY 2022 Adopted Budget, which assumed a 4.25% growth rate in receivables for these two components. It is also a substantial increase from the revised growth rate of 4.00% that has been incorporated into FY 2022 monitoring projections, as receivables during FY 2022 as mentioned have been significantly lower than projected.

The decrease in FY 2022 between the Adopted Budget and monitoring reports is attributable to the assessed values of those properties neither sold nor improved increasing 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 calculation for inflation that determined the FY 2022 assessed values was only 1%, so assessed values on the majority of properties within the City only increased by that amount, moderating the impact of increasing home sales and prices.

For FY 2023, the Proposition 13 growth in assessed values for those homes will increase back to 2%, given the latest inflation calculations, and as such, the anticipated growth rate, incorporating this increase as well as other significant factors such as increasing home sales and prices, is anticipated to increase overall property tax revenues substantially,

justifying the 6.0% assumed growth rate for FY 2023. Further, the 6.0% is also higher than the assumed 5.75% growth rate included in the most recent Five-Year Financial Outlook. Our Office agrees with the projections for the 1% property tax and MVLFF assumptions.

The remaining component of the property tax budget is the residual distributions from the RPTTF, which total \$43.2 million. This projection incorporates the same assumed growth rate for RPTTF deposits as with the other property tax categories and is also updated to include the latest enforceable obligations following the formal adoption of the most recent Recognized Obligation Payments Schedule (ROPS). It should also be noted that, unlike in previous years, the ROPS at this point has already been approved by the State, and thus we do not anticipate any significant changes to the RPTTF distributions due to State disallowances.

However, RPTTF projections may still be in flux as the County must still determine the appropriate level of deposits for the RPTTF. Our Office will continue to work with the Department of Finance (DOF) to track any changes to the RPTTF and the fiscal impacts for FY 2022 and FY 2023.

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](#)

General Fund Overview: Revenue

[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 2023, but not considering any of the potential changes to the RPTTF beyond what is currently included in the Proposed Budget, an appropriation consistent with this policy would be \$9.2 million. Currently, the Proposed Budget does not contain any appropriation for this purpose.

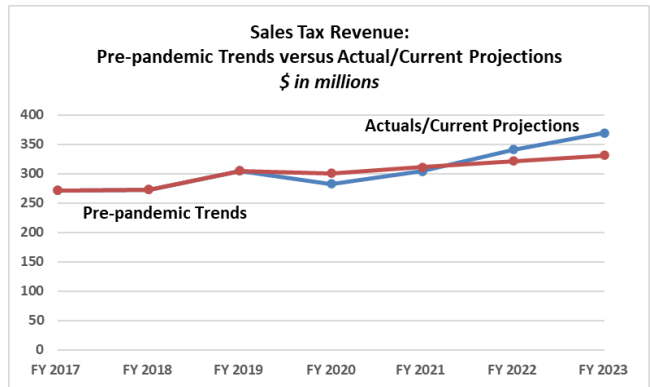
Sales Tax

The FY 2023 Proposed Budget for sales tax is \$369.3 million. This is a \$48.5 million, or 15.1%, increase over the \$320.8 million budgeted in FY 2022 and a \$28.2 million, or 8.3%, increase from the FY 2022 Mid-Year projection.

The FY 2023 Proposed Budget assumes a 3.70% growth rate to sales tax applied to the FY 2022 Mid-Year projection, adjusted for actuals through February 2022. This is down from the 13.16% growth rate assumed for FY 2022. This reduction reflects a significant moderation in the growth of sales tax as consumers have resumed more of a normal life after stay-at-home and other restrictions on businesses were lifted in January 2021. This assumed growth rate is more in line with pre-pandemic years.

Sales tax revenue was one of the two revenue sources hardest-hit by the COVID-19 pandemic. The City saw declines in sales tax revenue between FY 2019 and 2020 totaling \$21.6 million, or 7.1%. However, sales tax revenue growth is projected to surpass pre-pandemic growth projections done in

November 2019 which totaled \$331.0 million for FY 2023, as shown in the chart below. The red line on the chart below reflects actual revenues from FY 2017 through FY 2018 and the pre-pandemic projections from the FY 2021 – FY 2025 Five Year Financial Outlook for the outyears. The blue line shows our actual revenues received from FY 2017 through FY 2021, the Mid-Year projection for FY 2022, and the Proposed Budget projection for FY 2023.



Sales tax revenue is highly sensitive to economic conditions, including job growth, consumer spending, and business investment. Currently, economic indicators such as consumer confidence, the unemployment rate, and the Consumer Price Index are trending positively and support projected growth in sales tax revenues.

Prior to the pandemic-induced economic shutdown, consumer confidence was measured at 132.6 in February 2020 and decreased to 85.7 in April 2020 upon the onset of the pandemic. As of January 2022, it is recorded at 111.1, progressing toward pre-pandemic levels of consumers' willingness to spend.

Similarly, prior to the pandemic, the City's unemployment rate averaged between 3.0% and 4.0%. During the pandemic the unemployment rate peaked at 14.9% in May 2020. As of January 2022, the City's unemployment rate was at 4.5%, which is near pre-pandemic levels. With more people working, they have more disposable income to spend.

General Fund Overview: Revenue

Increases in inflation also contribute to increased sales tax receipts as the price of taxable goods have increased for a variety of reasons including increased demand, supply chain disruptions, and the war in Ukraine. Consumers are anticipated to continue to spend despite increases in costs of goods in the near term. This could change if inflation persists.

The FY 2023 sales tax projections fall between the City’s sales tax consultant’s “conservative” scenario and “most-likely” scenario. Since there was a significant increase in the consultant’s projections between the last two quarters of the current year, DOF intends to monitor recent monthly actuals to see if they support an increased growth rate adjustment for the May Revise. Therefore, there may be room to increase sales tax projections in the May Revise. Our Office believes this is a reasonable approach and we will continue to closely monitor projections. We do note however that any additional sales tax revenue will be diverted to the Infrastructure Fund per the requirements of the City Charter. The Charter requires that the annual increases in sales tax revenue above a 2016 baseline, adjusted for inflation, be deposited into the Infrastructure Fund. Projections in the Proposed Budget already exceed the baseline.

Impacts to the Infrastructure Fund

As was noted earlier, growth in sales tax revenue is projected to surpass pre-pandemic growth projections. This has also triggered the need to make deposits into the Infrastructure Fund in FY 2023 and future years that were not projected before the pandemic. In previous years, deposits into the Infrastructure Fund were driven by major General Fund revenues other than sales tax. However, as of FY 2023 the portion of the formula focused on other revenues sunsets, consistent with the requirements of the City Charter. Future projections of deposits into the Infrastructure Fund are now projected to be driven by increases in

sales tax over the 2016 base, adjusted for inflation. The FY 2023 Proposed Budget includes a \$28.4 million deposit into the Infrastructure Fund.

Transient Occupancy Tax

The FY 2023 Proposed Budget for Transient Occupancy Tax (TOT) revenue is \$251.0 million, of which \$132.2 million is allocated directly to the General Fund (known as General Fund TOT). This is a \$36.7 million increase in General Fund TOT, or a 38.5% increase over the FY 2022 Adopted Budget, and a \$12.2 million, or 10.2%, increase over the FY 2022 Mid-Year Report projection. The FY 2023 General Fund TOT projection reflects an ease in year-over-year growth at 10.2% as compared to the 78.5% year-over-year increase from FY 2021 actuals to the FY 2022 Mid-Year projection.

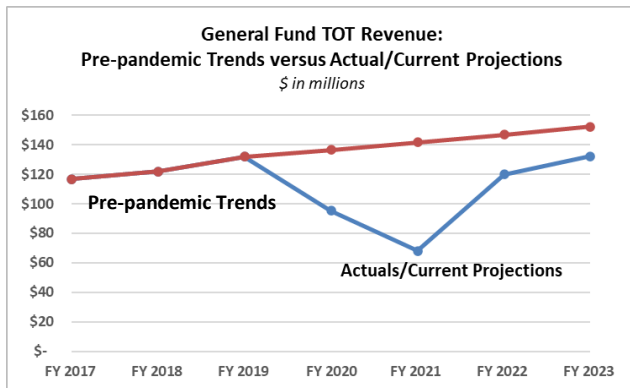
The City’s TOT – or hotel tax – revenue is derived from a 10.5% tax on short-term stays in the region. That amount is broken into three separate allocations – a General Fund allocation of 5.5%, an allocation for Special Promotional Programs that support the promotion of the City’s cultural amenities and natural attractions of 4.0%, and a 1.0% “Council Discretionary” allocation that ultimately ends up being allocated to the City’s General Fund. In this section we discuss the General Fund allocation of 5.5%. Please refer to our “Special Promotional Programs” review for a discussion of the remaining 5.0%.

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 reflected in the price per room, occupancy rate of rooms, and supply of 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

General Fund Overview: Revenue

height of the pandemic, demand for hotel rooms was nearly zero. Since the FY 2021 Third Quarter Report, trends have been positive primarily due to lifting of the State-issued Stay-at-Home Order.

The table below reflects the pre-pandemic trends the City was experiencing between FY 2017 and FY 2019 as well as projections for FY 2020 through FY 2023 (red line). This compares to the actual trends the City has realized from FY 2017 through FY 2021 including impacts of the pandemic (blue line). As shown below, the FY 2022 Mid-Year projection and the FY 2023 Proposed Budget projections are closing in on pre-pandemic projections. The chart shows that General Fund TOT revenue is projected to reach pre-pandemic levels in FY 2023 but not surpass pre-pandemic outyear trends. For reference, General Fund TOT revenues in 2019 were \$131.3 million and FY 2023 is projected to be \$132.2 million.



million.

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. The projection is supported by key economic indicators of transient occupancy tax which include room rates, occupancy, and room demand growth, all of which are projected to see growth in calendar year 2023 over 2022.

In FY 2023, growth rates will be applied to FY 2019 actual revenue received to reflect

projections that are more consistent with pre-pandemic changes in tourism based on the seasons of the year. Changes in TOT revenue during the past several years have been irregular and more responsive to the COVID-19 pandemic than travel seasons. We note that included in the TOT projection, is a -2.5% and -3.0% growth for the first two quarters of the fiscal year, respectively, and 2.4% growth for the remainder of the fiscal year. The negative growth rate relates to the assumption that the return of international, group, and business travel will not be at pre-pandemic levels (FY 2019) for the first two quarters. However, the latter part of the year is anticipated to have positive growth. This is consistent with how Tourism Economics prepared their forecast. We believe this is a reasonable approach and we will continue to closely monitor projections throughout the fiscal year.

Franchise Fees

The FY 2023 Proposed Budget projects General fund major franchise fees to total \$97.6 million. This is an increase of \$17.6 million, or 22.0% from the FY 2022 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 \$61.0 million or 62.5% of major General Fund franchise fees included in the FY 2023 Proposed Budget. This amount is \$9.4 million higher than what is contained in the FY 2022 Adopted Budget based on two factors.

General Fund Overview: Revenue

The first factor contributing to higher franchise fee revenues from SDG&E is that the most recent quarterly payment from SDG&E came in \$5.2 million higher than expected, representing a calendar year increase of 10.2%. The FY 2022 Adopted Budget had assumed a projected increase of 1.9%.

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 normally 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. For reference, the actual 2019 calendar year growth rate was negative 1.3%, and thereafter SDG&E Franchise fees up until this past year had been relatively stable.

In addition to the increase for the FY 2022 budget due to the higher clean up payment, 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 7.4%. This projection is based on historical trends in energy consumption and rate increases implemented in recent years. Further, as part of the new franchise agreements agreed to in June 2021, SDG&E has been providing more support to the Department in order to help the Department understand how to predict the energy market and subsequent revenue from franchise fees. Our Office agrees with the projections for this revenue.

There is also an increase of \$8.1 million in General Fund franchise fees due to the bid amounts for the new franchise agreements now being budgeted within franchise fee revenues as opposed to a Transfer In, as was budgeted in the FY 2022 Adopted Budget.

When netted against the current budget for FY 2022, the increase in the bid payments for the General Fund is only \$0.3 million, which represents the agreed upon interest rate increase of 3.38% contained in the franchise agreements. Also, different than the FY 2022 Adopted Budget, the FY 2023 Proposed Budget splits the franchise fee minimum bid in accordance with the City Charter, with 75% for the General Fund and 25% for the Environmental Growth Fund. The Proposed Budget should have included \$2.7 million in revenue from the bid payments for the EGF, but this additional revenue was not included in the EGF due to a technical error. This error will be corrected in the May Revision.

Finally, similar to the FY 2022 Adopted Budget, the franchise fee projections for SDG&E also contain an additional \$2.0 million for the Climate Equity Fund (CEF), consistent with the terms of the franchise agreement and the commitments made by SDG&E at the adoption of the franchise agreements. There is also an expenditure assumption of \$7.4 million in Citywide Expenditures to the CEF, based on the policy that 10% of the General Fund portion of these franchise fees be placed into that fund, in addition to the \$2.0 million.

Refuse Hauling

The second largest portion of franchise fee revenue is derived from refuse hauler and landfill disposal fees. The Proposed Budget includes \$13.6 million, or 14.0% of major General Fund franchise fees, from this source. This amount is \$0.8 million, or 6.2% higher than what was included in the FY 2022 Adopted Budget.

Refuse hauling franchise fees are based on the tonnage of refuse disposed. As the City has come out of the COVID-19 pandemic and the economy has reopened, the tonnage of waste deposited at the landfill has also returned to its pre-pandemic growth path, resulting in an increase in the fees collected. Our Office agrees

General Fund Overview: Revenue

with this projection.

Cable

The third largest portion of franchise fee revenue is from cable television franchise fees, which total \$12.3 million or 12.6% of major General Fund franchise fees in the Proposed Budget. This amount assumes a 4.75% decline in cable franchise fee revenue from current FY 2022 projections.

Cable television franchise fee revenue has 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, although it is a somewhat deeper assumed reduction than in previous years. While the assumed rate of growth utilized in the Proposed Budget is based on historical averages, the FY 2023 rate is larger mostly due to the actual decline in FY 2021 of 6.0%, which is the largest percentage decrease since FY 2017. Our Office agrees with this projection.

American Rescue Plan Act

The federal American Rescue Plan Act (ARPA) allocated the City \$299.7 million to provide government services to the extent of reduction in revenue due to COVID-19 as compared to the most recent year prior to the pandemic. ARPA funds have become a critical revenue source in the City's budget since without them, the City would have faced serious budget cuts in FY 2022, translating into significant reductions in services to City residents.

Below is a summary of the projected use of ARPA funds over multiple years. Funds can be spent through December 31, 2024 (FY 2025). The FY 2023 Proposed Budget includes the use \$123.5 million in ARPA funds, which is an increase of \$3.1 million over FY 2022, leaving \$55.8 million for use in FY 2024. This results in a reduction of \$67.7 million in ARPA support between FYs 2023 and

2024, and then a \$55.8 million reduction between FY 2024 and 2025.

Multi-year ARPA Use		
Fiscal Year	\$ in Millions	Change
FY 2022	\$ 120.4	\$ -
FY 2023 (<i>projected</i>)	123.5	3.1
FY 2024 (<i>projected</i>)	55.8	(67.7)
FY 2025 (<i>projected</i>) ¹	-	(55.8)
Total	\$ 299.7	

¹ ARPA Funds can be spent through December 31, 2024 (or half way through FY 2025)

For additional information on ARPA funds please review to the Overview section of this report.

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’s Reserve Policy¹ 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 2022, which ends June 30, 2022, the Reserve Policy’s General Fund target increased from 15.75% to 16% 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%.² 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 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 2021 through FY

City Reserve Policy: General Fund Reserve Target Calculation <i>(\$ in millions)</i>			
	FY 2021	FY 2022	FY 2023
<i>Revenues¹</i>			
FY 2022			\$ 1,546.5
FY 2021		\$ 1,368.5	\$ 1,368.5
FY 2020	\$ 1,357.0	\$ 1,357.0	\$ 1,357.0
FY 2019	\$ 1,406.8	\$ 1,406.8	
FY 2018	\$ 1,309.4		
<i>3-Year Average of Revenues</i>	\$ 1,357.7	\$ 1,377.4	\$ 1,424.0
Reserve Target %	15.75%	16.00%	16.25%
Reserve Target	\$ 213.8	\$ 220.4	\$ 231.4

Note: Table may not total due to rounding.

¹ FY 2018 to FY 2021 revenues are based on actual operating revenues, and FY 2022 revenues are based on the mid-year projection for FY 2022.

¹ The City’s [Reserve Policy](#) is delineated in Council Policy 100-20.

² Per the City’s 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

2023. The FY 2021 target percentage was 15.75% of operating revenues, which equates to \$213.8 million. In accordance with the Reserve Policy’s phase-in plan, the FY 2022 Reserve target increases to 16%, or \$220.4 million. For FY 2023, the Reserve target increases to 16.25% and, based on the FY 2022 Mid-Year Budget Monitoring Report projections for General Fund operating revenue, is estimated to be \$231.4 million.

Reserve Funding Status

As a result of declining revenues due to the COVID-19 pandemic, neither the FY 2021 nor FY 2022 Adopted Budgets included a General Fund Reserve contribution. The FY 2023 Proposed Budget also does not include a Reserve contribution.

Thus, the FY 2022 and FY 2023 Reserve is projected to remain at the FY 2021 balance of \$205.6 million, as shown in the third row of the following table. The fourth row shows that, in the absence of a FY 2022 Reserve contribution, the FY 2022 Reserve is projected to be \$14.8 million less than the Reserve Policy target; and the FY 2023 Reserve is projected to be \$25.8 million less than the Reserve Policy target.

Our Office has concerns regarding the lack of General Fund Reserve contribution in the FY 2023 Proposed Budget, as well as the anticipation that there will not be a Reserve contribution in FY 2024. The spread between the Reserve Policy target and Reserve balance

continues to grow, as seen in the table below. In the case where the City has the need to utilize the Reserve because of unexpected revenue shortfalls or unanticipated critical expenditures, the gap between Reserve target and balance will further expand. We note that the Department of Finance anticipates bringing forward a revised City Reserve Policy for Council consideration during FY 2023, which may include modifications to the Reserve funding schedule that was presented at the beginning of this section.

Excess Equity

Additionally, we would note that the FY 2021 General Fund fund balance was approximately \$26.7 million higher than the current \$205.6 million General Fund Reserve. This \$26.7 million of available fund balance is known as Excess Equity. The final Excess Equity for FY 2022 will be known at year-end.

The Department of Finance has indicated that the Excess Equity balance could be utilized to help mitigate costs related to unwinding Proposition B – for example, to cover costs which are currently anticipated as not requiring upfront payment in FY 2023. If circumstances or estimates change and additional resources are needed, the City could utilize Excess Equity, as well as the General Fund Reserve. See the Pension section of this report for additional information on Proposition B unwinding.

General Fund Reserve Policy vs Reserve Balance (\$ in millions)			
	FY 2021	FY 2022	FY 2023
Reserve Policy Target Percent	15.75%	16%	16.25%
Reserve Policy Target ¹	\$ 213.8	\$ 220.4	\$ 231.4
Reserve Balance (FY 2021) / Reserve Projection (FY 2022 and FY 2023)	\$ 205.6	\$ 205.6	\$ 205.6
Difference: Amount Reserve Balance Is Below the Policy Target	\$ (8.2)	\$ (14.8)	\$ (25.8)
Reserve Balance as Percent of Operating Revenues	15.1%	14.9%	14.4%

Note: Table may not total due to rounding.

¹The Reserve Policy targets are based on the average of the prior three years' operating revenues.

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 2022 Estimates

The PL Operating Fund's expenses, claims payouts, and insurance for FY 2022 are anticipated to be covered by the following estimated resources, totaling \$83.0 million:

- \$34.8 million in FY 2022 Adopted Budget transfers from the General Fund
- \$30.1 million in insurance revenues
- \$15.1 million in additional General Fund transfers to support ongoing claims that were higher than projected in the FY 2022 Adopted Budget
- \$3.1 million in beginning cash balance

It is important to note that the PL Operating fund can be very volatile and needs to be continually monitored throughout the year. There is uncertainty as to the ultimate costs and timing for resolution of various claims cases, and the Risk Management Department is monitoring PL operating projections throughout the year. Additional discussion is included at the end of this section.

FY 2023 Mayor's Proposed Budget

The FY 2023 Proposed Budget includes transfers to the PL Operating Fund for insurance costs of \$21.7 million and claims payouts and operating costs of \$29.9 million. These

Proposed Budget transfers total \$51.6 million – up \$16.8 million from the \$34.8 million in the FY 2022 Adopted Budget. This increase includes \$4.0 million for higher insurance premiums, which is based on premium estimates that incorporate loss development trends in the insurance market. The increase also includes \$12.8 million related to increased claims estimates for FY 2023, \$9.4 million of which is a onetime increase.

Again, the timing and ultimate costs of various claims cases is uncertain, making budgeting for PL claims difficult. The estimates included in the FY 2023 Proposed Budget are based on the information available at this time; and there could be a May Revision adjustment with updated information.

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 2019 through FY 2021).

This 50% Reserve policy goal equates to a \$36.9 million target for FY 2022. Previously, as of the FY 2022 Adopted Budget, the Reserve target was estimated to be \$36.0 million. However, it was increased by \$0.9 million in the fall of 2021 after receipt of the FY 2021 PL actuarial valuation.

As of the Mid-Year Budget Monitoring Report, the PL Reserve balance was projected to be \$33.8 million, leaving the Reserve underfunded by \$3.1 million – as shown in the following table. Note that the FY 2023 Reserve target will not be known until the FY 2022 PL valuation is completed in the fall of 2022.

Reserves: Public Liability

FY 2022 Mid-Year Projected Deficit in Public Liability Reserve (\$ in millions)	
FY 2022 Reserve Projection	\$ 33.8
FY 2022 Reserve Target	36.9
Projected Surplus/(Deficit)	\$ (3.1)

Although there is a projected PL Reserve deficit, there is no amount included in the FY 2023 Mayor's Proposed Budget for a contribution to the PL Reserve. The Proposed Budget is forgoing funding of the Reserve, 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 in the FY 2022 Mid-Year Budget Monitoring Report, for example, there could be available funds to help reduce the PL Reserve deficit, or further, balance the FY 2023 General Fund budget. However, the anticipation is that this scenario will not be the likely outcome.

More likely, public liability costs are anticipated to come in near to or possibly 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, categorized as fringe benefits expenditures, and subsequently transferred to the WC Fund during the year.

Citywide Budget

Total WC Fund operational costs are estimated to be \$34.7 million in FY 2023, which corresponds to the \$34.7 million included in the FY 2023 Proposed Budget for citywide fringe payments to the WC Fund. There is no budgeted contribution to the WC Reserve.

The WC budget has decreased \$81,000 from \$34.8 million in the FY 2022 Adopted Budget. During FY 2021 many medical procedures were postponed due to the COVID-19 pandemic, and the anticipation had been that costs would subsequently increase in FY 2022. However, at the time of the Mid-Year Budget Monitoring Report (Mid-Year Report), COVID-19 cases were surging county-wide with the indication that medical procedures would continue to be postponed, resulting in decreased medical cost estimates. Since that time, there has been evidence of increasing medical costs. Risk Management will continue to monitor WC projections to determine whether an increase to the FY 2023 Proposed Budget will be needed as part of the May Revision.

General Fund Budget

The General Fund portion of the WC fringe expenditures budget is decreasing by \$1.0

million, from \$29.9 million to \$28.9 million. This General Fund portion is 83.3% of the citywide WC fringe budget for FY 2023 – down from 86.0% in FY 2022.

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 2019 through FY 2021). This 12% Reserve policy target equates to \$33.3 million for FY 2022.

The Mid-Year Report projected a WC Reserve balance of \$33.9 million, approximately \$560,000 higher than the Reserve target. However, as mentioned previously, Risk Management is in the process of reevaluating projections for WC operating costs. If FY 2022 costs are higher than the citywide budgeted fringe benefits payments to the WC Fund, there could potentially be a Reserve deficit for FY 2022. 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 LTD costs are distributed accordingly in the budget system, categorized as fringe benefit expenditures, and subsequently transferred to the LTD Fund during the year.

Citywide Budget

The FY 2023 Proposed Budget for citywide fringe payments to be used for estimated LTD operating costs is \$3.3 million, essentially unchanged from the FY 2022 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 also essentially unchanged from FY 2022, at \$2.2 million. The General Fund portion is 66.6% of the citywide LTD fringe budget for FY 2023.

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 2019 through FY 2021).

This 100% Reserve policy target equates to \$4.7 million for FY 2022; and the projected Reserve balance of \$4.3 million is approximately \$485,000 less than the Reserve target for FY 2022. Note that the FY 2023 Reserve target will not be known until the FY 2022 LTD valuation is completed in the fall of 2022.

Pension Payment Stabilization Reserve (PPSR)

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 utilized 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 revenues due to the COVID-19 pandemic, no contributions to the General Fund PPSR were funded in either the FY 2021 or FY 2022 Adopted Budgets.

FY 2022 Budgeted Use of the PPSR

In addition to not funding a General Fund PPSR contribution in the FY 2022 Adopted Budget, the existing \$7.9 million General Fund PPSR balance was utilized as a *onetime* resource in the FY 2022 Adopted Budget to help pay for the FY 2022 General Fund pension costs. In accordance with the City’s Reserve Policy, this was an appropriate use of the PPSR, as there was further risk to City operations resulting from the \$36.8 million General Fund ADC increase in FY 2022.

FY 2022 Projections

The FY 2022 Mid-Year Budget Monitoring Report (Mid-Year Report) projections do not include the \$7.9 million of revenue that had been included in the Adopted Budget for a transfer from the PPSR to the General Fund. Because of increases in other projected revenues over budgeted amounts, this transfer was thought to be no longer needed. The Department of Finance noted in the Mid-Year Report that maintaining the \$7.9 million in the PPSR will enable its use as a mitigation for impacts due to the unwinding of Proposition B.

FY 2023 Proposed Budget

With the anticipation that the \$7.9 million PPSR balance will remain intact at FY 2022 year-end, the \$7.9 million balance is now included in the FY 2023 Proposed Budget to

Reserves: Pension Payment Stabilization Reserve

mitigate impacts due to the unwinding of Proposition B. See the Pension section of this report under Key Citywide Issues for further information on the unwinding of Proposition B.

Future Considerations

As noted earlier, the Mayor is required to prepare a plan for replenishment of the PPSR within a year of (full or partial) depletion. There will need to be future discussions about replenishing the PPSR to its required funding level, once it is utilized. The Department of Finance anticipates bringing forward a revised City Reserve Policy for Council consideration during FY 2023.

Labor Negotiations

Negotiations Regarding Employee Compensation

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, or REOs, (commonly referred to as unions). These terms and conditions of employment are contained within the REO's labor agreements, or Memoranda of Understanding (MOUs).

The City is currently negotiating with its three public safety REOs (POA, IAFF Local 145, and Teamsters Local 911)¹ regarding FY 2023 terms and conditions of employment for their members, as their current MOUs expire at the end of FY 2022 (June 30, 2022). Current MOUs for the other three REOs (AFSCME Local 127, DCAA, and MEA)² expire at the end of FY 2023 (June 30, 2023).

Budget Considerations

The FY 2023 Proposed Budget includes an estimate for increases in employee compensation associated with recent and ongoing negotiations. ***This estimate, at \$23.2 million, provides for compensation increases for the public safety REOs, as well as wage increases for scores of job classifications that have been negotiated with MEA and***

AFSCME Local 127 over the last couple months.³

A more accurate cost estimate for compensation increases will not be known until the good faith bargaining process for the public safety REOs has been fully completed, which could be before or after the FY 2023 Adopted Budget is approved.

Overview of Addressing Compensation Deficits

Over the last several years, the City has been working with its REOs toward achieving more competitive compensation levels, as the City has been experiencing recruitment and retention issues and high vacancy levels. Many departments are impacted by these issues, as will be discussed in their individual department reviews later in this report. Recent total compensation surveys have shown that the City's compensation levels for many employees are lower than surveyed California public agencies (including comparable cities in California and San Diego County).

In January 2022, the City Council adopted the City's Compensation Philosophy, which provides that the City endeavors to pay at least the market median compensation for comparably situated public employees. Further, the Compensation Philosophy states that the "City's goal is to move toward the market median for all classifications that are currently under the market median."

¹ The three public safety REOs include: POA (San Diego Police Officers Association); IAFF Local 145 (International Association of Fire Fighters, Local 145); and California Teamsters Local 911 which represents the Lifeguards.

² The three non-public safety REOs include: AFSCME Local 127 (American Federation of State, County & Municipal Employees, Local 127); DCAA (Deputy City Attorneys Association); and MEA (San Diego Municipal Employees Association).

³ Recently negotiated wage increases for scores of job classifications represented by MEA and AFSCME Local 127 range from 2.5% to 24%, with implementation dates spread over FY 2023.

Key Citywide Issues: Labor Negotiations

Compensation concerns are pervasive citywide, over many job classifications. Since the need for compensation enhancements is extensive, the City has been unable to address all areas of concern at once. Thus, over the last several years, the City, negotiating with the REOs, has been providing “across-the-board” increases, as well as working to target positions needing greater remediation. Additionally, future negotiations are anticipated in order to bring the City to its goals for all job classifications.

In addition to identifying resources to address compensation deficits, the City must consider other citywide priorities, while working to better fill its vacant positions. Considering all of these needs in the context of limited resources requires a great deal of balancing.

History & Recent Improvements

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.⁴ Subsequently, there were five additional years of pensionable pay freezes following voter approval of Proposition B in June 2012.⁵ Non-pensionable compensation increases were provided during those five years⁶, 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.

Recent Compensation Increases and Status of Compensation Surveys

Although the City provided “across-the-board” salary increases for all employees in FY 2019 and FY 2020^{7,8}, total compensation surveys completed during FY 2021 showed

⁴ 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 REOs’ MOUs.

⁵ 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.

⁶ 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.

⁷ 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.

⁸ 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 could 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 specified add-on pays, ranging from 3% to 20% of base salary. Lastly, wage adjustments ranging from 2% to 20% of base salary were implemented for dozens of other job classifications.

Key Citywide Issues: Labor Negotiations

that the City's compensation levels for many employees were lower than the surveyed California public agencies.

Since these total compensation surveys were completed, the City has negotiated and implemented additional compensation increases. In FY 2021, due to COVID-19 impacts on revenues, there were limited compensation increases overall. Flexible benefits plan enhancements were implemented for all REOs except POA and Teamsters Local 911, as there was no MOU agreement reached with either REO for FY 2021.

In FY 2022, across-the-board salary increases were implemented for all employees;⁹ and for FY 2023 across-the-board increases for members of the non-public safety REOs are known, since negotiated agreements with these REOs are effective through FY 2023.¹⁰ For members of the public safety REOs, FY 2023 compensation increases are not yet known, as related negotiations have not been completed.

Additionally, other compensation adjustments were negotiated for the MOUs with the public safety REOs for FY 2022, and the non-public safety REOs for both FY 2022 and FY 2023.¹¹ Further, outside of the regular MOU bargaining process with AFSCME Local 127 and

MEA, there were additional wage adjustments negotiated over the last couple months.¹²

Management has also studied the impacts that the REOs' compensation increases have on the wage differential between REO-represented employees and unclassified, unrepresented supervisors and managerial positions; and resulting salary adjustments have been and/or will be made. Over the last several years, most unclassified, unrepresented employees have also been receiving the same across-the-board increases as MEA.

The City anticipates receiving updated total compensation surveys for POA and IAFF Local 145 by the end of April 2022. The City also plans to obtain updated surveys for the REOs which will be bargaining FY 2024 MOUs, as well as for unclassified, unrepresented employees. The expectation is that the City will see improvement in compensation competitiveness for many job classifications. However, future negotiations are anticipated to be needed to bring the City to its goals for all classifications.

⁹ Across-the-board increases in FY 2022 varied by REO. For non-public safety REOs: AFSCME Local 127 and MEA members received 4% on July 1, 2021; and DCAA members received 4% and 2% on July 1, 2021 and January 1, 2022, respectively. For public safety REOs, increases began the later of July 1, 2021 or the first full pay period following City Council approval of the MOU: POA members received 3.2%; and IAFF Local 145 and Teamsters Local 911 members received 2.5%. Certain IAFF L145 members received an additional 1% or 5% wage increase on January 1, 2022, depending on job classification.

¹⁰ Known across-the-board increases in FY 2023 vary by REO. AFSCME Local 127 members will receive 4% on July 1, 2022; MEA members will receive 5% on July 1, 2022; and DCAA members will receive 4% and 2% on July 1, 2022 and January 1, 2023, respectively.

¹¹ As part of the FY 2022 and FY 2023 MOUs, scores of job classifications (MEA and AFSCME Local 127 positions) are receiving additional wage increases ranging from 5% to 39.36% (39.36% for Senior and Supervising Procurement Contracting Officer positions). Members in some of the six REOs are also receiving add-on pay enhancements for certain job classifications; and flexible benefits plan enhancements were negotiated with certain REOs. Additionally, an annual \$3,000 Police Management Incentive Pay was implemented in FY 2022.

¹² Recently negotiated additional wage increases for scores of job classifications represented by MEA and AFSCME Local 127 range from 2.5% to 24%, with implementation dates spread over FY 2023.

Key Citywide Issues: Pension

Pension

This pension section includes the following topics:

- Defined benefit (DB) pension overview
- FY 2022 to FY 2023 budget increase for the DB Actuarially Determined Contribution (ADC)
- Future ADC considerations
- Proposition B highlights – discussion regarding the defined contribution (DC) retirement plan
- Unwinding Proposition B – ongoing costs
- Unwinding Proposition B – brief status update and onetime costs
- Unwinding Proposition B – FY 2023 Proposed Budget

DB Pension – Overview

The FY 2023 Proposed Budget includes \$384.4 million for the ADC, which is the City’s DB pension contribution requirement. This is a decrease of \$30.7 million from the FY 2022 Adopted Budget amount of \$415.1 million.

The General Fund portion of the FY 2023 budgeted payment is \$284.1 million – a decrease of \$30.4 million from the FY 2022 Adopted Budget of \$314.5 million. The General Fund portion is 73.9% of the FY 2023 citywide budgeted payment.

The FY 2023 ADC is based on the FY 2021 actuarial valuation. The valuation shows that the pension system’s Unfunded Actuarial Liability (UAL) totals \$3.0 billion as of June 30, 2021 – down from \$3.3 billion.

The City’s pension system liabilities as of

June 30, 2021 are funded at a rate of 74.3% – an increase from the 70.2% funding ratio at June 30, 2020. The ADC is 7.9% of total FY 2023 budgeted expenditures for the City and is 15.1% of budgeted expenditures for the General Fund.

Increase to the DB ADC

As mentioned previously, the FY 2023 ADC budget of \$384.4 million is \$30.7 million lower than the FY 2022 ADC budget. Changes to the ADC can relate to two types of factors:

- Changes to actuarial assumptions (However, there were no assumption changes in the FY 2021 valuation that would affect the FY 2023 ADC.)
- FY 2021 “experience gains and losses” (differences between actual results and what was assumed in the FY 2020 valuation)

The *net \$30.7 million decrease to the ADC* includes the following components:

- *A \$35.8 million ADC decrease* related to asset experience gain, primarily related to investment returns (The actual FY 2021 investment return was determined to be 24.9%. This is 18.4% higher than the 6.5% assumed in the FY 2020 valuation.)
- *A \$3.0 million ADC decrease* related to a net liability experience gain, largely due to salary increases that were lower than anticipated in the FY 2020 valuation
- An offsetting *\$8.1 million ADC increase* 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

Key Citywide Issues: Pension

mitigate ADC volatility.)

Future ADC Considerations

There are a couple of potential future impacts that could affect future ADCs.

- Experience gains or losses – for instance, if the FY 2022 actual investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2021 valuation, there will be an investment experience gain or loss – which would be a factor that decreases or increases the FY 2024 ADC, accordingly. More specifically, although SDCERS¹ maintains that its diversified portfolio may mitigate a market correction’s impact, a significant stock market decline as of June 30, 2022 could have an increasing effect on the FY 2024 ADC (most recently projected to be \$400.1 million citywide).

The impact of actual investment return for FY 2022 will likely be known by December 2022 or January 2023.

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

Assumption changes resulting from the most recent experience study (that included the FY 2019 actuarial valuation) were implemented in the FY 2020 valuation. The next experience study (which includes the FY 2022 valuation) is expected to be completed in the summer of 2023. Any resulting recommendations from the study would impact the FY 2023 valuation, which determines the FY 2025 ADC

payment.

Because of the complexity of the pension system variables, the total of *all* impacts to the FY 2024 ADC will not be known until the FY 2022 valuation has been completed.

Proposition B Highlights – Defined Contribution Retirement Plan

This section includes 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 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.

Under Proposition B, employees hired on or after July 20, 2012 and before July 10, 2021, except new sworn police officers, were not eligible to participate in the DB pension plan. Instead, new employees were offered a DC (defined contribution) plan.³ Following voter approval of Proposition B in 2012, retirement plan provisions were negotiated with the City’s recognized employee organizations, or REOs (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 DC 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

¹ SDCERS is the San Diego City Employees Retirement System.

² An experience study involves historical analysis of pension plan assumptions and a consideration of future expectations and trends, 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.

³ Most new hires on or after July 10, 2021 are now eligible to participate in the DB pension plan, except police recruits, who are still entering the DC plan.

Key Citywide Issues: Pension

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 2023 proposed SPSP-H budget is \$30.0 million citywide. This figure includes amounts for the Interim DC Plan, as well as for hourly workers (\$29.1 million and \$847,000, respectively). The SPSP-H budget for the Interim DC plan has decreased by \$788,000 from FY 2022, as the City continues to have turnover, and new hires since July 10, 2021 have become members of SDCERS, rather than the Interim DC Plan.

Unwinding Proposition B – Ongoing Costs

The FY 2023 Proposed Budget includes the Interim DC Plan SPSP-H amounts previously discussed, even though the City expects that Proposition B will be unwound in FY 2023. Unwinding Proposition B is anticipated to reduce the ongoing amounts to be contributed to SPSP-H for Interim DC employees and increase the ongoing amount of “normal cost” that is paid to SDCERS annually through the ADC.

However, it is unknown how many employees will transfer from SPSP-H to SDCERS, largely because employees represented by MEA and AFSCME Local 127⁴, as well as unclassified, unrepresented employees, have a choice to stay in SPSP-H and not transfer to SDCERS.

The goal is that employee transfers from SPSP-H into SDCERS will be effective July 9, 2022. Once the transfer of employees

occurs, it is possible that SDCERS will append the required FY 2023 ADC pension payment with a supplemental bill for additional normal costs related to employees transferring to SDCERS. If all “current” employees⁵ were to join the SDCERS pension system, the increase in ongoing DB pension normal cost is anticipated to be approximately \$33.2 million (\$4.1 million higher than the \$29.1 million SPSP-H budget).

However, if SDCERS does not send the City a supplemental bill in FY 2023 for the increased normal cost, there would be a budgetary savings related to all the employees who have transferred into SDCERS and are no longer active SPSP-H members. In other words, with respect to the transferred employees, the City would pay neither SPSP-H contributions, nor SDCERS normal cost (for FY 2023 only). Thus, if all employees transferred and there was no SDCERS supplemental bill for FY 2023, the \$29.1 million SPSP-H budget in FY 2023 would not be needed for either plan. In this case the unbilled SDCERS normal cost would subsequently be amortized and billed through future ADCs.

In summary, the ongoing costs for Proposition B employees in FY 2023 is uncertain, but the Proposed Budget provides a reasonable estimate for the scenario where the City must begin to pay SDCERS for ongoing normal costs beginning in FY 2023.

There are also onetime costs associated with unwinding Proposition B, which are discussed below.

⁴ MEA is the San Diego Municipal Employees Association, and AFSCME Local 127 is the American Federation of State, County & Municipal Employees, Local 127.

⁵ The cost estimates for current employees are based on a preliminary cost analysis for eligible employees who were employed with the City as of March 5, 2021.

Key Citywide Issues: Pension

Unwinding Proposition B – Status Update & Onetime Costs

Brief Status Update

As mentioned earlier, the City now must comply with the Superior Court’s order to strike 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 been engaging in the meet-and-confer process with the City’s recognized employee organizations, or REOs (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 (PERB) with status updates on progress.

The following paragraphs give a brief overview with respect to the negotiations related to the unwinding of Proposition B. For more detailed information, including a history of the legal challenges to Proposition B, see the [Citywide Budget Overview](#) section of the FY 2023 Proposed Budget, under Proposition B Status, beginning on page 56 (pdf page 32 of 34).

Meet-and-confer with the City’s recognized employee organizations (REOs) has resulted in several agreements related to unwinding Proposition B. First, most employees hired

after July 9, 2021⁶, will be placed into the SDCERS pension system.

Second, with respect to current employees under the Proposition B provision requiring participation in SPSP-H, the City Council has approved a negotiated joint agreement with two of the City’s REOs (MEA and AFSCME Local 127). This agreement allows employees who are currently in SPSP-H the choice of transferring into the SDCERS pension system or remaining in SPSP-H. The City has also reached a tentative agreement with DCAA⁷ regarding employees who are currently in SPSP-H; and it continues to negotiate with IAFF, Local 145 and Teamsters Local 911 regarding employees currently in SPSP-H.⁸ Negotiations regarding employees who were in SPSP-H but have left City employment are pending.

The City is also negotiating with the POA⁹ regarding recruits who were members of SPSP-H, as well as other matters.

Estimated Onetime Costs

Estimated onetime costs related to unwinding Proposition B for all current SPSP-H employees (except POA-represented employees) is based on a preliminary cost analysis for eligible employees who were employed with the City as of March 5, 2021. ***The ultimate costs for resolution of the Proposition B legal challenges are dependent upon the remaining pending negotiations with the REOs, the number of employees who choose to enter***

⁶ As of July 10, 2021, all newly hired employees except police recruits are entered into the SDCERS pension system. Agreements to this effect were reached with five of the City’s six REOs. For the sixth REO, the San Diego Police Officers Association (POA), sworn officers were not precluded from entering SDCERS under Proposition B; however, police recruits were precluded. The City is currently negotiating with the POA regarding recruits and other matters related to Proposition B.

⁷ DCAA is the Deputy City Attorneys Association.

⁸ IAFF, Local 145 is the International Association of Fire Fighters, Local 145; and California Teamsters Local 911 represents the City’s Lifeguards.

⁹ POA is the San Diego Police Officers Association.

Key Citywide Issues: Pension

the SDCERS pension system, and the performance of financial markets and how they impact the existing Interim DC Plan (SPSP-H) balances. The City will have a better idea of Proposition B unwinding costs in the next several months.

The estimated onetime cost related to unwinding Proposition B for current SPSP-H employees assumes that all eligible employees will be transferred into the SDCERS pension system; ***and it totals \$80.7 million citywide (\$48.2 million for the General Fund).***¹⁰ ***The City estimates it will need to pay about \$15.0 million of the \$80.7 million in cash payments during FY 2023.***

The remaining portion of the onetime cost estimate is \$65.8 million (\$39.3 million General Fund portion) and will be a debt to SDCERS. It may be included in the UAL and amortized, such that it is paid to SDCERS as part of the annual ADC pension payment. Alternatively, it may be required to be paid to SDCERS upfront. Payment terms are ultimately dependent on how the SDCERS Board decides this debt should be treated. ***None of the \$65.8 million in estimated debt to SDCERS has been included in the FY 2023 Proposed Budget. If SDCERS decides that it requires upfront payment of this debt, the Department of Finance anticipates covering the \$39.3 million General Fund portion using Excess Equity (estimated at \$26.7 million in the Mid-Year Budget Monitoring Report) and General Fund Reserve. We note that Excess Equity has not been budgeted in FY 2023, but rather has been held aside for this contingency.***

Unwinding Proposition B – FY 2023 Proposed Budget

As discussed earlier, the FY 2023 Proposed

Budget includes \$29.1 million citywide for SPSP-H costs (\$17.3 million General Fund portion), which can be used for SPSP-H contributions or for the expected bill for employee normal costs for those employees transferring to SDCERS. The Proposed Budget includes an additional \$7.7 million for anticipated citywide costs for unwinding Proposition B (\$5.6 million General Fund portion).

As described in previous sections, costs for unwinding Proposition B are uncertain for several reasons, making it difficult to budget. ***The Department of Finance may include an increase in the budgeted amounts for unwinding Proposition B in the May Revision. Alternatively, the Department may wait until the unwinding occurs, and if additional funding is needed, request a mid-year budget adjustment.***

¹⁰ The cost estimate for current employees is based on a preliminary cost analysis for eligible employees who were employed with the City as of March 5, 2021.

Homelessness and Housing

Homelessness

As of the region's Point-in-Time Count in January 2020, there were a total of 4,887 sheltered and unsheltered homeless individuals. This represents a decrease of 3.8% from the count in 2019. A complete Point-in-Time Count was not conducted in 2021 due to the COVID-19 pandemic, but the 2022 count did occur, and the results should be available in May.

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. Goals include decreasing unsheltered homelessness by 50% and ending veteran and youth homelessness.

Looking forward to FY 2023, momentum for addressing homelessness remains steady as it is a top priority for both the Mayor and City Council. It will be important to track progress on implementing the Community Action Plan on Homelessness and reporting out on program outcomes and trends to ensure what the City is doing is working. Both the Homelessness Strategies and Solutions Department and the San Diego Housing Commission have made progress in making information on homeless program outcomes publicly available this past year, which will continue to be refined. Our Office looks forward to deeper discussions on what programs are working and how the City's investment of scarce resources can be most impactful. Please refer to our department review of the Homelessness Strategies and Solutions Department for detail

on FY 2023 investments in addressing homelessness.

Housing

As outlined in the Volume 1 of the Proposed Budget, the City of San Diego's 12-month median home price has increased by 13.6% from \$643,625 for the period of February 2020 to January 2021 to \$730,917 for February 2021 to January 2022. Additionally, the region's housing inventory for sale has been on a downward trend since October 2018, reducing by 68.4% as of October 2021.¹ With interest rates at historic lows the last couple of years, this has created a very tight housing market, driving up home prices and making it difficult for people to live in the City.

According to the City's 2021 Housing Inventory Report, only 55.3% of the total 88,000 needed units for the 2010-2020 cycle were built. The Regional Housing Needs Allocation goals have since been updated to 108,000 for the City of San Diego's 2021-2029 cycle. In recent years, the City has made significant efforts to attempt to address the housing affordability crisis with a number of proposals as well as investments in affordable housing. The FY 2023 Proposed Budget adds to these efforts by including a new Housing Team within the Development Services Department to streamline housing production and reduce the amount of time it takes to permit new units. The team will solely focus on permitting projects that deliver new housing units.

Please refer to our department review of the Development Services Department for additional detail on the Housing Team.

¹ Realtor.com, Housing Inventory: Active Listing Count in San Diego County, CA [ACTLISCOU6073], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/ACTLISCOU6073>, April 24, 2022.

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.

After a number of years attempting to implement this plan, City staff decided that the entire plan needed a wholistic update. To that end, staff have been working on a plan known as CAP 2.0, a draft of which was presented to the Environment Committee in November 2021. This plan is currently going through the public review process, but the draft is notable in that it is a dramatic change from the initial plan. In this section, we review the original CAP, including a breakdown of new spending proposed for the old strategies. Then, we provide an update on the status of CAP 2.0, as well as various other efforts either currently being implemented or that are planned for the upcoming year.

CAP 1.0 Strategies, Goals, and the FY 2023 Proposed Budget

The CAP seeks to leverage existing City programs (street/sidewalk repair, energy efficient streetlights, Free Tree Program) and to 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 and capture methane from Wastewater Treatment.

Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage.

The FY 2023 Proposed Budget attributes \$32.9 million of new expenses to CAP-related projects, programs, and activities. These are new expenditures, as opposed to pre-existing funding that was built into the base budget from prior fiscal years. We would note that this amount and how it is reported is significantly different from past years as it only includes operating funding and not CIP appropriations. Staff will post the supporting detail for the \$32.9 million figure in the FY 2023 Proposed Budget, as well as any changes made in the May Revision or through Council action, to the Sustainability page on the City's website following adoption of the budget.

The following tables provide a breakdown of the \$32.9 million in the FY 2023 Proposed

Key Citywide Issues: Climate Action Plan

Budget. The first table provides a breakdown of direct and indirect expenditures. The second table shows the amounts attributable to department operating budgets by department. The third table provides a breakdown by CAP Strategy, including direct and indirect support.

FY 2023 Proposed Budget Direct or Indirect CAP Support	
Direct	\$15.9
Indirect	\$17.0
Total	\$32.9

FY 2023 Proposed Budget CAP Funding per Department	
Department	Amount (millions)
Environmental Services	\$11.3
Citywide Program Expenditures	\$10.6
Sustainability and Mobility	\$3.8
Public Utilities	\$2.7
Engineering & Capital Projects	\$1.4
Transportation	\$1.4
Planning	\$0.4
Various Departments*	\$1.3
Total	\$32.9

*Includes Fleet - Facilities, Council - CPPS, and Real Estate and Airport Management

FY 2023 Proposed Budget CAP Funding Strategy		
Strategy	Amount (millions)	
	Direct	Indirect
Strategy 1 - Energy & Water Efficient Buildings	\$0.3	\$0.2
Strategy 2 - Clean/Renewable Energy	\$1.6	\$1.2
Strategy 3 - Transit & Land Use	\$2.1	\$3.2
Strategy 4 - Zero Waste	\$11.3	\$0.0
Strategy 5 - Climate Resiliency	\$0.0	\$4.7
Overarching Implementation	\$0.5	\$7.8
Total	\$15.8	\$17.1

CAP 2.0

As mentioned, staff from the Sustainability and Mobility Department have been working on a new CAP, known as CAP 2.0. Staff released a draft of CAP 2.0 in November, and it contained some notable changes from the original CAP.

One of the largest changes is a new goal for GHG reduction. Whereas the original CAP proposed to reduce GHG by 50% from a 2010 baseline by 2035, the new CAP contains a draft goal to make the entire City net zero by 2035, in effect doubling the original GHG goal.

The new CAP also contains six strategies as opposed to the original five, which are as follows:

Strategy 1: Decarbonization of the Built Environment

This strategy addresses natural gas consumption in all buildings, including both new and existing development, and proposes aggressive phase out targets for natural gas.

Strategy 2: Access to Clean & Renewable Energy

This strategy maintains the existing goal of obtaining 100% renewable energy through San Diego Community Power by 2035, while also proposing targets for zero emission vehicles for both the City fleet and the general public.

Strategy 3: Mobility & Land Use

This strategy focuses on emissions from transportation and establishes actions that support mode shift through mobility and land use action policies.

Strategy 4: Circular Economy & Clean Communities

This strategy will expand on the City's current zero waste goals and maintain gas capture measures, while also focusing on the City landfill and implementation of mandatory

Key Citywide Issues: Climate Action Plan

organics recycling under SB 1383.

Strategy 5: Resilient Infrastructure & Health Ecosystems

This strategy will help the City thrive in the face of the impacts of climate change through a greater focus on greening the City, including a particular focus on Communities of Concern.

Strategy 6: Emerging Climate Actions

This new strategy is an acknowledgement that even if the draft goals presented in the previous strategies are fully implemented, the City may still not be able to reach its net zero goal by 2035. As such, this strategy focuses on emerging technologies and opportunities that may arise in order to help the City achieve the overarching goal.

The new draft CAP 2.0, following an extensive period of public engagement since the release this past November, will soon begin moving through the formal adoption process, with staff estimating that the full document will be brought forward to a Council Committee in June and the full Council in July for final approval.

In tandem with the formal adoption process for CAP 2.0, Sustainability and Mobility staff are also planning to release draft implementation plans for CAP 2.0. These implementation plans were a key recommendation of the Performance Audit of the City's CAP, and staff intends to have them available in draft form in order to inform the Council and public as to the size and scope of the needed City effort to implement the new CAP should it be adopted by the City Council as presented.

In addition to the draft implementation plans, additional recommendations from the audit implemented to date by staff include the establishment of regular coordination meetings in relation to the CAP and the completion of the recommended staffing analysis to ensure that the CAP is not only adopted but fully

implemented following adoption.

Further, following adoption, there are many individual plans and implementation projects that the City must undertake in order to fulfill the goals of CAP 2.0. These plans include, but are not limited to, a Zero Emissions Vehicle Strategy, the Mobility Master Plan, further work on the Municipal Energy Strategy, and others. More on the staffing analysis, including the plan for additional staff and the staff included in the FY 2023 Proposed Budget, as well as descriptions of various plans receiving additional funding are included in the *Department Review of the Sustainability and Mobility Department* included later in this report.

A copy of the City's original CAP as well as the draft of CAP 2.0 can be found on the [Sustainability](#) page of the City's website.

Additional CAP Related Funds and Plans

Climate Equity Fund

Established by the City Council on March 9, 2021 via resolution, the Climate Equity Fund is designed to provide targeted infrastructure and other CAP related improvements to communities of concern, including those identified in the Climate Equity Index. The resolution 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. FY 2022 was the first year of funding for the Climate Equity Fund.

The FY 2022 Adopted Budget included a \$5.0 million transfer from the General Fund to the Climate Equity Fund to account for the amount equal to 10% of the budgeted gas and electric franchise fees, as well as an additional \$2.0 million directly attributable to enhanced payments made by SDG&E. However, the funding aligned with a 1% TransNet and Gas

Key Citywide Issues: Climate Action Plan

Tax diversion, which was an additional \$722,000 (\$365,000 for TransNet and \$357,000 from the Gas Tax) remained budgeted within the Gas Tax Fund and the TransNet Fund due to auditing compliance and legal concerns. For FY 2023, the Proposed Budget contains additional contributions to the Climate Equity Fund, which again include \$5.4 million tied to the budgeted projections for gas and electric franchise fees, as well as an additional \$2.0 million from SDG&E.

All of the FY 2022 funding was allocated to specific CIP projects as part of the FY 2022 budget process. For FY 2023, no allocations have been made, but the Mayor did put out a call memo for project recommendations and received responses from all Council offices for consideration. Our understanding is that project allocations for the FY 2023 Proposed Budget will be made as part of the May Revision.

Climate Resilient SD

Another major climate plan adopted by the City in the past year is the Climate Resilient SD Plan, 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. This plan, which was developed through collaboration between the Planning Department and Sustainability Department, was adopted by the City Council in December 2021. Subsequent to adoption, the Planning Department has been working on further implementation plans. The FY 2023 Proposed Budget includes a new position for a Climate Resiliency Officer in the Planning Department, which will be responsible for coordinating all Citywide activities in response to this plan.

Energy Independence Fund

A new climate related fund in FY 2023 is the Energy Independence Fund, which was established by resolution of the Council on April 19, 2022. This fund may be used for three

purposes:

- 1) To pay for any refunds of franchise fee bid payments in the event that the electric franchise with SDG&E is terminated before the end of the full 20 years of the agreement.
- 2) To retain professional services to assist the City in studying possible municipalization of gas and electric transmission systems.
- 3) To pay for development costs of municipal renewable energy projects, including microgrids, distributed generation, or energy storage projects.

The resolution requires the Mayor and Council to consider putting aside 20% of any minimum bid proceeds received by the City into the fund. In the FY 2023 Proposed Budget, the Mayor has allotted \$1.6 million, which is equal to 20% of the General Fund proceeds from the bid payments.

Community Choice Aggregation

The City's 100% renewable energy goal is a critical component of the City's CAP, and in particular is anticipated to be one of the largest contributors to lowering carbon emissions over the CAP timeframe. In pursuit of this goal, the City along with other cities, including Chula Vista, Imperial Beach, La Mesa, and Encinitas formed a Joint Powers Authority (JPA), called San Diego Community Power (SDCP), in September 2019. SDCP is a Community Choice Aggregation (CCA) program, an entity authorized by the State to allow cities to procure energy for their jurisdictions from the wholesale market, thus giving cities the ability to control their sources of energy and potentially bring down the costs of that energy.

After finalizing all appropriate plans and receiving appropriate authorization from the California Public Utilities Commission, the JPA began serving municipal accounts in March 2021, and numerous commercial and industrial accounts in June 2021. SDCP is rolling out residential service over a number

Key Citywide Issues: Climate Action Plan

of months, with City of San Diego residents expected to be switched to SDCP in May 2022 along with Chula Vista. These will be the final accounts switched to SDCP from the original five cities that founded the JPA.

SDCP currently offers two products, known as PowerOn and Power100. PowerOn is estimated to contain 50% renewable energy and is the base product that is provided to all residents unless they opt to stay with SDG&E or opt up to the Power100 product. Power100, in comparison, offers 100% renewable energy. SDG&E's base electric product offers approximately 31% renewable energy by comparison. Presently, the PowerON product is projected to cost slightly less than staying with SDG&E, while Power100 is projected to cost slightly more. The City has already opted into the Power100 product for municipal accounts.

SDCP has also expanded from the initial five cities to now include National City and the unincorporated areas of San Diego County. These jurisdictions are projected to be served by the JPA sometime in 2023.

Key Citywide Issues: Infrastructure Funding Needs

Infrastructure Funding Needs

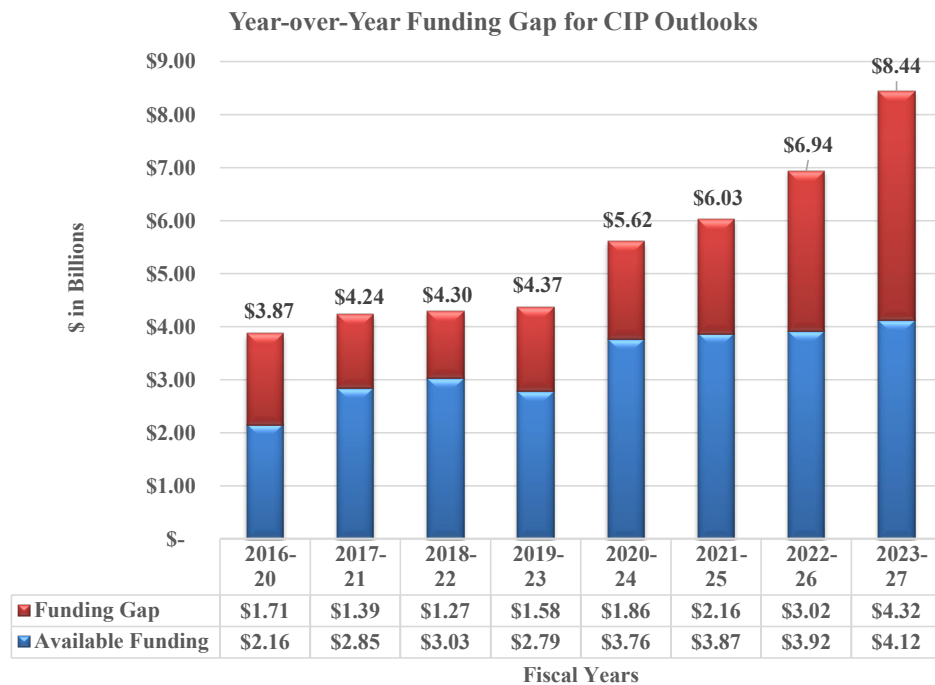
The [FY 2023-27 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#) projects that capital infrastructure needs will exceed available funding by \$4.3 billion over the next five years. This is the largest year-over-year increase in the funding gap since the report was first created. We believe it is important to underscore the dramatic increase in the funding gap when doing a year-over-year comparison since the first Outlook (FY 2016-2020). The funding gap increases by 152.6% from \$1.71 billion to \$4.32 billion, as shown in the table below.

The significant gap increasing over time is largely due to competing priorities for limited resources and a lack of new or dedicated funding sources. This led to ongoing deferral of needed projects, resulting in continued aging and deterioration of existing assets, ultimately further increasing costs. As aging, neglected

assets fail and cause collateral damage, this requires the City to spend funds on more costly emergency repairs. Deferring capital needs also creates risk for the public and liability for the City: for example, unaddressed sidewalk defects have resulted in sidewalk-related injuries and claims against the City related to those injuries.

Infrastructure Innovation and Jobs Act (IIJA) Funding Opportunities

The recently passed federal Infrastructure Investment and Jobs Act (IIJA)¹ is not included in the FY 2023 Proposed CIP Budget, but it is expected to provide significant source of infrastructure funding that could help to address the City's deferred capital backlog and fund key water, stormwater, transportation and other projects. The City will receive some IIJA formula-based funds through State allocations, such as funds from the Energy



¹ IIJA was signed into law on November 15, 2021 and considered to be a once in a generation infrastructure opportunity. It will provide an estimated \$1.2 trillion nationwide over the next ten years, with the State of California estimated to receive \$46.6 billion.

Key Citywide Issues: Infrastructure Funding Needs

Efficiency and Conservation Block Grant Program that are anticipated to be received in the fall of 2022. Government Affairs officials are coordinating IJA efforts for the City, and noted that the City will also indirectly benefit from state funds provided to other entities in the region, such as the Metropolitan Transit System (MTS) which is anticipated to receive funds from the Surface Transportation Block Grant Program.

However, unlike recent COVID-19 relief funding from the federal government which provided direct, flexible funding for the City, funding approved in the IJA is provided mostly on a competitive basis. The City will have to compete for much of the available funding through existing and new grant programs. The City established asset specific working groups in November 2021 that are assessing internal and regional competitive opportunities to apply for these funds. The groups are also developing an ongoing list of projects and concepts that will evolve as opportunities become available. Note, these working groups use guidance of [Council Policy 800-14](#) for prioritizing capital projects.

The City recently submitted its first application for IJA funding, a \$25 million application for a RAISE (Rebuilding American Infrastructure with Sustainability and Equity) grant administered through the U.S. Department of Transportation. The application is for capital improvements to Streamview Drive. The City continues to meet on project development for other near- and longer-term funding opportunities including Safer Streets and Roads for All.

It will be critical for the City to continue to proactively pursue IJA and other federal and state funding opportunities.

An Important Opportunity to Address Infrastructure Needs and Reduce the Funding Gap

While this \$4.3 billion backlog is significant and concerning, the City has taken several positive steps and under current circumstances is in a good position to make progress toward addressing its capital backlog. Many departments have been using data-driven Asset Management practices, such as establishing service level goals, conducting condition assessments, prioritizing projects based on risk, and using Asset Management systems to support decision making and planning.² This has provided a well-supported understanding of many capital needs, and it will important to continue to support Asset Management practices going forward.

The City's understanding of the needs for many assets positions it well to compete for IJA funds. After the City determines what capital needs will be funded with IJA, however, there will still be a funding gap for both capital and maintenance for many assets. New revenue sources will be required, and the City will need to consider additional options such as Public/Private Partnerships and General Obligations bond programs.

Stormwater Department's Example

The Stormwater Department has the largest funding gap in the CIP Outlook at \$1.8 billion but is a good example of how the City can take steps toward beginning to provide funding for its backlog. The Department developed a robust Asset Management program, and Stormwater needs are reflected in the long-range Watershed Asset Management Plan (WAMP), which includes all the City's operating and capital stormwater needs. The Department uses its WAMP database, a cloud-based intelligent infrastructure renewal system, to

² Asset Management is a best business practice for sustainably maintaining, repairing, and replacing infrastructure assets, like water and sewer mains, over the asset lifecycle in the most cost-effective manner. Similar to maintenance on a car, like changing oil every 3,000-5,000 miles, infrastructure assets have predictive preventive maintenance strategies that support effective lifecycle management.

Key Citywide Issues: Infrastructure Funding Needs

support the Asset Management decision-making process.³ Having a sound understanding of stormwater needs enabled the Department to seek a new source of funding.

On March 15, 2022, Council authorized the City to accept Water Infrastructure Finance Innovation Act (WIFIA) Loans for Stormwater projects. This action will result in \$733 million in financing for stormwater projects.⁴ While this will not fully address the funding gap, it is a positive step after many years of chronic underfunding and project deferral.

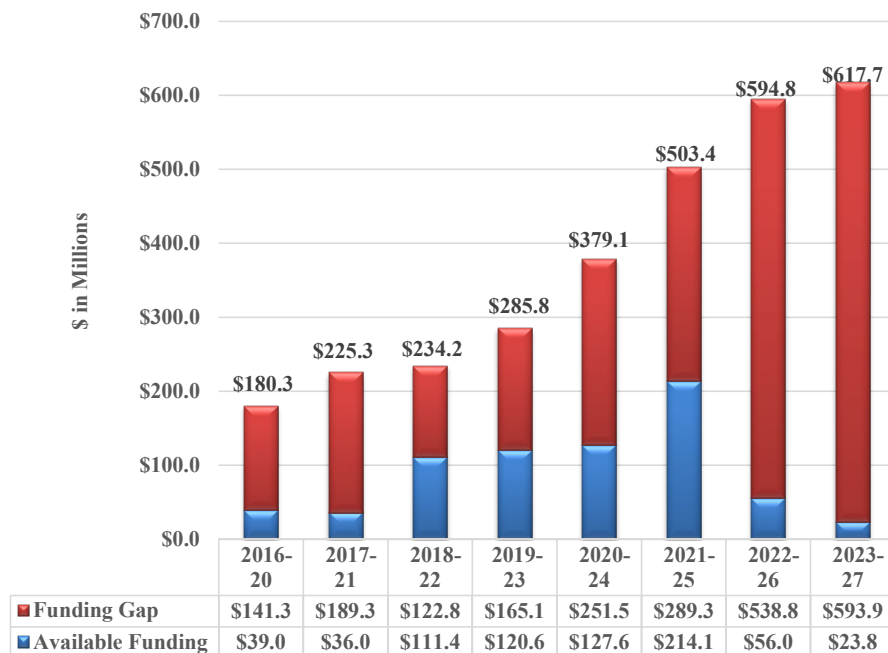
Prioritizing Funding for Facilities Maintenance and Capital Projects

Capital needs for Existing Facilities more than tripled since the first CIP Outlook (FY 2016-2020). At the same, chronic underfunding especially in recent years, has increased the funding gap to \$593.4 million over the five years of the FY2023-27 CIP Outlook, as shown in the figure below. While Existing Facilities do not have a dedicated funding

source, the four years of funding over \$100 million/year shown in the figure were supported with deferred capital bond issuances. The drop off in FY 2022-2026 shows what happens without a flexible or dedicated funding source.

General Services Department officials noted that unfunded projects contribute to the growing backlog and allow the City’s facilities conditions to continue to deteriorate, leading to potential building system shutdowns which may render facilities unusable or uninhabitable for an extended period of time. As identified in recent City staff surveys, neglected City facilities also decrease staff morale.

Chronic underfunding of Facilities maintenance and repair has been a significant contributing factor to the current deferred maintenance and capital backlog and funding gap. Our office continues to be concerned that neither the FY 2023-27 Outlooks nor the Proposed Budget place a high priority on critical



³ The Stormwater Department is working with DoIT and its consultant to migrate the WAMP content into the capital planning component of EAM (known as Asset Management Planning or AMP). The migration is planned to be completed by the end of FY 2023/early 2024, and the effort will be funded from Stormwater’s current base budget.

⁴ Of the total, \$359 million will be provided by a low-interest loan from the federal government and \$374 million from other City sources.

Key Citywide Issues: Infrastructure Funding Needs

facilities maintenance, repair, and capital projects.

Facilities Division staff currently spends about 80% of their work doing reactive maintenance to fix breakdowns and make emergency repairs, compared with only 20% of their work being dedicated to preventative maintenance. Best practices suggest that preventative maintenance should account for at least 70% of repairs.

The FY 2023 Proposed Budget for Facilities adds 3.00 FTE positions and \$366,000 in related expenses for key staff to:

- Support Asset Management and manage the EAM System so they it can be fully utilized to increase effectiveness and efficiencies.
- Assess Facilities' current work ratio of preventive and reactive maintenance to determine what resources the division will need going forward to improve this ratio.

Achieving the correct balance between these activities is a key factor in an effective and efficient maintenance program and helps manage costs by minimizing expensive emergency repairs and unplanned shutdowns.

We note that Facilities requested several items that were not included in the Proposed Budget, including:

- \$1.0 million for Repair and Maintenance Contracts
- \$17.5 million for a CIP Infrastructure Fund Request (O&M pass through)
- \$2.3 million for a Facilities Condition Assessment

Key Takeaways

To support progress with the infrastructure issue, we believe it's important to:

- Continue to proactively pursue IIIA and other federal and state funding opportunities.
- Determine which remaining assets need funding and develop a long-range plan to include new revenue sources.
- Support departments who have robust programs and systems, so they can utilize those systems to their fullest extent or enhance their capabilities.
- Support departments that do not have as robust Asset Management programs to gain needed systems and plans.
- Prioritize Facilities Maintenance and Capital Projects in future outlooks and budgets.

Departmental Vacancies

Many Departments continue to experience a high number of vacant positions that they have not been able to fill. This has been a chronic issue for the City across departments for many years but was exacerbated during the Covid-19 Pandemic. Several Department Directors told us that filling vacant positions with highly qualified candidates and retaining staff are one of their biggest challenges. Departments have not been able to fill key vacant positions primarily because they cannot compete for qualified staff because current City salaries and benefits are not competitive with compensation that other agencies and private companies are offering.

Impacts of Vacant Positions on Departments

Departments report that the high number of vacancies, many of which are in key positions, are having negative impacts on departments' operations. Some examples are provided below and, and more information on many of the Departments is covered in our report's *Department Review* sections.

- Engineering & Capital Projects (E&CP) officials told us vacancies impact the Department's ability to generate revenue and cause increased stress and workload on existing employees and limit the department's ability to increase capacity as the CIP grows. Vacancies in key positions also jeopardize the Department's commitment to delivering projects on schedule and on budget.
- The Department of Information Technology (IT) also faces vacancies, and has prioritized compliance and mandated tasks while strategic, planning, modernization and training efforts have been either delayed or minimized in scope. For IT operations, additional staff augmentation with

consultants has been needed to maintain core operations.

- The Parks and Recreation Department has a significant number of vacancies, many of which are hourly positions at City pools and recreation centers. This has caused significant operational impacts, which in some cases has resulted in reduced hours and facility closures. For this reason, the Department is proposing a staffing restructure in the Proposed Budget which would convert hourly positions to part-time benefitted positions in an effort to improve recruitment.
- The Stormwater Department has been working to fill its high number of vacancies in order to deliver important services, such as staffing the new Pipe Repair Team. Department officials told us that while they are having some recent success in filling vacant positions, the hiring process takes up a significant amount of time for the Department's senior management, which slows the Department's overall hiring process.
- The Transportation Department also indicates that they have many vacancies and hiring has been taking up a significant amount of senior management time, which further delays their hiring process. The Department's Proposed Budget includes an additional Program Manager position to help the Department manage personnel processes.
- The Development Services also has a large number of vacant positions in its Enterprise Fund. According to the Department, the biggest challenges in hiring have been not having enough candidates apply and/or meet minimum qualifications on various classification lists. Another big challenge is the delay in getting individuals onboard. Vacancies have impacted the

Key Citywide Issues: Departmental Vacancies

speed at which the Department can issue permits and new development comes online.

Addressing Compensation Deficits

Prior to FY 2019, the City had implemented nine years of citywide freezes on across-the-board salary increases, excluding individual promotions and merit increases. There were also several 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.

In light of the City's recruitment and retention issues and high vacancy levels, the City has been working with its recognized employee organizations (REOs) over the last several years to achieve a more competitive compensation level. As a result, the City provided across-the-board salary increases for all employees in FY 2019 and FY 2020. However, total compensation surveys completed during FY 2021 showed that the City's compensation levels for many employees were still lower than the surveyed California public agencies, including comparable cities in California and San Diego County. For more details, see *Labor Negotiations* in the *Key Citywide Issues* section of this report.

Departments have used Special Salary Adjustments (SSAs) for some job classifications to fill critical vacant positions. For example, General Services Department used SSA for several positions, including Electricians, HVAC Technicians, Plumbers, and the Fleet Technician series. While this has helped in some cases, in others the City is still not competitive with outside organizations.

Pandemic-Related Impacts Exacerbate this Challenge

Challenges competing with other agencies are even more pronounced given the current tight labor market. Affordability in the City of San Diego is also a major concern given the

housing crisis and rising rates of inflation which has increased costs for goods and services, such as gasoline, food, and electricity.

Lengthy Hiring Process Contributes to Challenge to Filling Vacancies

Several Departments also told us the lengthy recruitment process also contributes to challenges filling vacant positions, with candidates accepting other job offers before the process is completed. City leadership has convened a working group, including multiple stakeholders, offices, and departments, that intends to study hiring process deficiencies and contemplate solutions. Additionally, the Personnel Department has indicated that its current staffing level does not allow for immediate processing of current requests from hiring departments for certified lists of eligible candidates for open positions. The Department will be requesting additional resources during the May Revise. For more details, see *Personnel Department* in the *Department Review* section later in this report.

Key Citywide Issues: Impacts from Unbudgeted Exempt Positions

Impacts from Unbudgeted Exempt Positions

Several Councilmembers expressed interest in seeing a consolidated list of positions that were exempted from classified service in FY 2022, with particular attention on positions that were approved for exemption, but were *not* included in the FY 2022 Adopted Budget. In total, 31 positions were brought forward to Council for exemption approval. Of these, 14 were not included in the FY 2022 Adopted Budget. Those exemptions are detailed in the

table below. We note that another 17 positions were also brought to Council for exemption approval during FY 2022, though those positions were included in the Adopted Budget. A second table on the next page shows those positions, their approval date, and the associated ordinance number.

We note that additional information on the impacts of unbudgeted *classified* positions that are added supplementally during the

Positions Exempted from Classified Service in FY 2022						
Positions Not Included in FY 2022 Adopted Budget						
Department	Job Classification	Date of Council Approval	Ordinance No.	Estimated Annual Cost in Request Brought to Council	Annual Cost in FY 2023 Proposed Budget	Included in FY 2023 Proposed Budget?
Chief Operating Officer	Program Coordinator	10/19/2021	O-21382	\$ 136,957	\$ 119,457	Yes
Department of Finance ¹	Program Coordinator	7/13/2021	O-21353	Not Included	\$ 153,635	Yes
Development Services	Program Coordinator	3/15/2022	O-21443	\$ 155,000	\$ -	No; Anticipated in May Revise at \$147,467
Development Services	Program Manager	3/15/2022	O-21443	\$ 185,000	\$ 185,000	Yes
Development Services	Program Coordinator	4/26/2022	O-21452	\$ 155,000	\$ -	No; Anticipated in May Revise at \$147,467
Information Technology	Program Coordinator	3/15/2022	O-21442	Not Included	\$ 160,132	Yes
Information Technology	Program Coordinator	3/15/2022	O-21442	Not Included	\$ 160,132	Yes
Information Technology	Program Coordinator	3/15/2022	O-21442	Not Included	\$ 160,132	Yes
Parks and Recreation	Assistant Director	1/11/2022	O-21418	\$ 285,696	\$ 189,939	Yes
Parks and Recreation	Program Manager	1/11/2022	O-21418	\$ 210,642	\$ 161,194	Yes
Parks and Recreation	Program Manager	1/11/2022	O-21418	\$ 210,642	\$ 161,194	Yes
Planning Department	Program Coordinator	2/8/2022	O-21433	Not Included	\$ -	No; Anticipated in May Revise at \$150,000
Transportation	Assistant Deputy Director	10/5/2021	O-21374	Not Included	\$ 175,237	Yes
Transportation	Program Manager	10/5/2021	O-21374	Not Included	\$ 157,992	Yes
Total Positions Added: 14				Total FY 2023 Impact: \$2,228,978²		

¹The Program Coordinator in the Department of Finance was converted from a Finance Analyst 4 which has been unbudgeted since FY 2020.

²This total assumes that positions anticipated in the May Revise will receive approval and funding.

Key Citywide Issues: Impacts from Unbudgeted Exempt Positions

fiscal year would also be informative, and we recommend that the Department of Finance consider including a running list of all unbudgeted supplemental positions added during a Fiscal Year to their quarterly Budget Monitoring Reports.

Positions Exempted from Classified Service in FY 2022			
Positions Included in FY 2022 Adopted Budget			
Department	Job Classification	Date of Council Exemption Approval	Ordinance No.
Chief Operating Officer	Program Manager	7/13/2021	O-21351
Commission on Police Practices	General Counsel	7/13/2021	O-21352
Commission on Police Practices	Program Manager	7/13/2021	O-21352
Commission on Police Practices	Program Manager	7/13/2021	O-21352
Commission on Police Practices	Program Manager	7/13/2021	O-21352
Commission on Police Practices	Program Coordinator	7/13/2021	O-21352
Homelessness Strategies	Deputy Director	7/13/2021	O-21354
Homelessness Strategies	Program Manager	7/13/2021	O-21354
Homelessness Strategies	Program Manager	7/13/2021	O-21354
Library Department	Deputy Director	7/13/2021	O-21355
Library Department	Program Manager	7/13/2021	O-21355
Parks and Recreation	Program Manager	7/13/2021	O-21356
Personnel Department	Program Coordinator	7/13/2021	O-21357
Public Utilities	Assistant Deputy Director	10/5/2021	O-21373
Real Estate Assets	Program Coordinator	9/14/2021	O-21370
Real Estate Assets	Program Coordinator	9/14/2021	O-21370
Treasurer	Program Manager	7/13/2021	O-21350

Equity and Diversity

Equity and Diversity are important goals of the Mayor and the City Council, and the City is working to ensure that consideration of equity is incorporated into all levels of the City's operations and decision-making. The FY 2023 Proposed Budget includes several programs to move these goals forward, and budget additions have been made to a number of City offices and departments to support efforts to move towards increased equity in City operations, both internally and externally.

Increased allocations for equity efforts in the Proposed Budget include additional staff for the Office of Race and Equity to prepare City equity training and to operationalize equity in City Departments, 18.50 FTEs and \$1.9 million to begin addressing inequities in the City's Parks and Recreation programming and to support equity-based youth programming, increased expenditures and personnel in the Economic Development and Planning Departments, and increased support for the Department of Information Technology and the Purchasing & Contracting Department, among others.

Additional information on those adjustments and more can be found both in this report's *Overview* section and in various department writeups in our *Department Review* section. This section highlights three specific equity and diversity efforts: the SD Access 4 All program, Disparity Study recommendations, and Equal Opportunity Contracting program support.

SD Access 4 All Digital Equity Program

The FY 2023 Proposed Budget includes \$441,000 in ongoing non-personnel expenditures for the SDAccess4All Digital Equity program, which began in FY 2021 and addresses gaps in internet access to work

towards closing the digital divide that was exacerbated by COVID-19. This includes \$261,000 to continue providing public Wi-Fi for San Diego low income communities at over 300 locations across the City, including 40 libraries, 6 parks, 10 San Diego Unified Schools, and 255 street level hotspots.

Through February 2022, over 200,000 San Diegans have used these Wi-Fi services with over 1.4 million Wi-Fi sessions. The program has expanded Wi-Fi in the San Diego Promise Zone including Chicano Park and other priority locations across Southeastern San Diego where large internet access gaps exist. The funding will provide continued Wi-Fi services at these locations through FY 2023 and communications and marketing to make communities aware of these opportunities.

The FY 2023 Proposed Budget also includes \$180,000 as an enhancement within the SDAccess4All Digital Equity Program to provide digital literacy training and equity support for San Diego Residents using SDAccess4All programs. The funding will provide an enhancement to the Digital Literacy program in partnership with the SD Futures Foundation for a mobile training program visiting various City locations and training 220 residents weekly.

The Department of IT's budget included \$500,000 and \$450,000 of onetime funding in FY 2021 and FY 2022, respectively. In FY 2022, the City qualified for federal Emergency Connectivity Funding (ECF) to cover expenses for mobile Wi-Fi hotspots and Chromebook expenses for SDAccess4All Library programs. The Library is planning to apply for ECF in FY 2023 as well to purchase additional Chromebooks.

The Department of IT provided an update on the status of SDAccess4All initiatives:

Key Citywide Issues: Equity and Diversity

Digital Navigator Services – Digital Navigators are trusted guides who assist community members in accessing affordable computers, internet and acquiring digital skills. Through the collaborative efforts of a citywide digital equity stakeholder group including Public Libraries, Parks & Recreation, the Housing Commission, 211, and the International Rescue Committee, a program has been developed to meet the unique needs of San Diegans. Eleven Digital Navigators with fluency in nine languages are trained and currently being placed at public libraries, recreation centers and community sites in digital equity priority areas of the City. They will also be reachable through a toll-free digital equity hotline managed by the San Diego Futures Foundation (SDFF).

Library hotspots – 2,000 hotspots have been obtained through the Federal Emergency Connectivity Fund (ECF) program available for 3-month check-out period at branches citywide. More than 80% are now in circulation.

Device Access – In partnership with the non-profit Computers2Kids, San Diego is one of 10 cities selected for a pilot project to refurbish 2,000 laptops and make them available to low-income residents. The City is also working within the Promise Zone to identify and understand the needs and barriers facing San Diegans trying to access web-enabled devices.

Pillars of the Community – Outreach to connect 5,000 households with federal funding for home internet service through the Emergency Broadband Benefit (now Affordable Connectivity Program).

SANDAG Digital Equity Regional Plan – San Diego participated in the creation of a regional action plan to establish solutions for low-income internet access.

Note that the Department of IT requested \$955,000 for the FY 2023 Proposed Budget, but only received \$441,000. While this funding was not received due to limited resources

in the General Fund, all existing services and expansion of digital literacy training were funded to continue digital equity initiatives. Of the total request, \$705,000 was intended to be used to:

- Expand Wi-Fi in the Promise Zone and other priority areas
- Complete community outreach with enrollment in the federal emergency broadband benefit program to provide discounted or no-cost home internet service
- Hire a consultant to develop a long-term Digital Equity Action Plan
- Provide additional funding for Public Library Digital Equity program expansion.

The remaining \$250,000 (of the requested \$955,000) was intended to be used for a broadband market feasibility study for development of a broadband strategy in support of the SD Access 4 All, Digital Equity Program.

Disparity Study Recommendations for Small Business Assistance

The City conducted a Disparity Study in 2020 which notes disparities within several ethnic and gender groups in the City's contracts for construction, professional services, and goods and services. The report also makes recommendations on ways to increase participation by minority- and woman-owned businesses. Based on the recommendations and implementation plan, the FY 2023 Proposed Budget adds non-personnel expenditures for two small business assistance programs:

Bonding Assistance – Addition of \$500,000 in non-personnel expenditures to support a bonding assistance program for the City. This program is intended to assist small businesses obtain bid, payment, and performance bonds to participate in City of San Diego contracts, as well as help these businesses increase their bonding capacity.

Key Citywide Issues: Equity and Diversity

Technical Assistance – Addition \$350,000 in non-personnel expenditures to implement a technical assistance program for the City. This program is intended to help provide equitable access to contracting resources and support. Assistance could include areas such as understanding wage requirements, accounting, business certifications, bid submission, and complex regulations.

Equal Opportunity Contracting (EOC) Program Staff

The FY 2023 Proposed Budget includes the addition of 1.00 Program Coordinator and 1.00 Administrative Aide 1 to support the EOC Program. Given that the Program has been chronically understaffed (as discussed in the *Purchasing & Contracting* section in *Department Review* later in this report), these positions are intended to support the EOC Program Manager to offload some responsibilities and potentially provide additional bandwidth to enable proactive compliance reviews. These reviews would be conducted in cases where a firm shows underrepresentation in its Equal Employment Opportunity (EEO) Plan to see if what the firm provided is actually being realized.

Program Review: Capital Improvements Program

Capital Improvements Program

Multi-Year CIP			
Prior Years	FY 2023	Future Years	Total
\$ 5,030,067,397	\$ 808,880,220	\$ 11,308,355,460	\$ 17,247,303,077

The Capital Improvements Program (CIP) Budget (included as Volume III in the annual Budget release) allocates available revenue to capital projects to rehabilitate, enhance, or expand existing infrastructure, as well as to build new public assets such as a new or expanded library or replacement of aging water pipelines.

The City separates the CIP budget from the operating budget because capital infrastructure projects are generally large and expensive, take multiple years to complete, and are supported by financing sources outside of the City's General Fund (the main funding source for core City functions and services included in the operating budget). Because capital projects take multiple years to complete, the CIP is a rolling budget, meaning it includes funding from previous years, the current year budget, and funds needed for future years.

The City's CIP needs far outweigh available resources as evidenced by the \$4.3 billion funding gap in the [FY 2023-27 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#).

The City is limited by the amount of resources available; therefore, the CIP budget aids officials in determining which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact in the community.

Impacts of Mayor's FY 2023 Budget Proposal

The FY 2023 Proposed CIP Budget allocates \$808.9 million of existing funds and anticipated revenues to both new and continuing projects in the City's \$17.2 billion multi-year CIP, as shown in the table above. City Council previously approved \$5.0 billion towards projects continuing from previous fiscal years. An estimated \$11.3 billion of additional funding will be needed in future years to complete the projects currently in the CIP and fund annual ongoing capital expenditures, such as road resurfacing and pipe replacements. The CIP budget includes a compilation of 1,305 projects, some of which are standalone projects and others are grouped together into

CIP CHANGES BY DEPARTMENT			
Asset-Owning Department	FY 2022 Adopted Budget	FY 2023 Proposed Budget	Change
Airports	\$ -	\$ 200,000	\$ 200,000
Citywide	786,801	-	(786,801)
Department of Information Technology	-	6,409,288	6,409,288
Environmental Services	5,586,000	9,300,000	3,714,000
Fire-Rescue	2,500,000	2,350,000	(150,000)
General Services (previously Facilities Services)	770,000	5,715,784	4,945,784
Library	550,000	-	(550,000)
Parks & Recreation	19,751,590	26,127,768	6,376,178
Police	-	-	-
Public Utilities	707,984,297	683,005,622	(24,978,675)
Storm Water	2,000,000	27,510,976	25,510,976
Sustainability	1,082,000	2,547,500	1,465,500
Transportation	48,514,953	45,713,282	(2,801,671)
Total	\$ 789,525,641	\$808,880,220	\$ 19,354,579

Program Review: Capital Improvements Program

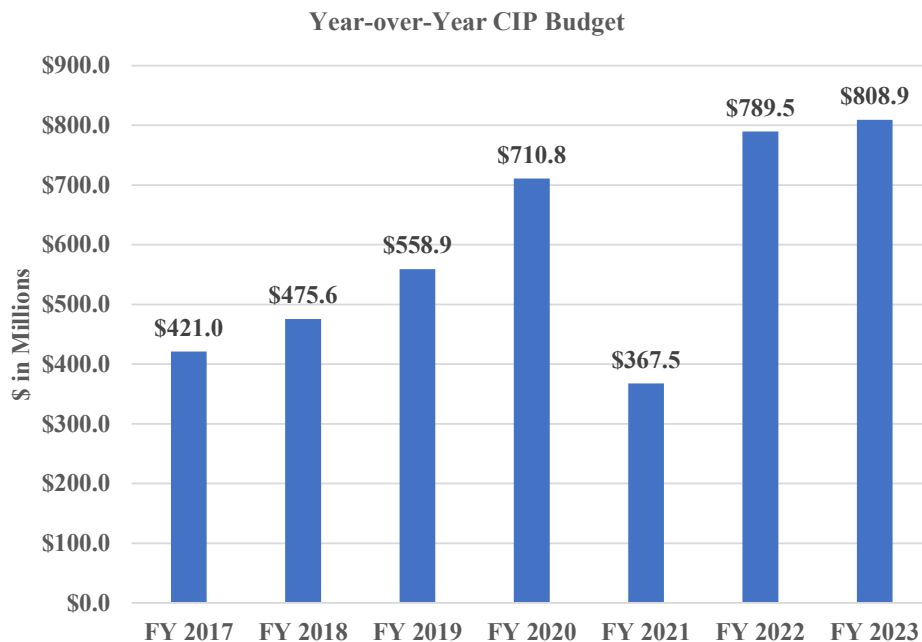
annual allocations.¹ This budget publishes 254 projects, including 19 new projects, 15 of which receive new funding, adds funding to 60 continuing projects, and includes one warranty project spanning a variety of departments and project types.

An additional \$183.3 million of funding, which is not included in the Proposed Budget, is anticipated to be budgeted during Fiscal Year 2023 and requires additional City Council approval. Anticipated funding includes a variety of sources, such as donations, grants, debt financing, developer funding, Development Impact Fees (DIF), and Facilities Benefit Assessments (FBA). The City's CIP does not include all unfunded CIP needs or new projects that may be added in future years.

Comparison with Prior-Year Budgets

The size of the City's annual CIP portfolio has grown significantly over previous years, as shown in the figure above. Since 2016 (the first year of the CIP Outlook), the City's CIP budget has increased by 120.0% from \$367.6 million to \$808.9 million in FY 2023. Since the prior year, the CIP has increased by \$19.4 million, or about 2.5%. The CIP budget decreased by 49.5% from FY 2020 to FY 2021, primarily due to delays with the Pure Water Project which added no additional funding in FY 2020.² These delays, which were due to litigation, have since been resolved.

As the CIP portfolio has grown, the City's capacity to effectively deliver these projects is increasingly important (see the *Engineering &*



Note: This table compares Adopted CIP Budgets, except for the Proposed Budget in FY 2023. It does not reflect budget added throughout the fiscal year.

¹ Some of the projects are grouped into “annual allocations”, which are composed of smaller projects that provide ongoing repair and replacements of certain asset types, such as streets and traffic signals.

² The Pure Water project uses advanced water purification technology to produce potable water from recycled water. Pure Water is intended to provide a safe, secure, and sustainable local drinking water supply for San Diego. Based on the Public Utilities Department’s most recent water demand projections, Pure Water will provide nearly half of the City’s drinking water supply when Phase 2 is completed in 2035.

Program Review: Capital Improvements Program

FY 2023 Proposed CIP Budget for the Pure Water Program (Potable Reuse)			
Project	Metro Sewer Fund	Water Fund	Total
Pure Water Program / ALA00001	\$ 97,000,000	\$ 179,000,000	\$ 276,000,000
Pure Water Pooled Contingency / P19002	17,000,000	20,000,000	\$ 37,000,000
Pure Water Phase 2 / ALA00002	18,000,000	18,000,000	\$ 36,000,000
Total	\$ 132,000,000	\$ 217,000,000	\$ 349,000,000

Capital Projects section in Department Review later in this report for more details).

Majority of Funding and Expenses Is for Public Utilities' Projects

The largest funding allocation in the FY 2023 Proposed CIP Budget is \$683.0 million or shown in the figure below. Public Utilities' projects are funded by the Water and Sewer Enterprise Funds which generally receive revenues from rates charged to customers, debt financing, and grants. The FY 2023 Proposed CIP includes:

- \$418.0 million from the Water Fund
- \$273.9 million from the Metro Sewer Funds

As shown in the table above, both the Water and Sewer funds contribute to the Pure Water project undertaken by the City. In the FY 2023 Proposed CIP Budget, Pure Water accounts for \$349 million, or 43.1% of the total CIP budget as shown in the figure below.

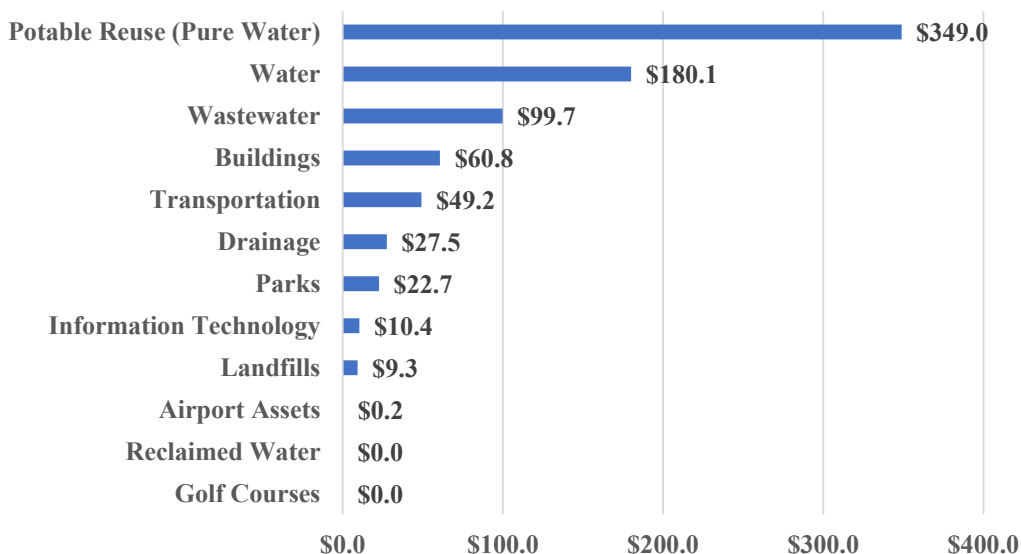
Outside of Pure Water, Water and Wastewater projects account for \$278 million or 41.3% of the total CIP budget to meet the requirements of the Clean Water Act as well as to replace and/or rehabilitate aging water and sewer system infrastructure. For example, this includes projects for water and sewer main replacements and a large diameter water transmission pipeline. It also includes repairs and rehabilitation of facilities managed by the Public Utilities Department.

Other significant PUD projects proposed to receive funding include:

- Water and Sewer Main Replacements (\$165.8 million),
- Alvarado 2nd Extension Pipeline (\$35.5 million),
- Large Diameter Water Transmission Pipeline replacements (\$10.9 million).

FY 2023 Proposed CIP Budget by Asset Type

\$ in Millions



Program Review: Capital Improvements Program

For Public Utilities, the FY 2023 Proposed CIP Budget is a decrease of approximately \$25 million or 3.5% from the FY 2022 Adopted Budget. Decreases are primarily associated with the following:

- Pure Water decreased by \$11.5.
- Water and Sewer Main Replacements decreased by \$26.7 million and \$13.5 million, respectively. This is primarily due to the timing of cash flows and funding needs.

Buildings Projects

The FY 2023 Proposed CIP Budget includes \$60.8 million for buildings projects. This is about 7.5% of the total proposed budget. Of this amount, \$50.2 million, or 82.5%, is for improvements to Public Utilities' buildings, as shown in the figure below. The remaining \$10.6 million, or 17.5%, is for General Fund building improvements. This includes \$2.4 million for Fire Stations:

- \$1.4 million for Fairmount Avenue Fire Station (S14018) from Development Impact Fees and the Infrastructure Fund.
- \$950,000 for Skyline Hills Fire Station (S14017) from the Infrastructure Fund.

This also includes \$8.3 million for improvements to General Fund facilities from the General Fund and Infrastructure Fund. These

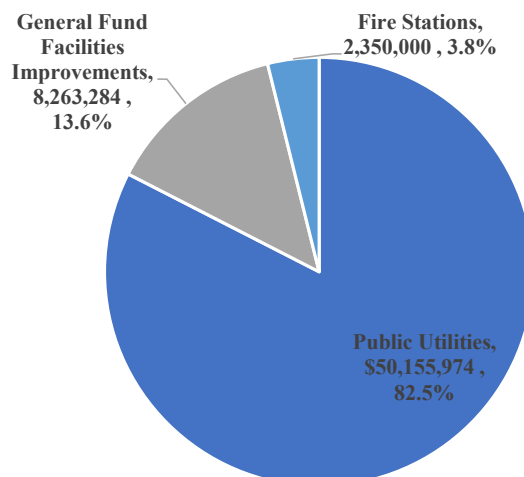
are two of the few funding sources that can be used for all General Fund capital projects.

This small amount of funding for General Fund departments is concerning given the City has chronically underfunded General Fund Buildings projects, especially in recent years. This has led to aging and deteriorating assets and increased the funding gap for Buildings in the FY 2023-27 CIP Outlook to \$593.4 million. We are concerned that neither the CIP Outlook nor the FY 2023 Proposed CIP Budget place a high priority on critical facilities maintenance, repair, and capital projects.

Transportation Projects

The next largest portion of the FY 2023 Proposed CIP Budget is for Transportation projects, with \$49.2 million, or 6.1%, of the total Proposed CIP Budget. This is a slight decrease from the FY 2022 Adopted Budget which was \$48.5 million. Since street repaving is an activity that spans both the CIP and operating budget (overlay within the CIP, and slurry seal within the operating), as well as numerous funds, our Office has compiled a summary of the street repaving budget and changes between the FY 2022 Adopted Budget and the FY 2023 Proposed Budget, which is included in the *Transportation* section in *Department Detail* later in this report.

FY 2023 Proposed CIP Budget - Buildings



Program Review: Capital Improvements Program

Also, Transportation Projects are discussed in more detail later in this section under *Council Infrastructure Budget Priorities*.

Drainage Projects (Stormwater)

The FY 2023 Proposed CIP Budget includes \$27.5 million for Stormwater drainage projects. This is a significant increase from the FY 2022 Adopted CIP Budget, which included only \$2.0 million for these projects. On March 15, 2022, Council authorized the City to implement Water Infrastructure Finance Innovation Act (WIFIA) Loans for Stormwater projects. This action will result in \$733 million in financing for stormwater projects (of which \$359 million will be provided by a low-interest loan from the federal government and \$374 million from other City sources). The FY 2023 Proposed Budget for Stormwater an increase of 15.00 FTEs and \$8.8 million to begin the planning and managing of the Department's activities as it begins to ramp-up CIP projects in preparation for the new WIFIA Loan. This is a positive step for the City to commit to effectively preparing to fully take advantage of this financing opportunity. E&CP officials told us that WIFIA funding is considered to be anticipated funding in the Proposed CIP Budget.

While this is a positive step to begin a funding program for critical stormwater assets, it still leaves significant unfunded needs. In the FY 2023-27 CIP Outlook, Stormwater needs make up both the highest level of total needs as well as the largest funding gap over the five-year period. Capital needs for Stormwater, at a level of \$1.8 billion, have grown by \$320.3 million since the prior CIP Outlook, mostly due to carrying forward the backlog from prior years to the new Outlook period.

This extremely high level of need is driven by much of the City's stormwater infrastructure being beyond its useful life and the chronic underfunding of maintenance and capital projects for the storm drain system. This has resulted in high rates of failure within the

existing infrastructure resulting in about \$63 million in emergency repairs for FY 2019 through FY 2021. Additionally, the City is facing increasing costs for compliance with Regional Water Quality Control Board (RWQCB) requirements for water quality, as nearly all of the City's rivers and streams are considered impaired under the federal Clean Water Act. These issues are discussed in more detail in the *Stormwater* section in *Department Detail*, later in this report.

Parks Projects

The FY 2023 Proposed CIP Budget includes \$22.7 million for Parks projects. This is a slight increase from the FY 2022 Adopted CIP Budget, which included only \$19.8 million for these projects. We note that this falls significantly short of the \$155.4 million in FY 2023 Parks capital needs identified in the CIP Outlook.

Key Parks projects include:

- \$6.5 million for Mission Bay Improvements (AGF00004).
- \$4.1 million for San Diego Regional Park Improvements.
- \$12.0 million from the Infrastructure Fund for various Parks projects, such as:
 - \$3.9 million for Park Improvements
 - \$2.9 million for Egger/South Bay Community Park ADA Improvements
 - \$2.0 million Olive Grove Community Park ADA improvements
 - \$1.6 million for the Canon Street Pocket Park

It is positive to see funds from the Mission Bay Park Improvement Fund and San Diego Regional Parks Improvement Fund in the FY 2023 Proposed CIP Budget. The FY 2022 Adopted CIP Budget did not include funds from these sources, because declines in revenue in FY 2021 due to the COVID-19

Program Review: Capital Improvements Program

Pandemic prevented transfers into the funds.³

CIP Funding for General Fund Departments Has Increased

The CIP budget is driven by available funding and assessing changes in funding sources that support Enterprise Fund and General Fund departments identifies trends and ongoing needs. As shown in the table below, the FY 2023 Proposed CIP Budget appropriates \$107.4 million for projects that support General Fund capital infrastructure, including transportation, safety and mobility projects, parks, and buildings. However, to address all capital infrastructure needs for General Fund departments that were

identified in the CIP Outlook for FY 2023, the City would need to budget \$141.2 million. While this year's proposed funding falls short of FY 2023 needs, it is an increase in funding from FY 2022 from \$74 million.

Two key funding sources which can be spent on almost any capital project for General Fund departments, increased in the FY 2023 Proposed CIP Budget:

- **Infrastructure Fund** – The Infrastructure Fund contribution increased by \$18.4 million from \$10.0 million in the FY 2022 Adopted Budget to \$28.4 million in the Proposed Budget. This funds

CIP CHANGES BY FUNDING SOURCES			
Funding Source	FY 2022 Adopted Budget	FY 2023 Proposed Budget	Change
Supporting Enterprise-Fund Departments			
Airport Funds	\$ -	\$ 200,000	\$ 200,000
Antenna Lease Fund	484,735	-	(484,735)
Fleet Services Internal Service Fund	391,801	-	(391,801)
Golf Course Enterprise Fund	3,510,000	-	(3,510,000)
Parking Meter Districts	1,225,000	-	(1,225,000)
Recycling Fund	814,400	6,200,000	5,385,600
Refuse Disposal Fund	-	3,100,000	3,100,000
Sewer Funds	321,697,358	273,935,618	(47,761,740)
Water Fund	387,368,939	418,026,792	30,657,853
Subtotal Enterprise-Fund Departments	\$ 715,492,233	\$ 701,462,410	\$ (14,029,823)
Supporting Non-Enterprise Fund Departments			
Climate Equity Fund	6,965,178	-	(6,965,178)
Development Impact Fees	10,231,420	471,119	(9,760,301)
Enhanced Infrastructure Financing District Fund	727,500	-	-
Facilities Benefit Assessments	9,580,000	205,851	(9,374,149)
Gas Tax Fund	-	6,993,631	6,993,631
General Fund	7,716,600	29,735,976	22,019,376
Infrastructure Fund	10,000,000	28,444,223	18,444,223
Maintenance Assessment Districts	20,000	-	(20,000)
Mission Bay Park Improvement Fund	-	6,500,000	6,500,000
Other Funding	197,919	-	(197,919)
Proposition 42 Replacement - Transportation Relief Fund	50,000	-	(50,000)
Regional Transportation Congestion Improvement Program	1,075,287	-	(1,075,287)
San Diego Regional Parks Improvement Fund	-	4,074,329	4,074,329
Sunset Cliffs Natural Park Fund	100,000	-	(100,000)
TransNet Funds	20,369,504	23,992,681	3,623,177
Trench Cut/Excavation Fee Fund	2,000,000	2,000,000	-
Utilities Undergrounding Program Fund	5,000,000	5,000,000	-
Subtotal	\$ 74,033,408	\$ 107,417,810	\$ 34,111,902
Total	\$ 789,525,641	\$ 808,880,220	\$ 20,082,079

³ Contributions from these funds to the CIP are done in arrears, and the City Charter requires revenues to reach a certain threshold before transfers to the CIP may occur.

Program Review: Capital Improvements Program

improvement projects for Parks, Fire Stations, Facilities, Sidewalk Repair, Street Lights Circuits, and Traffic Calming (discussed in more detail in *Council Infrastructure Budget Priorities* later in this section).

- **General Fund** – The General Fund allocation to the CIP increased by \$22 million from \$7.7 million in the FY 2022 Adopted Budget to \$29.7 million in the Proposed Budget. This provides funds for City Facilities Improvements (\$3.2 million), Flood Resilience Infrastructure (\$15.7 million), and Stormwater Green Infrastructure (\$10.8 million).

Funding Not Included in the Proposed CIP Budget

Note that several anticipated funding sources for General Fund projects will be appropriated in the May Revision to the Mayor’s Proposed Budget, such as Development Impact Fees and Facilities Benefits Assessments. This is because year-end funding availability is not known when the Proposed Budget is developed. Alternatively, the funds can be appropriated during the Year-End Consolidated action instead of the May Revision.

Also, the FY 2023 Proposed Budget includes funding for key Mayoral and Council initiatives, such as Sexy Streets and the Climate Equity Fund (CEF), but the funding is not appropriated in the CIP Budget for specific projects in the Proposed CIP Budget.

- **Sexy Streets** – This is an initiative to resurface and reconstruct streets in communities of concern. Priority will go to critical transit and multimodal routes. Projects are anticipated to be identified will be made as part of the May Revision.
- **Climate Equity Fund (CEF)** – For FY

2023, the Proposed Budget includes \$7.4 million in contributions to the CEP. In the prior year proposed budget, all of the CEF funding was allocated to specific CIP projects. However, no allocations have been made for FY 2023 to specific projects, because the Mayor is currently working with Council to obtain project recommendations and finalize funding decisions. Project allocations for the FY 2023 Proposed Budget amount will be made as part of the May Revision. For more information on the CEF, see the *Climate Action Plan* section in *Key Citywide Issues* earlier in this report.

Funding from Federal and State Funding is Not Included

Funding from federal and state sources such as the Infrastructure and Innovation and Jobs Act (IIJA), which is expected to provide an opportunity to compete for unprecedented levels of funding over the next 10 years, is not included. This is because the funds have not yet been received. Funding received from federal and state sources for projects will likely be appropriate via standalone Council actions. IIJA is discussed in more detail in the *Infrastructure* section in *Key Citywide Issues* earlier in this report.

Updates on Expenditures for Debt Financed Projects

In May and August 2018, the City Council approved the authority to issue and expend \$88.5 million in commercial paper note proceeds on CIP projects.⁴ As of February 2022, there is \$3.6 million remaining to be spent, as shown in the table below. In addition, in August 2021, the City Council approved the expenditure of another \$160.4 million in commercial paper and lease revenue bond proceeds for various priority CIP projects. The City will

Update on Commercial Paper Spending (as of February 2022)			
Total	Encumbered	Spent	Remaining
\$ 87,873,470	\$ 4,088,690	\$ 80,143,946	\$ 3,640,834

⁴ Note that the difference between the \$88.5million and the \$87.9 million in the table attributed to the cost of issuance.

Program Review: Capital Improvements Program

begin to spend these funds in FY 2022 and continue to expend them over the next few fiscal years. 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. E&CP officials told us an update is forthcoming in E&CP's State of the CIP report and DOF's Year-End CIP Budget Monitoring report.

Council Infrastructure Budget Priorities

As discussed in our Office's report on the [FY 2023 City Council Budget Priorities](#), Councilmembers expressed strong support for a wide range of infrastructure needs. All nine Council members were unanimous in prioritizing transportation and mobility safety, street maintenance and repair, and sidewalk repair. The table above and to the right includes the infrastructure priorities supported by a majority of Councilmembers, with funding included in the FY 2023 Proposed CIP Budget. If the proposed budget does not adequately address Council priorities, Council could consider reallocating funds in the proposed budget to better align with its infrastructure priorities.

To the extent Council would like to make

Asset Type (\$ in Millions)	FY 2023 Proposed Budget
Transportation and Mobility Safety	
Bike Facilities	\$2.1
Streetlights	\$1.2
Traffic Calming	\$0.7
Traffic Signals	\$2.8
Streets - Modifications	\$8.2
Streets - Pavement	\$17.1
Sidewalks	\$7.5
Stormwater	\$27.5
New and Existing Facilities	
Fire-Rescue	\$2.4
Library	\$0.0
Park & Recreation	\$26.1
Total	\$95.4

different investments in the CIP than those proposed, it is important to consider the funding sources available and their restrictions. Flexible funding sources like the General Fund and Infrastructure Fund can 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.

Proposed New Projects

As shown in the table below, there are 15 new projects included in the FY 2023 Proposed CIP Budget totaling \$26 million for Parks & Recreation, Public Utilities, and

SUMMARY OF NEW PROJECTS RECEIVING FUNDING IN FY 2023 PROPOSED BUDGET				
Project		Prior Fiscal Years	FY 2023	
			Budget	Anticipated
1	El Camino Real Pipeline / S23000	\$ -	\$ 750,000	\$ -
2	Grape Street Dog Park Improvements / P23001	-	500,000	-
3	Kearny Villa Rd Pipeline / S23001	2,979,395	-	155,000
4	La Media Improv-Siempre Viva to Truck Rte / S22006	-	500,000	-
5	Lake Hodges Dam Replacement / S23002	-	500,000	-
6	Lakeside Valve Station Replacement / S22003	-	250,000	-
7	McGonigle Canyon Park P-2 / RD22000	13,949,154	5,617,782	-
8	Mt. Hope Rec Ctr Dennis V Allen Park / P23003	-	500,000	-
9	North Park Community Park Dog Park / P23000	-	250,000	-
10	North/South Metro Interceptors Rehabilitation / S22001	-	750,000	-
11	Old Mission Dam Dredging / P23002	724,294	1,000,000	-
12	OM Road T-9.2 & Traffic Signals T-35 / RD22002	7,919,082	-	-
13	Otay Water Treatment Plant Upgrade Ph 3 / S23003	79,771	36,000,000	-
14	Pure Water Phase 2 / ALA00002	-	500,000	-
15	South San Diego Reservoir Replacement / S23004	-	500,000	-
TOTAL		\$ 25,651,696	\$ 47,617,782	\$ 155,000

Program Review: Capital Improvements Program

Transportation capital projects. Council is being asked to approve these projects.

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. The FY 2023 Proposed CIP Budget (Volume 3), Table 19 (pp. 19-23) lists all projects that are expected to move forward to bid and award of construction contracts during FY 2023 and estimated costs. The value of these planned construction contracts is \$775.8 million. About \$416.9 million, or 53.7% is attributed to Public Utilities projects.

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

- We discuss the significant capital funding gap of \$4.3 billion for General Fund departments in our in the *Infrastructure* section in *Key Citywide Issues* earlier in this report.
- We discuss the Capacity to Deliver the CIP in the *Engineering & Capital Projects* section in *Department Detail* later in this report.
- We discuss challenges related in attracting and retaining staff in the *Vacancies* section in *Key Citywide Issues* earlier in this report as well as in the *Engineering & Capital Projects* section in *Department Detail* later in this report.

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 2023 Budget Proposal

The FY 2023 Proposed Budget for the City Attorney totals approximately \$72.2 million, which is a \$3.4 million increase from the FY 2022 Adopted Budget. FTEs in the Proposed Budget for the Office total 399.73, which is an increase of 10.00 FTEs from FY 2022.

Significant Budget Additions

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

\$779,000, 3.00 FTEs – Family Justice Center

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 Proposed Budget adds

2 Victim Services Coordinators (\$150,000), 1 Assistant for Community Outreach (\$157,000), and \$472,000 for upgrades to intake system software at the Family Justice Center. We note that the two Victim Services Coordinators were requested in last year’s budget process but not included in the final FY 2022 Adopted Budget

\$389,000, 3.00 FTEs – Short Term Rental Ordinance

The Proposed Budget adds a Deputy City Attorney, City Attorney Investigator, and Legal Secretary II to support the Community Justice Division in enforcing Short Term Rental regulations. This group will work on referrals that are generated by the San Diego Police Department and the Development Services Department Code Enforcement Division.

\$198,000, 1.00 FTE – Public Finance Unit

The Proposed Budget adds a Deputy City Attorney to support the Economic Development Department, including work on affordable housing projects, Community Development Block Grant matters, and assessment districts. Note, this position was

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	389.73	\$ 62,875,251	\$ 5,924,084	\$ 68,799,335	\$ 3,910,296
Programmatic Changes					
<i>Family Justice Center Support</i>	3.00	299,488	479,317	778,805	37,303
<i>Short Term Rental Ordinance Support</i>	3.00	379,970	9,500	389,470	-
<i>Public Finance Unit Support for Economic Developme</i>	1.00	188,933	9,500	198,433	-
<i>Housing and Homelessness Support</i>	1.00	188,933	9,500	198,433	-
<i>Gun Violence Restraining Order Support</i>	1.00	182,020	4,500	186,520	90,000
<i>Civil Litigation Supplemental Position</i>	1.00	93,202	2,500	95,702	-
Other Changes					
<i>Partial Restoration of Department Budget Reduction</i>	-	1,067,505	-	1,067,505	-
<i>Salary and Benefit Adjustments</i>	-	757,592	-	757,592	-
<i>Non-Discretionary & IT Adjustments</i>	-	26,580	-	26,580	-
<i>Non-Standard Hourly Personnel</i>	-	26,945	-	26,945	-
<i>One Time Annualizations and Other Adjustments</i>	-	(303,714)	9,080	(294,634)	(288,634)
FY 2023 Proposed Budget	399.73	\$ 65,782,705	\$ 6,447,981	\$ 72,230,686	\$ 3,748,965
Difference from 2022 to 2023	10.00	\$ 2,907,454	\$ 523,897	\$ 3,431,351	\$ (161,331)

Department Review: City Attorney

added supplementally in FY 2022, is currently filled, and is now being brought forward to be included in the budget for FY 2023.

\$198,000, 1.00 FTE – Housing and Homelessness

The Proposed Budget adds a Deputy City Attorney to support issues related to housing and homelessness, including greater oversight of the Housing Commission, work related to the Homelessness Services and Solutions Department, and work related to the City's eviction moratorium. Note that this position was added supplementally in FY 2022 and is in the process of being filled.

\$187,000, 1.00 FTE – Gun Violence Restraining Order

The Proposed Budget includes the addition of one Deputy City Attorney to support the Office's Criminal Division under the Gun Violence Restraining Order program. This position would advise SDPD in obtaining gun violence restraining orders and search warrants, and may subpoena witnesses and conduct evidentiary hearings to seek permanent restraining orders. The Proposed Budget also assumes \$90,000 in associated grant revenue to support the position.

\$96,000, 1.00 FTE – Civil Litigation

The Proposed Budget includes the addition of one paralegal to support the Civil Litigation Division. This position was added supplementally prior to FY 2022.

Issues for Council Consideration

Partial Restoration of Citywide Reduction

The Proposed Budget includes the partial restoration of a 4% cut in personnel expenditures that was included in the FY 2022 Adopted Budget. This restoration of funding equates to \$1.1 million, which leaves the City Attorney's Office \$1 million short of a full

restoration. Additionally, the Office reports that the assumed vacancy factor in its proposed budget has increased by \$660,000. Absent a full restoration of funding, in order to come in at or under budget, the City Attorney will have to continue to hold vacancies open longer, or reduce expenditures in areas where the Proposed Budget is adding resources.

Unfunded Requests

A number of additional requests for the City Attorney's Office were made but not included in the Proposed Budget, including a Victim Services Coordinator to further support the Gun Violence Restraining Order program, a Victim Services Coordinator to support Marsy's Law requirements related to domestic violence and sex crime victims, six paralegals to support the Civil Litigation Division, and two Deputy City Attorneys to support the Department's Domestic Violence unit. Council may wish to ask if any of these positions is critical for the City Attorney's operations, and if any are anticipated to be included in the May Revise.

Department Review: City Auditor

City Auditor

Impacts of Mayor’s FY 2023 Budget Proposal

As shown in the table below, the FY 2023 Proposed Budget for the Office of the City Auditor is approximately \$4.6 million, an increase of \$221,000, or 5.1%, from the FY 2022 Adopted Budget. There are no programmatic changes to the City Auditor’s budget – most changes are non-discretionary. The number of positions remains unchanged from FY 2022, at 22.00 FTEs, and the Office has no budgeted revenue.

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. The City Auditor plans to bring his proposed budget to the Audit Committee special meeting anticipated for May 12, 2022.

If the Audit Committee recommends any adjustments to the Mayor’s Proposed Budget (which is summarized below), the City Auditor will bring those recommended adjustments to the City Council’s attention so Council can consider them as part of its final budget approval in June.

Issues for Council to Consider

The City Auditor submitted to the Rules Committee a proposed ballot measure that would allow the Office of the City Auditor and the Audit Committee access to independent legal counsel to manage potential instances of perceived or actual conflict of interest arising from the Office of the City Attorney’s attorney/client relationship with the City, and/or the Office of the City Attorney’s involvement in issues the Office of the City Auditor is auditing or investigating. Under the proposed Charter amendment contemplated by the Rules Committee, the City Auditor could only use such independent counsel after the Audit Committee determines such use is within the “public interest,” which is defined by Government Auditing Standards as “the collective well-being of the community of people and entities that the auditors serve.”

On February 16, 2022, the Rules Committee advanced the proposed Charter amendment to the City Council for the purpose of Council’s reauthorization of meet-and-confer regarding any impacts to members of the Deputy City Attorneys Association (DCAA) and Municipal Employees Association (MEA) resulting from the proposed Charter amendment. On

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	22.00	\$ 3,688,676	\$ 661,439	\$ 4,350,115	\$ -
Budget Changes					
<i>Termination Pay Increase</i>	-	41,946	-	41,946	-
<i>Other Salaries & Wages Adjustments (incl. merit and other wage increases)</i>	-	158,839	-	158,839	-
<i>Net Fringe Benefits Adjustments</i>	-	43,497	-	43,497	-
<i>Net Non-Discretionary Adjustments</i>	-	-	(22,914)	(22,914)	-
FY 2023 Proposed Budget	22.00	\$ 3,932,958	\$ 638,525	\$ 4,571,483	\$ -
<i>Difference from 2022 to 2023</i>	-	\$ 244,282	\$ (22,914)	\$ 221,368	\$ -

Department Review: City Auditor

April 25, 2022, the City Council reauthorized the meet-and-confer process.

If, after meet-and-confer, this Charter amendment proposal were to be approved by the Council as a proposed ballot measure, and further, were to be approved by the electorate in November 2022, the City Auditor would conduct a Request for Proposal (RFP) process to have independent counsel available should it be needed and approved by the Audit Committee.

Estimated costs for use of independent counsel are hard to predict. The City Auditor has indicated that in the past, legal issues where independent counsel would have been requested have arisen about once per year. However, costs would fluctuate annually as they would be based on the complexity and number of issues examined by independent counsel. The City Auditor anticipates setting up a five-year contract for independent counsel with a not-to-exceed amount of \$400,000, which would average to \$80,000 per year. For FY 2023 the City Auditor would determine whether the Office's budget could absorb any anticipated costs or whether a budget adjustment request would be needed.

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 2023 Budget Proposal

The FY 2023 Proposed Budget for the City Clerk totals \$6.7 million, which is a \$53,000 decrease from the FY 2022 Adopted Budget. FTEs in the Proposed Budget total 48.32, which is an increase of 1.00 FTE from FY 2022.

Significant Budget Adjustments

The Proposed Budget includes the addition of one Program Manager and \$161,000 in associated expenses to support the City’s Archives. The position is intended to serve as the City Archivist, and will manage the Office’s Archives, Access and Preservation Program, and expand the City Clerk’s online digital archives.

Other adjustments to the City Clerk’s budget are largely non-discretionary in nature.

Issues for Council Consideration

Unfunded Requests

The City Clerk’s budget requests included two additional positions that were not funded in the Proposed Budget:

- One Admin Aide 2 to support the City Clerk’s Public Information and Passport Services sections, which would supervise four staff members and 25 rotating Passport Agents, while also serving as a liaison to other internal and external departments and agencies.
- One Storekeeper 2 position to support the City Clerk’s Archives and Records Management division, which would oversee the operations of three existing staff members and further support the Records Management division.

The City Clerk notes that this position is particularly critical due to a large amount of work associated with expanding the City’s records storage facilities and a large number of requests for City records; other positions have had to be pulled from other administrative duties to support records retrieval work.

Council may wish to ask for additional information on these requests during their budget hearings.

SUMMARY OF CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	47.32	\$ 5,339,405	\$ 1,414,979	\$ 6,754,384	\$ 135,582
Programmatic Changes					
<i>Additional Program Manager for City Archives</i>	1.00	160,757	-	160,757	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	20,318	-	20,318	-
<i>Non-Discretionary & Information Technology</i>	-	-	(245,015)	(245,015)	-
<i>Other Changes</i>	-	11,057	-	11,057	23,352
FY 2023 Proposed Budget	48.32	\$ 5,531,537	\$ 1,169,964	\$ 6,701,501	\$ 158,934
<i>Difference from 2022 to 2023</i>	1.00	\$ 192,132	\$ (245,015)	\$ (52,883)	\$ 23,352

Department Review: City Council

City Council

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for City Council Offices is approximately \$14.2 million, an increase of \$1.5 million or 11.6% from the FY 2022 Adopted Budget.¹

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).

Significant Budget Additions

There is a one-time addition of \$594,000 in expenditures for an RFP to replace the City’s Constituent Services Management Application. This addition is divided evenly among all Council Offices. We note that this application is used by both City Council Offices and the Mayor’s Office, though expenditures for this RFP are only budgeted in the City Council’s budget.

We also note that there is an ongoing increase in personnel costs of \$1.7 million, of which \$1.2 million is associated with a new approach

towards budgeting annual expenses for each Council Office, as will be discussed below.

Issues for Council Consideration

New Approach Equalizes Council Office Budgets

In past fiscal years, each Council Office received the same number of budgeted FTE positions, but the budgets for each offices varied based on several factors, including employee compensation, staffing levels, staff experience, and differing NPE needs.

This year, however, Council Office budgets for Salaries and NPE have largely been equalized, so that each Council Office is budgeted to receive the same discretionary operating resources as other Council Offices. This will be shown in more detail in the table on the following page. It is important to note that Fringe costs – those costs associated with employee benefit packages – have not been equalized.

Our Office feels that this approach is both fair and appropriate, as the cost of those benefits packages will vary based on factors outside of a Council Office’s control, such as whether an

AGGREGATE SUMMARY OF CITY COUNCIL OFFICE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	CPPS
FY 2022 Adopted Budget	90.00	\$ 10,831,665	\$ 1,931,906	\$ 12,763,571	\$ 900,000
Programmatic Changes					
<i>Constituent Relations Management Contract</i>	-	-	594,000	594,000	-
<i>Council District Equity Adjustments</i>	-	1,205,998	(600,161)	605,837	-
<i>Increase in CPPS from Council Budget Savings</i>	-	-	-	-	137,782
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	490,758	-	490,758	-
<i>Non-Discretionary Adjustments and IT Support</i>	-	-	(81,095)	(81,095)	-
<i>One-Time Additions and Annualizations</i>	-	-	(135,000)	(135,000)	-
FY 2023 Proposed Budget	90.00	\$ 12,528,421	\$ 1,709,650	\$ 14,238,071	\$ 1,037,782
Difference from 2022 to 2023	-	\$ 1,696,756	\$ (222,256)	\$ 1,474,500	\$ 137,782

¹ Note – for the purposes of clarity in this review, the budgets for City Council offices and Council Administration are presented separately. Summary tables in Volume 2 of the Proposed Budget include expenses for all Council Offices, Council Administration, and CPPS together, with additional detail provided per Council Office.

Department Review: City Council

PROPOSED FY 2023 BUDGET FOR EACH COUNCIL OFFICE							
Council District	FTE	PE	NPE	Total Budget (Excluding Fringe)	Fringe	Total Budget (With Fringe)	CPPS
Council District 1	10.00	\$ 950,500	\$ 185,830	\$ 1,136,330	\$ 462,244	\$ 1,598,574	\$ 117,991
Council District 2	10.00	950,500	189,379	1,139,879	449,357	\$ 1,589,236	81,653
Council District 3	10.00	950,500	187,636	1,138,136	406,128	\$ 1,544,264	-
Council District 4	10.00	950,500	193,860	1,144,360	595,301	\$ 1,739,661	75,123
Council District 5	10.00	950,500	188,631	1,139,131	413,262	\$ 1,552,393	141,806
Council District 6	10.00	950,500	187,756	1,138,256	294,841	\$ 1,433,097	285,338
Council District 7	10.00	950,500	181,727	1,132,227	447,810	\$ 1,580,037	9,752
Council District 8	10.00	950,500	200,265	1,150,765	666,500	\$ 1,817,265	316,014
Council District 9	10.00	950,500	194,566	1,145,066	238,568	\$ 1,383,634	10,105
Total Proposed Budget	90.00	\$ 8,554,500	\$ 1,709,650	\$ 10,264,150	\$ 3,974,011	\$ 14,238,161	\$ 1,037,782

employee’s benefits cover just that employee, or that employee and that employee’s spouse or children.

CPPS Funding Disparities

Council Policy 100-06 allows Councilmembers to award Community Projects, Programs and Services (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 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 that Council Office the prior fiscal year. Council Offices that finished the year under-budget would be provided with discretionary CPPS funding in the next fiscal year to support worthwhile community organizations and events.

In FY 2021, no CPPS allocations were made due to the severe revenue shortfalls brought about by the COVID-19 pandemic. The FY 2022 Budget, however, restored CPPS funding, by allocating an equal \$100,000 in CPPS funds to each District.

While CPPS funding in the FY 2022 Adopted Budget was equalized among all Council Offices, the operating budgets for each Council Office were not equalized, and those individual office budgets varied from a low of \$1.2

million to a high of \$1.9 million (when fringe is removed from those amounts, the *discretionary* operating budgets for each Council Office in FY 2022 ranged from \$891,000 to \$1.1 million).

The FY 2023 Proposed Budget continues to provides CPPS funding for Council Districts, but it reverts to the prior practice of basing those allocations off of savings in each Council District’s prior-year budget. Accordingly, CPPS funding varies significantly among each Council Office, from a high of \$316,000 to a low of zero, as shown on the table above.

When CPPS amounts in the FY 2023 Proposed Budget are compared with the discretionary Council Office budgets in the FY 2022 Adopted Budget, there is a rough (though imperfect) correlation between offices with the highest FY 2022 discretionary operating budgets and the highest proposed CPPS allocations for FY 2023.

Our Office believes that it is unfortunate CPPS allocations and Council Office budgets were not equalized in the same year, as equalizing these amounts in successive years leads to the significant disparities that are shown in the table above. As Council Office budgets are proposed to be normalized in FY 2023, if Council elects to adopt the Budget as proposed, the disparities in CPPS shown above are likely to be significantly diminished in FY 2024.

Department Review: City Council

ALTERNATIVE CPPS ALLOCATIONS WITH \$10,000 MINIMUM ALLOCATION PER COUNCIL DISTRICT								
Council District	FY 2022 Budget (Excluding Fringe)	FY 2023 Proposed CPPS	FY 22 Savings Factor (calculated)	New Minimum CPPS	Allocation of Remaining CPPS	Total New CPPS (Min + Remaining)	% Change from Proposed FY 23 CPPS	Difference Proposed FY 23 CPPS
District 1	\$ 958,526	\$ 117,991	0.123096	\$ 10,000	\$ 114,734	\$ 124,734	5.7%	\$ 6,743
District 2	993,746	81,653	0.082167	10,000	76,585	86,585	6.0%	4,932
District 3	898,944	-	0.000000	10,000	-	10,000	∞%	10,000
District 4	894,546	75,123	0.083979	10,000	78,274	88,274	17.5%	13,151
District 5	1,014,447	141,806	0.139787	10,000	130,290	140,290	-1.1%	(1,516)
District 6	1,053,365	285,338	0.270882	10,000	252,480	262,480	-8.0%	(22,858)
District 7	1,061,420	9,752	0.009188	10,000	8,564	18,564	90.4%	8,812
District 8	1,066,104	316,014	0.296419	10,000	276,283	286,283	-9.4%	(29,731)
District 9	890,883	10,105	0.011343	10,000	10,572	20,572	103.6%	10,467
Total	\$ 8,831,981	\$ 1,037,782	N/A	\$ 90,000	\$ 947,782	\$ 1,037,782	0.0%	\$ 0

However, if Council wishes to address the disparity in CPPS funding among Council Offices in FY 2023, we believe that there are two main options:

- (1) Council could elect to allocate the total \$1.0 million equally among all Council Offices in FY 2023; this would provide \$115,000 in CPPS for each Council Office; or
- (2) Council could set a minimum allocation per Council District, and then divide the remaining amount among all Council Offices based on their respective FY 2022 discretionary budget savings.

The second approach is more complicated than the first, but it could be considered a fairer approach than simply dividing all CPPS equally. For illustrative purposes, the table above shows the impacts of the second approach, assuming a minimum CPPS distribution of \$10,000. Our Office is happy to share the model used to generate these amounts with any interested Council Office so that they can

see the impacts of different minimum CPPS amounts under this approach.

Council Administration

The Council Administration Department provides general office management and critical support services for the City Council. The FY 2023 Proposed Budget for Council Administration totals \$3.2 million, which is an increase of \$368,000 or 1.2% over the FY 2022 Adopted Budget. FTEs in the Department remain unchanged at 19.00. Significant changes include \$10,000 in non-personnel expenditures for interpreting services, and \$121,000 associated with the restoration of a Citywide personnel expenditure reduction from the prior year.

All other adjustments to the Council Administration Budget are non-discretionary in nature.

SUMMARY OF COUNCIL ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	19.00	\$ 2,414,860	\$ 506,746	\$ 2,921,606	\$ -
Programmatic Changes					
<i>Interpreting Services</i>	-	-	10,000	10,000	-
<i>Restoration of Citywide Personnel Reduction</i>	-	120,979	-	120,979	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	331,677	-	331,677	-
<i>Non-Discretionary Adjustment & IT Support</i>	-	-	(114,965)	(114,965)	-
<i>Pay-in-Lieu of Annual Leave Adjustments</i>	-	20,149	-	20,149	-
FY 2023 Proposed Budget	19.00	\$ 2,887,665	\$ 401,781	\$ 3,289,446	\$ -
Difference from 2022 to 2023	-	\$ 472,805	\$ (104,965)	\$ 367,840	\$ -

Department Review: City Treasurer

City Treasurer

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the City Treasurer includes General Fund and Parking Meter Operations Fund.

Budgeted expenditures across all funds in the FY 2023 Proposed Budget for the City Treasurer are approximately \$28.8 million, which is a decrease of \$979,000 from the FY 2022 Adopted Budget. The FY 2023 Proposed Budget includes 134.00 FTE positions, which is an increase of 8.00 FTE positions from FY 2022.

Budgeted revenue (all funds) totals \$63.2 million which represents an increase of \$10.0 million from the FY 2022 Adopted Budget.

General Fund

The General Fund component of the FY 2023 Proposed Budget for the City Treasurer is \$20.4 million which is an increase of \$1.4 million from the FY 2022 Adopted Budget. It includes 122.00 FTE positions (an increase of 8.00 FTE positions from the prior year) and budgeted revenue of \$54.3 million (an increase of \$12.4 million from the prior year).

Significant Budget Additions

The FY 2023 Proposed Budget includes the following additions:

Short Term Residential Occupancy Program

The Department is adding 5.00 FTE positions; (1.00 Program Manager, 1.00 Supervising Management Analyst, 1.00 Associate Management Analyst, 2.00 Administrative Aide II). These 5.00 positions will assist with the development and implementation of policies and procedures ensuring timely and efficient administration and enforcement of the STRO Ordinance.

In addition, the FY 2023 Proposed Budget shows an increase of \$8.1 million in revenue that is anticipated to be generated from the STRO licenses.

Cannabis Business Tax

The Department is adding 3.00 FTE positions (three Accountant 3 positions) to support Cannabis Business Tax compliance within the Office of the City Treasurer. The additional positions will conduct Cannabis Business Tax compliance audits. Revenues related to the Cannabis Business Tax increase by \$4.1 million due to updated projections for FY 2023.

SUMMARY OF CITY TREASURER GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	114.00	\$ 14,029,398	\$ 4,949,423	\$ 18,978,821	\$ 41,861,360
Programmatic Changes					
<i>STRO Positions and NPE</i>	5.00	499,314	286,449	785,763	8,113,121
<i>Cannabis Business Tax Positions</i>	3.00	325,461	-	325,461	323,883
<i>Parking Citation Processing</i>	-	-	112,000	112,000	-
<i>Business Tax Revenue</i>	-	-	-	-	(190,000)
<i>Revised Treasury Revenue</i>	-	-	-	-	178,321
<i>Revised Cannabis Business Tax Revenue</i>	-	-	-	-	4,046,957
<i>Revised User Fee Revenue</i>	-	-	-	-	(550,132)
Other Changes					
<i>Support for IT and STRO Tax System Upgrades</i>	-	-	303,918	303,918	-
<i>One-Time Additions and Annualizations</i>	-	-	(105,396)	(105,396)	500,000
<i>Software Cost Increases</i>	-	-	5,000	5,000	-
<i>Delinquent Accounts Program</i>	-	80,798	-	80,798	-
<i>Non-Discretionary Adjustment</i>	-	-	(39,164)	(39,164)	-
<i>Salary and Benefit Adjustments</i>	-	(40,613)	-	(40,613)	-
FY 2023 Proposed Budget	122.00	\$ 14,894,358	\$ 5,512,230	\$ 20,406,588	\$ 54,283,510
Difference from 2022 to 2023	8.00	\$ 864,960	\$ 562,807	\$ 1,427,767	\$ 12,422,150

Department Review: City Treasurer

Transient Occupancy Tax System Upgrades

The proposed budget is showing an addition of \$15,000 one-time non-personnel expenditure to provide computer maintenance and contracts that will upgrade the Transient Occupancy Tax (TOT) system for the City. This amount is included in the “Support for IT and STRO Tax System Upgrades” in the General Fund summary table.

Delinquent Accounts Program

The Department is reducing 1.00 FTE Collections Investigator 1 position and adding 1.00 FTE Program Manager in the Office of the City Treasurer Delinquent Accounts Program to provide support to the overall organization and ensure proper management oversight for the Program. The result of this change is a net increase of approximately 81,000.

Unfunded Requests

The Department requested 1.00 FTE for a Program Manager for the Business Tax Program (Cannabis Businesses). The Department indicated that the support the Business Tax Program, specifically, assist with bringing non-compliant Cannabis Businesses into compliance with tax requirements and expanding outreach and education. This position is not included in the FY 2023 Proposed Budget but is anticipated to be in the May Revise submission.

Significant Revenue Adjustments

Business Tax Revenue

The proposed budget of FY 2023 is showing a reduction of \$190,000 in Business Tax revenue due to business closures in relation to the COVID-19 pandemic.

Revised User Fee Revenue

In the budget proposal, there is a decrease in User Fee revenue by \$550,132; this is related to the Collection Referral Fee. The Department indicates that the reduction was a result of the recent user fee analysis presented to City Council in February. The on-going

system costs are part of the Delinquent Accounts Program total costs; the Department anticipate to recover 80% of the Program’s costs through the Collection Referral Fee (CRF).

Issue for Council Consideration

Implementation of the STRO Regulations

The City Council approved Short-Term Residential Occupancy (STRO) regulations in February 2021, which were later amended to delay the implementation date from July 1, 2022, to a date no later than nine months following California Coastal Commission certification. On March 9, 2022, the Coastal Commission certified the proposed STRO regulations, subject to certain modifications which will require City Council approval. The Department has indicated that they are targeting to return to City Council in mid-May 2022 to seek these actions.

Parking Meter Operations Fund

The Parking Meter component of the FY 2023 Proposed Budget is \$8.4 Million, which is \$2.4 million less than the FY 2022 Adopted Budget. The Department Revenue Collection Personnel remains the same for FY 2023 compared to last fiscal year. However, the proposed budget of FY 2023 shows a \$2.3 million reduction on the parking meter revenue as a result of a loss in meter spaces related to the Spaces as Places program, the installation of various bike lines and other long-term COVID related impacts affecting parking meter utilization. The Department clarifies that the revenue reduction is as a result of trending revenue. The revenue reduction impacts the amount of net revenue that is available for transfer and distribution; therefore, there is a corresponding entry for the reduction in the Department “expenses” which is a transfer out of the fund.

Department Review: City Treasurer

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 2023 Proposed Budget shows a decrease from the FY 2022 Adopted Budget; however, the 12.00 FTE remains the same from last Fiscal Year.

Parking meter revenue, net of all parking meter expenses, is approximately \$8.4 million in the FY 2023 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 the City.

SUMMARY OF CITY TREASURER PARKING METER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	12.00	\$ 1,521,904	\$ 9,286,084	\$ 10,807,988	\$ 11,297,852
Programmatic Changes					
<i>Parking Meter Collection Adjustment</i>	-	-	(2,297,852)	(2,297,852)	(2,297,852)
Other Changes					
<i>Support for Information Technology</i>	-	-	(6,093)	(6,093)	-
<i>Personnel and Fring Benefits Adjustments</i>	-	(40,873)	-	(40,873)	-
<i>Non-Discretionary Adjustment</i>	-	-	(61,576)	(61,576)	-
FY 2023 Proposed Budget	12.00	\$ 1,481,031	\$ 6,920,563	\$ 8,401,594	\$ 9,000,000
<i>Difference from 2022 to 2023</i>	-	\$ (40,873)	\$ (2,365,521)	\$ (2,406,394)	\$ (2,297,852)

Citywide Program Expenditures

Impacts of Mayor’s FY 2023 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 2023 Proposed Budget totals approximately \$230.0 million, an increase of \$79.7 million, or 53%, from the FY 2022 Adopted Budget. Some of the significant

budget areas of this Department are discussed in the next few pages.

Payments for Contracts and Services

Special Consulting Services

The \$30.0 million Special Consulting Services budget is shown in the table on the following page. It includes two large items related to employee compensation.

The first is an estimate for increases in employee compensation associated with recent and ongoing negotiations. This estimate, at \$23.2 million, provides for compensation increases for the public safety recognized employee organizations (REOs), as well as wage increases for scores of job classifications that were recently negotiated with the Municipal

SUMMARY OF "CITYWIDE PROGRAM EXPENDITURES" BUDGET CHANGES			
Budget Changes (dollars in millions)	FY 2022 Adopted	FY 2023 Proposed	Proposed Change
Payments for Contracts and Services			
<i>Special Consulting Services</i>	10,074,012	29,989,994	19,915,982
<i>Corporate Master Lease Rent/Lease-to-Own</i>	22,374,907	22,242,939	(131,968)
Transfers to Public Liability Funds			
<i>Transfer to Public Liability Operating Fund for Claims</i>	17,100,000	29,880,363	12,780,363
<i>Transfer to Public Liability Operating Fund for Insurance</i>	17,673,924	21,733,589	4,059,665
Other Significant Expenditures			
<i>Transfer to Capital Improvements Funds</i>	1,250,000	29,735,976	28,485,976
<i>Transfer to Infrastructure Fund</i>	10,000,000	28,444,223	18,444,223
<i>Deferred Capital Debt Service</i>	26,111,309	27,867,100	1,755,791
<i>Transfer to Parks Improvement Funds</i>	7,824,033	11,763,380	3,939,347
<i>Climate Equity Fund Contribution</i>	6,965,178	7,404,246	439,068
<i>Energy Independence Fund Contribution</i>	-	1,580,000	1,580,000
<i>Convention Center Operational Support</i>	10,196,440	-	(10,196,440)
<i>Transfer to TOT Fund for Arts Funding</i>	2,000,000	-	(2,000,000)
<i>Other Expenditures</i> ¹	18,738,759	19,335,984	597,225
TOTAL	\$ 150,308,562	\$ 229,977,794	\$ 79,669,232

¹ The largest FY 2023 Proposed Budget amounts in the "Other Expenditures" line include:

- \$4.5 million for property tax administration expense to San Diego County
- \$4.2 million for insurance
- \$2.3 million for Citywide Elections
- \$1.7 million to reimburse E&CP for SDG&E right-of-way inspections
- \$1.5 million for Preservation of Benefits (POB) pension payments
- \$1.5 million for the Supplemental COLA pension benefit payments
- \$1.4 million for Public Use Leases
- \$1.1 million for assessments to public property (including Vector Control and MAD and PBID assessments for City-owned property)
- \$1.1 million for memberships (including those with SANDAG, SD County Local Agency Formation Commission, League of CA Cities)

Department Review: Citywide Program Expenditures

Employees Association (MEA) and AFSCME Local 127. For additional information on negotiations and compensation issues, see the Labor Negotiations section of this report.

The second largest increase is \$5.6 million for anticipated costs for unwinding Proposition B. Unwinding Proposition B will result in a transfer of many employees currently in the SPSP-H (Supplemental Pension Savings Plan H) into the defined benefit pension system. ***Costs for unwinding Proposition B are uncertain and the Department of Finance may include an increase in the budgeted amounts for unwinding Proposition B in the May Revision. Alternatively, the Department may wait until the unwinding occurs, and if additional funding is needed, request a mid-year budget adjustment.*** For additional information on unwinding Proposition B, see the Pension section of this report.

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 \$22.2 million, a reduction of \$132,000 from FY 2022.

Transfers to Public Liability Funds

The FY 2023 Proposed Budget includes \$29.9 million and \$21.7 million to support the Public Liability (PL) Operating Fund's claims and

insurance payments, respectively.

- The \$29.9 million claims funding transfer for FY 2023 has increased by \$12.8 million due to increased claims estimates, \$9.4 million of which is a one-time increase.
- The \$21.7 million insurance payment budget for FY 2023 has increased by about \$4.0 million, based on premium estimates that incorporate loss development trends in the insurance market.

There is no budget in FY 2023 for a transfer to the PL Reserve, which is projected to have a FY 2022 deficit of \$3.1 million as of the FY 2022 Mid-Year Budget Monitoring Report. The Mayor's Proposed Budget is forgoing funding of the Reserve, to provide budget relief for the General Fund.

Additionally, Risk Management is currently working on updated projections for PL operating costs in FY 2022, 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

Transfer to Capital Improvements Funds

The FY 2023 Proposed Budget includes \$29.7 million to support City facility improvements,

SPECIAL CONSULTING SERVICES			
Budget Changes	FY 2022 Adopted	FY 2023 Proposed	Change
Estimated Compensation Increases - Pending Negotiations	\$ 7,924,490	\$ 23,215,208	\$ 15,290,718
Proposition B Unwinding Costs	-	5,550,360	5,550,360
Sales Tax Consulting	500,000	500,000	-
Energy-related Costs (Ash St/Golden Hall/Concourse)	724,522	424,426	(300,096)
Lease Tracking System (GASB 87)	425,000	-	(425,000)
Actuarial Services	250,000	250,000	-
Zuniga Jetty	200,000	50,000	(150,000)
Disclosure Counsel	50,000	-	(50,000)
TOTAL	\$ 10,074,012	\$ 29,989,994	\$ 19,915,982

Department Review: Citywide Program Expenditures

as well as flood resilience and storm water green infrastructure. This is a \$28.5 million increase from the \$1.3 million budgeted in FY 2022 for transfers to capital improvements funds. See the Capital Improvements Program (CIP) section of this report for more information.

Transfer to Infrastructure Fund

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 2023, based on applicable revenues from the FY 2023 Proposed Budget, is \$28.4 million. The Mayor is proposing to allocate the \$28.4 million to Capital Improvements Program (CIP) funds for City facilities, fire stations, Transportation Department projects (including Vision Zero and streetlight upgrades), and Parks and Recreation Department projects.

For FY 2022, the Mayor requested a one-year suspension of Charter Section 77.1 requirements, which was approved by the City Council during the budget approval process.¹ Although there was a suspension of the required transfer for FY 2022, \$10.0 million was included in the FY 2022 Adopted Budget as an Infrastructure Fund transfer. This amount was specifically for the onetime contribution to the "Sexy" Streets #ForAllofUs Initiative – for road repairs and maintenance in communities of concern.

¹ 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.

Deferred Capital Debt Service

The FY 2023 Proposed Budget for deferred capital debt service includes debt service on bonds (\$27.1 million), as well as interest and fees on commercial paper (\$739,000). Thus, the total debt service budget is \$27.9 million, an increase of \$1.8 million from the \$26.1 million included in the FY 2022 Adopted Budget.

This increase is primarily due to an increase in debt service schedule cost for the 2021A bond issuance. For the 2021A issuance, the debt service schedule amount for FY 2022 only included interest, while debt service for FY 2023 (and remaining payment years) includes principal as well.

For reference, the \$27.1 million in FY 2023 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")
- \$7.2 million for the \$145 million 2021A issuance (known as "DC4")

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

Department Review: Citywide Program Expenditures

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 \$11.8 million, up from \$7.8 million in FY 2022. The \$3.9 million increase is largely related to recovery of revenues that had previously declined with the COVID-19 pandemic. Revenue from Mission Bay Park rents and concessions is budgeted in the Department of Real Estate and Airport Management.

Climate Equity Fund Contribution

The FY 2023 Proposed Budget includes a \$7.4 million contribution to the Climate Equity Fund, up from \$7.0 million in FY 2022. This funding is for infrastructure projects within underserved communities to help them respond to the impacts of climate change, and is discussed further in the Franchise Fees section of our review of Major General Fund Revenues.

Energy Independence Fund Contribution

Additionally, a \$1.6 million transfer to the newly established Energy Independence Fund is included in the proposed Citywide Program Expenditures budget for FY 2023. See the Climate Action Plan section of this report for more details on this fund.

Convention Center Operational Support

In FY 2022 a \$10.2 million onetime contribution was included in the Citywide Program Expenditures budget for onetime operational and capital support for the San Diego Convention Center Corporation. There is no contribution budgeted in FY 2023. 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.

Transfer to Transient Occupancy Tax (TOT) Fund for Arts Funding

In FY 2022 a \$2.0 million contribution was included in the Citywide Program Expenditures budget to support arts funding. There is no contribution budgeted in FY 2023, although there are increased expenditures for arts funding included from the TOT Fund, as discussed in the Special Promotional Programs section of our report.

Other Expenditures

The following are additional expenditure items which are included in the Citywide Budget. Since budget amounts or 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.

- Citywide Elections

The FY 2023 Proposed Budget for citywide elections is unchanged from FY 2022, at \$2.3 million.

The FY 2023 citywide elections budget covers the November 2022 General Election. The General Election races will include contests for Council Districts 2, 4, 6, and 8. Funding is included in the budget for these races, as well as for three City measures, depending on page length.

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

Department Review: Citywide Program Expenditures

City's General Fund.

Actual elections costs can vary significantly. Elections issues and costing are closely monitored by the City Clerk as information becomes available.

- Preservation of Benefits (POB) Pension Payments

The City also makes additional payments to SDCERS² to fund any pension payments in excess of IRS limits. The FY 2023 Citywide Expenditures amount for POB is \$1.5 million, unchanged from FY 2022.

- 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 to fund the benefit. The FY 2023 Citywide Program Expenditures amount for this benefit is unchanged from FY 2022, at \$1.5 million.

- Public Use Leases

The public use lease expenditures are related to the use of parking lots in Las Americas and Imperial Marketplace. The FY 2023 Proposed Budget for the public use leases is \$1.4 million, down \$207,000 from FY 2022. The reduction is largely due to the expiration of the

Imperial Marketplace lease in January 2022.

General Fund Reserve

Contributions to the General Fund Reserve, if budgeted, are included in the Citywide Program Expenditures Department. However, as a result of declining revenues due to the COVID-19 pandemic, neither the FY 2021 nor FY 2022 Adopted Budgets included a General Fund Reserve contribution. The FY 2023 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 either the FY 2021 or FY 2022 Adopted Budgets. There is also no contribution included in the FY 2023 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 2023. Specifically, the Proposed Budget includes as a revenue, the \$7.9 million General Fund portion of the PPSR to mitigate impacts due to the unwinding of Proposition B. See the Pension Payment Stabilization Reserve section of this report for additional information on the PPSR and the Pension section of this report for additional information on unwinding Proposition B.

² SDCERS is the San Diego City Employees Retirement System.

Commission on Police Practices

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Commission on Police Practices (CPP) is approximately \$2.5 million, an increase of \$1.2 million or 91.6% over the FY 2022 Adopted Budget. The annualization of positions that were added to the department when its budget was initially funded in the FY 2022 Adopted Budget (11 positions budgeted at 6.00 FTEs) is the primary driver of the increase, accounting for 5.00 FTEs and \$566,000, in addition to several other significant budget additions, which are described below.

The CPP has also requested that three positions, including 1.00 Budget/Legislative Analyst, 1.00 Community Development Coordinator, and 1.00 Performance Auditor, be reclassified to 1.00 Program Manager, 1.00 Program Coordinator, and 1.00 Senior Management Analyst. This change results in a net reduction of approximately \$20,000 in personnel expenditures.

Significant Budget Additions

Executive Recruitment

The FY 2023 Proposed Budget includes \$100,000 in one-time non-personnel expenditures for executive recruitment services to

conduct a nationwide search for four positions, including the CPP’s Executive Director. While three of the four positions can be hired sooner, the CPP must wait until after the Implementation Ordinance is approved (following completion of the meet and confer process) and permanent Commissioners are formally appointed before filling the Executive Director position. This is likely to occur in late-FY 2023.

Contracted Investigative Services

The FY 2023 Proposed Budget includes \$200,000 in ongoing non-personnel expenditures for contracted investigative services during times of high-volume caseloads, for cases that require specific expertise, and other relevant work on an as-needed basis.

Legal Services

The CPP intends to hire a full-time City employee to serve as General Counsel; however, this is not expected to occur until December 2023 (FY 2024) following the formal appointment of Commission members and approval of CPP rules and procedures. For this reason, the CPP has requested \$180,000 in one-time funding to continue contracting an outside legal firm on an as-needed basis. This increase is offset with a one-time reduction of 0.50 FTE and \$83,000 associated with the CPP’s budget General Counsel position. Ac-

SUMMARY OF COMMISSION ON POLICE PRACTICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	7.00	\$ 820,752	\$ 506,382	\$ 1,327,134	\$ -
Programmatic Changes					
<i>Contracted Investigative Services</i>	-	-	200,000	200,000	-
<i>Executive Recruitment Services</i>	-	-	100,000	100,000	-
<i>Legal Services</i>	(0.50)	(83,268)	180,000	96,732	-
<i>One-time Additions and Annualizations</i>	-	-	(155,000)	(155,000)	-
Other Changes					
<i>Annualization of FY 2022 Positions</i>	5.00	565,884	-	565,884	-
<i>Other Salaries and Wages</i>	-	402,720	-	402,720	-
<i>Reclassification of Positions</i>	-	(20,326)	-	(20,326)	-
<i>Non-Discretionary Adjustments</i>	-	-	25,708	25,708	-
FY 2023 Proposed Budget	11.50	\$ 1,685,762	\$ 857,090	\$ 2,542,852	\$ -
Difference from 2022 to 2023	4.50	\$ 865,010	\$ 350,708	\$ 1,215,718	\$ -

Department Review: Commission on Police Practices

According to the CPP's Interim Executive Director, funding for 0.50 FTE General Counsel is being maintained, if the implementation process proceeds quicker than expected. The net impact of this adjustment amounts to \$96,700 (one-time). Total funding for outside legal counsel is budgeted at \$205,000, including \$25,000 in ongoing funding that was carried forward from the former Community Review Board on Police Practices (CRB).

Issues for Council Consideration

FY 2022 Classified Service Exemptions

The FY 2022 Adopted Budget is the inaugural budget which established the initial staffing level and funding for the new CPP. Following the approval of the FY 2022 Adopted Budget, the CPP sought and received City Council approval on July 13, 2021 to exempt four positions from Classified Service. These positions include 3.00 Program Managers, 1.00 Program Coordinator, and 1.00 General Counsel. As discussed above, the General Counsel positions has been temporarily reduced to 0.50 FTE in the FY 2023 Proposed Budget.

Department Review: Communications

Communications

Impacts of Mayor's FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Communications Department is approximately \$5.7 million, an increase of \$293,000 over the FY 2022 Adopted Budget. The budget includes 38.00 FTE positions, reflecting an increase of 2.00 FTE positions. The Department has \$372,000 in budgeted revenue which is unchanged from the FY 2022 Adopted Budget.

Significant Budget Additions

The FY 2022 Proposed Budget includes addition of the following 2.00 FTE positions:

Program Manager to Support Translation and Interpretation Services

This position will oversee the citywide Translation and Interpretation Services Program, which will provide accurate and timely translation and interpretation services to City departments for documents, materials, applications, live interpretations during community meetings and in-person interactions with members of the public, on an as-needed and hourly rate basis. The department indicates that the contract fund will be funded through the Public Education Government Access revenue fund (PEG).

Program Coordinator to Support Citywide Marketing and Promotional Advertising Services

This position will handle contract management and will oversee the budget allocation under the City's purchasing and contracting guidelines.

We note that the Department also requested \$200,000 to support citywide marketing/promotional advertising, but this amount was not included in the Proposed Budget. The Department indicates that it will request this amount again in the May Revise.

SUMMARY OF COMMUNICATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	36.00	\$ 5,001,194	\$ 441,493	\$ 5,442,687	\$ 372,107
Programmatic Changes					
<i>Add: Marketing/Promotional Services Program Coordinator</i>	1.00	160,757	-	160,757	-
<i>Add: Translation/Interpretation Services Program Manager</i>	1.00	143,467	-	143,467	-
Other Changes					
<i>Information Technology Costs</i>	-	-	20,310	20,310	-
<i>Other Salary and Benefit Adjustments</i>	-	(13,558)	-	(13,558)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	(17,619)	(17,619)	-
FY 2023 Proposed Budget	38.00	\$ 5,291,860	\$ 444,184	\$ 5,736,044	\$ 372,107
Difference from 2022 to 2023	2.00	\$ 290,666	\$ 2,691	\$ 293,357	\$ -

Department Review: Compliance

Compliance

The Compliance Department, established in FY 2022, provides enforcement and compliance support for several areas. External enforcement activities include investigations with respect to the City’s Living Wage, Prevailing Wage, and Minimum Wage and Earned Sick Leave Ordinances. Internal City efforts include support for responses to audits and for compliance with external agency regulations, as well as an Administrative Appeals program for City departments. The Compliance Department also oversees the City’s occupational health and safety program.

Impacts of Mayor’s FY 2023 Budget Proposal

The Compliance Department’s FY 2023 Proposed Budget totals approximately \$4.6 million, an increase of approximately \$2.2 million, or 95.9%, from the FY 2022 Adopted Budget. Increases in the Department’s budget are largely due to position additions, including the transfer of the Engineering and Capital Projects (E&CP) Prevailing Wage Program to the Compliance Department. Changes to the Department’s budget are shown in the table

below.

Personnel Expenditures (PE) increases include the addition of the following positions:

- 14.00 Prevailing Wage Program FTEs transferred from E&CP (including 1.00 Senior Civil Engineer, 2.00 Associate Engineer-Civil, 5.00 Associate Management Analyst, 5.00 Management Trainee, 1.00 Administrative Aide 1)
- 1.00 FTE transferred from Purchasing & Contracting for the Prevailing Wage Program (an Associate Management Analyst position)
- 1.00 Deputy Director position for Department operational support
- 2.00 FTEs for Department administration support (including 1.00 Senior Management Analyst and 1.00 Administrative Aide 2) – Note that these positions are budgeted in the Compliance Department but will also support the Commission for Arts and Culture and Performance & Analytics

SUMMARY OF COMPLIANCE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	16.00	\$ 2,213,819	\$ 131,265	\$ 2,345,084	\$ -
Programmatic Changes					
<i>Prevailing Wage/Living Wage - Payroll Review System</i>	-	-	60,000	60,000	-
<i>Transfer of Prevailing Wage Program from E&CP</i>	14.00	1,474,933	42,212	1,517,145	2,247,109
<i>Transfer of Prevailing Wage Personnel from P&C</i>	1.00	108,410	-	108,410	-
<i>Deputy Director for Department Operational Support</i>	1.00	201,858	-	201,858	-
<i>Department Administration Support</i>	2.00	169,513	4,034	173,547	-
Other Changes					
<i>Pay-in-Lieu of Annual Leave Increase</i>	-	16,062	-	16,062	-
<i>Budgeted PE Savings Increase (a budget decrease)</i>	-	(27,881)	-	(27,881)	-
<i>Net Other Salaries & Wages Adjustments (incl. merit and other wage increases)</i>	-	89,356	-	89,356	-
<i>Other Fringe Benefits Adjustments</i>	-	106,340	-	106,340	-
<i>Net Non-Discretionary Adjustments</i>	-	-	3,606	3,606	-
FY 2023 Proposed Budget	34.00	\$ 4,352,410	\$ 241,117	\$ 4,593,527	\$ 2,247,109
Difference from 2022 to 2023	18.00	\$ 2,138,591	\$ 109,852	\$ 2,248,443	\$ 2,247,109

Department Review: Compliance

Revenue of \$2.2 million has been added to the Compliance Department in FY 2023 with the transfer of E&CP's Prevailing Wage program. We found that the correct revenue transferred in should be \$1.6 million. This was transferred to the Purchasing & Contracting Department by mistake, and the Department of Finance told us this technical error will be corrected in the May Revise. This revenue is related to reimbursable time for monitoring prevailing wage compliance with respect to contracts under CIP projects. The Prevailing Wage Program bills the CIP projects accordingly.

Department Requests Not Included in the FY 2023 Proposed Budget

The Department requested \$50,000 for occupational health and safety tracking software (\$30,000 onetime and \$20,000 ongoing), which was not funded in the FY 2023 Proposed Budget. The Department expects to absorb these costs in its budget during FY 2023.

Requests to Exempt Positions from Classified Service

The Department requested that the Civil Service Commission (CSC) recommend exemption of two Program Manager positions from classified service. One will oversee and administer the City's Office of Labor Standards and Enforcement, and the other will oversee and implement the City's Privacy and Technology Ordinance Program. The CSC reviewed these exemption requests and found they meet the intent of Charter section 117, as required before City Council approval. The Compliance Department plans to forward these exemption requests to Council for approval.

Department Review: Cultural Affairs

Cultural Affairs

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Cultural Affairs Department totals approximately \$2.3 million, an increase of \$414,000 from the FY 2022 Adopted Budget. The FY 2023 Proposed Budget includes 7.00 FTE positions which is unchanged from the FY 2022 Adopted Budget.

Cultural Affairs Department operations are primarily funded by the Transient Occupancy Fund totaling \$2.2 million in the FY 2023 Proposed Budget, as reflected in the table below.

The Department also manages the Public Art Fund which is allocated \$85,000 from the Transient Occupancy Tax Fund in the FY 2023 Proposed Budget. This include \$75,000 in one-time non-personnel expenditures to manage City-own art assets and \$10,000 (on-going) for the City’s Poet Laureate Program.

Significant Budget Additions

Creative City Cultural Plan

The FY 2023 Proposed Budget includes \$250,000 in one-time non-personnel expenditures to begin the development of the City’s first Citywide cultural plan to be called “The Creative City.” According to the Department, the plan will focus on equity and provide for a multi-year policy and planning framework to

guide the City’s investments in arts and culture. An additional \$100,000 is anticipated to be required in FY 2024 to complete the project.

Grants Management System

The FY 2023 Proposed Budget includes \$90,000 in non-personnel expenditures for a grants management system, including \$55,000 in one-time implementation costs and \$35,000 for annual ongoing licensing costs. The system is intended to increase efficiency and accelerate and streamline the arts and culture funding process.

SUMMARY OF CULTURAL AFFAIRS DEPARTMENT BUDGET					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	7.00	\$ 950,572	\$ 928,240	\$ 1,878,812	\$ -
Programmatic Changes					
<i>Creative City Cultural Plan</i>	-	-	250,000	250,000	-
<i>Grants Management System</i>	-	-	90,000	90,000	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	35,202	-	35,202	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	(46,699)	(46,699)	-
FY 2023 Proposed Budget	7.00	\$ 985,774	\$ 1,221,541	\$ 2,207,315	\$ -
<i>Difference from 2022 to 2023</i>	-	\$ 35,202	\$ 293,301	\$ 328,503	\$ -

Department Review: Debt Management

Debt Management

Impacts of Mayor's FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Debt Management Department is approximately \$2.7 million, an increase of \$298,000 or 12.3% over the FY 2022 Adopted Budget.

Budgeted revenue decreases by \$150,000 to \$628,000 in FY 2023 due to an anticipated reduction in reimbursements for services provided to other departments.

The increase in expenditures is primarily related to salary and benefit changes for the Department's 17.00 FTEs.

The FY 2023 Proposed Budget does not include any programmatic budget adjustments for Debt Management

SUMMARY OF DEBT MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	17.00	\$ 2,146,519	\$ 268,456	\$ 2,414,975	\$ 778,500
Programmatic Changes					
<i>Revised Revenue</i>	-	-	-	-	(150,250)
Other Changes					
<i>Other Salary and Benefit Changes</i>	-	298,838	-	298,838	-
<i>Non-Discretionary Adjustments</i>	-	-	(720)	(720)	-
FY 2023 Proposed Budget	17.00	\$ 2,445,357	\$ 267,736	\$ 2,713,093	\$ 628,250
<i>Difference from 2022 to 2023</i>	-	\$ 298,838	\$ (720)	\$ 298,118	\$ (150,250)

Department Review: Department of Finance

Department of Finance

The Department of Finance provides centralized financial services to the City. It is made up of two divisions: Financial Planning and External Reporting. The department has three main areas of responsibilities: 1) oversight of the City’s operating and capital budgets, 2) accounting and financial reporting for all City funds, and 3) payroll and vendor payments.

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Department of Finance is approximately \$21.1 million, an increase of \$758,000 or 3.7% over the FY 2022 Adopted Budget. The budget includes 116.00 FTE positions, reflecting an increase of 6.00 FTE positions from FY 2022. There is \$2.2 million in budgeted revenue, which is an increase of \$17,000 or 0.8% over the FY 2022 Adopted Budget.

Significant Budget Additions

The FY 2023 Proposed Budget provides the Department with a 5.5% increase in staffing with the proposed addition of the following 7.00 FTE positions and one position reduction:

2.00 FTEs to Support Implementation of New Lease Accounting Standards (GASB 87)

In June 2017, the Government Accounting Standards Board issued Statement No. 87, *Leases* (GASB 87) which is required to be implemented by the end of FY 2022. GASB 87

replaces the previous lease accounting methodology. The proposed 2.00 additional FTE positions (Finance Analysts) will, among other things, review all lease agreements to see if they qualify under the standard and prepare required disclosures in the FY 2022 Annual Comprehensive Financial Report.

The City also procured a software solution to track and disclose lessee and lessor agreements in accordance with GASB 87. The software needs ongoing maintenance estimated to cost about \$15,500.

2.00 Finance Analyst 2s to Support Unwinding Proposition B

The Proposed Budget includes 2.00 FTEs and \$203,000 to support unwinding Proposition B, which the Department states, is associated with significant workload. Some activities include assisting in analyzing, adjusting, and submitting a bi-weekly pension San Diego City Employees’ Retirement System (SDCERS) transmittal file which will include the addition of roughly 4,000 employees into the pension system.

3.00 FTEs to Support the Capital Improvements Program and SAP Finance Modules

The Proposed Budget includes 2.00 additional Finance Analysts to support oversight of stormwater capital budgets, following recently approved Water Infrastructure Finance and Innovation Act (WIFIA) financing. The

SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	110.00	\$ 18,710,599	\$ 1,596,821	\$ 20,307,420	\$ 2,230,481
Programmatic Changes					
<i>GASB 87 Support and Software Maintenance</i>	2.00	212,056	15,503	227,559	-
<i>Proposition B Support</i>	2.00	203,292	-	203,292	-
<i>Capital Improvement Program and Systems Support</i>	2.00	3,598	-	3,598	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	434,706	-	434,706	-
<i>Other Adjustments to NPE</i>	-	-	(111,271)	(111,271)	-
<i>TransNet Revenue Adjustment</i>	-	-	-	-	17,326
FY 2023 Proposed Budget	116.00	\$ 19,564,251	\$ 1,501,053	\$ 21,065,304	\$ 2,247,807
Difference from 2022 to 2023	6.00	\$ 853,652	\$ (95,768)	\$ 757,884	\$ 17,326

Department Review: Department of Finance

program is expected to increase from \$1.0 million per year to \$100.0 million per year. Additionally, support is needed to provide oversight of the Capital Improvements Program which has grown significantly in recent years, largely driven by the Pure Water project.

The Proposed Budget also includes the addition of 1.00 Program Coordinator to support SAP Finance Modules, which is intended to replace a current supplemental Finance Analyst 4. It should be noted that there is a higher salary range for a Program Coordinator than for a Finance Analyst 4.

Offsetting these additions is a reduction of one Assistant Director corresponding with a revised organizational structure of the Department. According to staff, the Department will benefit from replacing the Assistant Director with more staff to alleviate the added workload placed on current staff. The net result of the three additional staff and the reduction of an Assistant Director is approximately \$3,600.

We note that all seven proposed positions are currently unbudgeted, supplemental positions.

Issues for Council Consideration

Staffing Levels

According to the Department, staffing levels, although they have fluctuated, are currently lower than they were 10 years ago while the City's budget has increased 75% since FY 2014. With this increase has come a corresponding increase in workload related to overseeing the growing Capital Improvements Program, providing review and approval of various items, and providing customer services for more departments created over the years. The workload has also increased in complexity with unwinding Proposition B as an example. According to staff, the requested positions are being proposed in response to these challenges.

Department of Information Technology

Performance Measure	Target FY 2021	Actual FY 2021	Target FY 2022	Estimated FY 2022	Target FY 2023
Percentage Availability of Public Safety Wireless Services	100%	100%	100%	100%	100%
Percentage of Security Incidents per Month per 1,000 Users	<1.0%	<1.0%	<1.0%	<1.0%	<1.0%
Percentage Availability for Citywide Network and Phone Systems	99.90%	99.90%	99.90%	99.90%	99.90%

The Department of Information Technology (IT) was established in 1994 and provides citywide technology strategy, operational support of applications, infrastructure, and wireless technologies, enterprise application services, and manages IT services contracts and assets. Key departmental goals include:

- Modernizing and maximizing the business values and resiliency of technology services.
- Delivering and supporting City technologies by optimizing the skills and training of City staff to drive innovation and best practices.
- Advancing IT service delivery by enhancing City technology contracts for transparency, oversight, and operational excellence.
- Securing the City’s data and technology.
- Advancing digital equity citywide to bolster internet access for low-income communities.

KPIs to measure achievement or progress toward these goals are shown in the table above.

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Department of IT is approximately \$133.5 million. This is a \$3.4 million, or 2.6%, increase from the FY 2022 Adopted Budget. Total positions remain unchanged at 133.35 FTE positions in the department’s Proposed Budget.

The Department of IT is comprised of five different funds:

- General Fund
- Geographical Information Systems (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 following table provides a summary of the Department of IT’s budget, including FTE positions and total expenditures by fund.

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY BUDGET CHANGES						
Fund	FY 2022 FTE	FY 2023 FTE	Change	FY 2022 Expense	FY 2023 Expense	Change
General Fund	-	-	-	994,975	1,265,496	270,521
GIS Fund	14.00	14.00	-	5,375,105	5,228,297	(146,808)
Information Technology Fund	44.00	44.00	-	85,284,249	86,127,202	842,953
OneSD Support Fund	30.00	30.00	-	28,127,196	30,380,868	2,253,672
Wireless Communications Technology Fund	45.35	45.35	-	10,334,834	10,514,038	179,204
Total Combined	133.35	133.35	-	\$ 130,116,359	\$ 133,515,901	\$ 3,399,542

Department Review: Dept of Information Technology

General Fund

The FY 2023 Proposed Budget for the Department of IT's General Fund is approximately \$1.3 million. This is an increase of \$271,000, or 27.2%, from the FY 2022 Budget, as shown in the following table. There are no positions budgeted in this fund and no related revenue. The Department's General Fund budget supports purchasing personal computer (PC) replacements for General Fund departments in the City and continuation of the SDAccess4All Digital Equity Program.

PC Replacement Program for General Fund Departments

The FY 2023 Proposed Budget adds \$250,000 in non-personnel expenditures to replace an estimated 1,040 personal computers in the General Fund. The goal of the PC Replacement Program to update General Fund departments' computers and support mobile and tel-network capabilities. The Department switched to a lease program for replacement of General Fund personal computers in FY 2020, due to being significantly behind on computer replacements. To align with the expected useful life of computers, the Department's goal is to replace computers every 5 years, or 20% of computers each year, with a 5-year lease.

The five-year lease is expected to total approximately \$1.2 million. This \$250,000 lease payment pays for the first year as well as the anticipated interest. Funding for this request

includes a modification to the program to achieve a 50% goal of replacing PCs with laptops by FY 2025 and stabilizes the program to replace approximately 1,040 per fiscal year.

Failure to fund the program increases the risk of PC failure and performance degradation, impacting the City employees' ability to conduct city operations and business. Without funding, it may impact the ability for some City employees to work remotely. If not replaced, aging computers may pose a high risk in compromising the City's security posture.

SDAccess4All – Digital Equity Program

The FY 2023 Proposed Budget includes \$441,000 in ongoing non-personnel expenditures for the SDAccess4All Digital Equity program, which began in FY 2021. This includes \$261,000 to continue to provide public Wi-Fi for San Diego low income communities at over 300 locations across the City, including 40 libraries, 6 parks, 10 San Diego Unified Schools, and 255 street level hotspots.

Through February 2022, over 200,000 San Diegans have used the Wi-Fi services with over 1.4 million Wi-Fi sessions. The program has expanded Wi-Fi in the San Diego Promise Zone including connecting Chicano Park and other priority locations across Southeastern San Diego where large internet access gaps exist for residents.

The funding will provide continued Wi-Fi services at these locations through FY 2023 as

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	-	\$ -	\$ 994,975	\$ 994,975	\$ -
Programmatic Changes					
<i>SDAccess4All (to continue providing public Wi-Fi for low income communities)</i>	-	-	261,000	261,000	-
<i>SDAccess4All - Digital Equity Program (to expand this program and provide digital equity training and support)</i>	-	-	180,000	180,000	-
<i>General Fund PC Replacement Program</i>	-	-	250,000	250,000	-
Other Changes					
<i>Information Technology Adjustments</i>	-	-	(5,594)	(5,594)	-
<i>Non-discretionary Adjustments</i>	-	-	95,115	95,115	-
<i>One-time Additions and Annualizations</i>	-	-	(510,000)	(510,000)	-
FY 2023 Proposed Budget	-	\$ -	\$ 1,265,496	\$ 1,265,496	\$ -
Difference from 2022 to 2023	-	\$ -	\$ 270,521	\$ 270,521	\$ -

Department Review: Dept of Information Technology

well as providing needed communications and marketing to make communities aware of these opportunities.

The FY 2023 Proposed Budget also includes \$180,000 as an enhancement within the SDAccess4All Digital Equity Program to provide digital literacy training and equity support for San Diego Residents using SDAccess4All programs. The funding will provide an enhancement to the Digital Literacy program in partnership with the SD Futures Foundation for a mobile training program visiting various City locations and training 220 residents weekly.

Note that the Department of IT requested \$955,000 for the Proposed Budget, but only received \$441,000. While this funding was not received due to limited resources in the General Fund, all existing services and expansion of digital literacy training were funded to continue digital equity initiatives. Of the total request, \$705,000 was intended to be used to:

- Expand Wi-Fi in the Promise Zone and other priority areas.
- Complete community outreach with enrollment in the federal emergency broadband benefit program to provide discounted or no-cost home internet service.
- Hire a consultant to develop a long-term Digital Equity Action Plan.
- Provide additional funding for Public Library Digital Equity program expansion.

The remaining \$250,000 (of the requested

\$955,000) was intended to be used for a broadband market feasibility study for development of a broadband strategy in support of the SD Access 4 All, Digital Equity Program.

See the *Equity and Diversity* section in *Key Citywide Issues* earlier in this report for an update on SDAccess4All.

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 IT's staff support, are allocated to the City departments that use GIS, with roughly 32% of the costs allocated to General Fund Departments. The FY 2023 Proposed Budget for the GIS Fund is approximately \$5.2 million as shown in the following table. This is about \$147,000 or 2.7% less than the FY 2022 Adopted Budget. Budgeted positions remaining unchanged from FY 2022 are at 14.00 FTEs. Revenue is budgeted at \$5.2 million, an increase of about \$332,000 over the prior year.

The FY 2023 Proposed Budget does not include programmatic changes to the GIS Fund, because the primary non-personnel expense budget for the GIS Fund is the City's enterprise license agreement for GIS tools and licensed solutions, and the City is in the last year of a three-year agreement.

SUMMARY OF GIS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	14.00	\$ 1,619,980	\$ 3,755,125	\$ 5,375,105	\$ 4,894,107
Programmatic Changes					
	-	-	-	-	-
Other Changes					
<i>Information Technology Adjustments</i>	-	-	(349,918)	(349,918)	-
<i>Salary & Fringe Benefit Adjustments</i>	-	38,746	-	38,746	-
<i>Non-Discretionary Adjustments</i>	-	-	164,364	164,364	-
<i>Revised Non-Discretionary Revenue</i>	-	-	-	-	618,045
<i>One-time Additions and Annualizations</i>	-	-	-	-	(286,004)
FY 2023 Proposed Budget	14.00	\$ 1,658,726	\$ 3,569,571	\$ 5,228,297	\$ 5,226,148
Difference from 2022 to 2023	-	\$ 38,746	\$ (185,554)	\$ (146,808)	\$ 332,041

Department Review: Dept of Information Technology

Information Technology Fund

The IT Fund supports the operational budget Department staff who provide a variety of information technology related activities for the City, including:

- Citywide IT Fixed Expenses
- Enterprise IT Sourcing Operations
- Enterprise Resource Planning
- Financial & Support Services
- Information Technology
- IT Contract Management
- Project Management Office

Also included in the IT Fund are Citywide information technology support contracts, technology2, and licensing. 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%.¹

The FY 2023 Proposed Budget for the IT Fund is approximately \$86.1 million, as shown in the following table. This is an increase of \$843,000, or 1.0%, from the FY 2022 Adopted Budget. The revenue budget increased by approximately \$1.1 million, bringing the total revenue budget to \$85.4 million for FY 2023. The IT Fund has 44.00 FTE positions with no change from the prior year.

New Service Contracts

The FY 2022 Adopted Budget added \$9.0 million for new managed service provider contracts for (1) workplace services, (2) enterprise compute and (3) application development, maintenance and support services which are anticipated to be completed by the end of FY 2022. This transition and related

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	44.00	\$ 7,417,904	\$ 77,866,345	\$ 85,284,249	\$ 84,301,733
Programmatic Changes					
<i>New Service Contracts (CGI Technologies)</i>	-	-	1,069,055	1,069,055	1,069,055
<i>Centralization of Internet Service Provider Circuit</i>	-	-	999,279	999,279	999,279
<i>Citywide Voice Network Refresh</i>	-	-	525,000	525,000	525,000
<i>Software Licensing (Adobe, Microsoft, Seamless Docs, SmartSheets, Get It Done - Salesforce, and Zoom)</i>	-	-	388,325	388,325	388,325
<i>Software Updates (Drupal)</i>	-	-	500,000	500,000	500,000
<i>Support Contracts (Public Website and Adobe Esignatures)</i>	-	-	99,000	99,000	99,000
<i>Enhancements and Optimaization (Okta Public Portal and Network Visibility and Analytics)</i>	-	-	223,602	223,602	55,000
<i>SAP Application Maintenance</i>	-	-	266,039	266,039	266,039
<i>Secure Contractor Environment</i>	-	-	125,000	125,000	125,000
<i>Cloud Foundation and Infrastructure</i>	-	-	90,000	90,000	90,000
<i>Migration (Hyland OnBase)</i>	-	-	10,000	10,000	10,000
<i>PCI Costs and American Registry for Internet Numbers Fee</i>	-	-	16,758	16,758	16,758
<i>IT Architecture and Engineering Services Support</i>	-	16,154	-	16,154	-
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	168,996	-	168,996	-
<i>Non-Discretionary Budget True Up</i>	-	-	4,749,304	4,749,304	4,749,304
<i>Non-Discretionary Adjustments</i>	-	-	245,390	245,390	-
<i>Contact Center (Budget True Up)</i>	-	-	194,523	194,523	194,523
<i>Non-General Fund Rent Expenditures</i>	-	-	(410,056)	(410,056)	-
<i>One-Time Additions and Annualizations</i>	-	-	(8,033,368)	(8,033,368)	(8,033,368)
<i>Information Technology Adjustments</i>	-	-	(400,048)	(400,048)	-
FY 2023 Proposed Budget	44.00	\$ 7,603,054	\$ 78,524,148	\$ 86,127,202	\$ 85,355,648
Difference from 2022 to 2023	-	\$ 185,150	\$ 657,803	\$ 842,953	\$ 1,053,915

¹ The amounts charged to departments are based on a blended rate of six IT fund non-discretionary (ND) accounts that provided funding for both IT operations and citywide IT Fixed expenditures. Each ND utilizes a specific allocation methodology to allocate budget/expenses.

Department Review: Dept of Information Technology

challenges are discussed in *Issues for Council Consideration* later in this section.

The FY 2023 Proposed Budget adds approximately \$1.1 million of non-personnel expenditures to support the new CGI contract for Application Development, Maintenance, and Support Services. Funds are being added to improve contract baseline service, including modernization of legacy applications to ensure compliance with cybersecurity and improve public facing services and operational efficiencies.

Note, the SAP staff augmentation component (previously in the Application, Development, and Maintenance Services contract) was separated into its own contract and the Department will be seeking City Council approval for this contract in May 2022. Department staff told us, pending Council approval, transition of these services is anticipated to be completed by the first quarter of FY 2023.

Other Significant Budget Additions

The Department of IT noted one of its challenges is continued modernization of the City's application portfolio. The IT Fund proposed budget for FY 2023 includes a long list of additional ongoing non-personnel increases for software licenses, enhancement and optimization, and other key updates which are summarized below.

- \$1.0 million to support centralizing all City Internet Service Provider (ISP) service and circuit procurement in the Department. The General Fund impact of this reduction is \$612,558 or 61% of the total cost.
- \$525,000 to fund the Citywide Voice Refresh. The existing system is at end of life. This funding includes software/licensing for three years and hardware based on current pricing. The voice system infrastructure and licensing that supports both soft phone technology (jabber) and physical phones will be required in FY 2023 and

subsequent years. The full cost of the refresh is estimated to be \$525,000 per year for 5 years (FY 2023-27).

- \$500,000 for the Drupal software update and migration from Version 7 to Version 9, which is due by November 2022. Without this migration by the deadline, the City's website will be vulnerable due to the loss of ongoing patches and security updates.
- \$388,325 for software licensing to cover fee increases and/or additional licenses for the following:
 - Zoom – \$163,000
 - Microsoft – \$114,000
 - Smartsheets (Citywide rollout) – \$64,000
 - Get It Done (Salesforce) – \$21,000
 - Seamless Docs – \$12,500
 - Adobe – \$10,500
- \$266,000 to support cost increases for SAP Application Maintenance as part of contractual costs.
- \$223,600 for enhancement and optimization:
 - Okta Public Portal Enhancement – \$168,600 for the development of a new public portal to replace the legacy authentication application and mitigate potential security risks.
 - Network Visibility and Analytics – \$55,000 to support optimized network traffic flow. Gigamon appliances are used for directing network traffic logs to City security tools without impacting network traffic flow.

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

Department Review: Dept of Information Technology

SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	30.00	\$ 5,723,426	\$ 22,403,770	\$ 28,127,196	\$ 25,413,789
Programmatic Changes					
<i>Mobile Work Manager 6.5 Implementation</i>	-	-	1,500,000	1,500,000	-
<i>Mobile Work Manager Cloud Subscription</i>	-	-	700,000	700,000	-
<i>SAP S/4 Hana Conversion</i>	-	-	500,000	500,000	-
<i>Spinifex Subscription</i>	-	-	39,500	39,500	-
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	266,480	-	266,480	-
<i>One-time Additions and Annualizations</i>	-	-	-	-	2,373,516
<i>Non-Discretionary Adjustments</i>	-	-	1,411,986	1,411,986	-
<i>Information Technology Adjustments</i>	-	-	(2,164,294)	(2,164,294)	-
FY 2023 Proposed Budget	30.00	\$ 5,989,906	\$ 24,390,962	\$ 30,380,868	\$ 27,787,305
Difference from 2022 to 2023	-	\$ 266,480	\$ 1,987,192	\$ 2,253,672	\$ 2,373,516

SAP are allocated to City departments, with each department's allocation varying by the types of SAP programs used, the number of FTE positions in each department, and each department's budget. For FY 2023, costs are allocated approximately 44% to General Fund departments.

The FY 2023 Proposed Budget for the OneSD Support Fund is approximately \$30.4 million, as shown on the table above. This is an increase of approximately \$2.3 million, or 8%, from the FY 2022 Adopted Budget. Revenue has also been increased to \$27.8 million. The OneSD Support Fund has 30.00 FTE positions in the Proposed Budget, with no change from FY 2022.

Enterprise Asset Management (EAM) Mobile Work Manager Upgrades

The FY 2023 Proposed Budget includes \$1.5 million of one-time and \$700,000 in ongoing non-personnel expenditures to upgrade/replace the outdated work order management application (which is no longer supported by SAP) cloud hosting subscription, and licensing. This includes funding implementation costs for the SAP Enterprise Asset Management (EAM) Work Manager 6.5 Cloud version. This application is an integral tool used by EAM departments to manage, track and record condition data, work assigned, and

work performed on City infrastructure.²

Hosting this solution in the cloud eliminates the need to procure and manage networks and hardware and provides subscription-based pricing with an annual cost per user. This would be funded through the OneSD Support Fund and allocated out to departments.

This contract is currently in the procurement process with contract negotiations to begin in May 2022. If total contract value is less than \$3.0 million as expected, it will be below the threshold that requires Council approval.

SAP S/4 Hana Conversion Feasibility Study

The FY 2023 Proposed Budget also includes \$500,000 in non-personnel expenditures to determine the feasibility, roadmap and timeline to convert SAP software systems. SAP software for all City business functions will no longer be supported after calendar year (CY) 2027, therefore this conversion is mandatory to maintain SAP support.

The feasibility study will be facilitated through contracts furnished by the Department's SAP as-needed consulting process and is anticipated to be completed in FY 2023. The study will determine the best path for the City's implementation and migration of the existing HANA database architecture to S/4

² The departments/groups currently using EAM include Department of Information Technology/Wireless Communications, engineering & Capital Projects, General Services/Facilities Services Division, Public Utilities, Stormwater Department, and the Transportation Department.

Department Review: Dept of Information Technology

HANA. In addition, among other things, the study will include EAM and possible options for future expansion to other City departments. If the SAP S/4 HANA Conversion is not funded, this would delay the planning effort needed to develop a migration plan for the City's SAP systems.

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 about 84% allocated to General Fund Departments in FY 2023.

The FY 2023 Proposed Budget for this fund is \$10.5 million, an increase of \$179,000, or 1.7% from the FY 2022 Adopted Budget, as shown in the table below. The FY 2023 Proposed Budget also includes offsetting revenue of nearly \$10.3 million. The 45.35 FTE positions remains unchanged from the previous year.

Public Safety Radio Modernization Project

The FY 2023 Proposed Budget includes \$214,610 in one-time non-personnel expenditures for one-year maintenance and support

costs for the Public Safety Radio Modernization Project Phase I purchase. As part of the Public Safety Radio Modernization Project (approved ordinance O-21388), the Department purchased the following equipment in FY 2022 via debt financing:

- Fire-Rescue – 1,287 portable radios, 18 consolettes, and 8 control stations
- Police – 3,015 portable radios and 20 consolettes

The maintenance costs associated with the Public Safety Radio Modernization Project cannot be debt-financed and will be paid through the Wireless Communication Technology Fund. This ongoing expenditure is funded by client departments through the Citywide Non-Discretionary Process and is 100% attributed to the General Fund (Fire-Rescue, Police, and Public Works).

Dispatch Maintenance Support

The Wireless Communications Technology Fund's budget for FY 2023 includes \$378,000 in ongoing non-personnel expenditures to support dispatch maintenance for the Public Safety Radio System. The City's Public Safety Radio System delivers mission critical emergency communications at 99.999% availability, that is, zero busy seconds per year. The additional funding will provide contractual maintenance support for dispatch centers:

SUMMARY OF WIRELESS COMMUNICATIONS TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	45.35	\$ 6,255,649	\$ 4,079,185	\$ 10,334,834	\$ 9,182,740
Programmatic Changes					
<i>Public Safety Radio Modernization Project</i>	-	-	214,610	214,610	-
<i>Addition of ongoing revenue for the City's Public Safety Radio System and Wireless Communication Equipment Repairs</i>	-	-	-	-	112,586
<i>Dispatch Maintenance Support</i>	-	-	377,842	377,842	-
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	(475,428)	-	(475,428)	-
<i>Information Technology Adjustments</i>	-	-	118,658	118,658	-
<i>Rent Increase at Mt Soledad</i>	-	-	6,725	6,725	6,725
<i>One-Time Additions and Annualizations</i>	-	-	-	-	911,827
<i>Non-standard Personnel Funding</i>	-	(1,884)	-	(1,884)	39,063
<i>Non-Discretionary Adjustments</i>	-	-	(61,319)	(61,319)	-
FY 2023 Proposed Budget	45.35	\$ 5,778,337	\$ 4,735,701	\$ 10,514,038	\$ 10,252,941
<i>Difference from 2022 to 2023</i>	-	<i>\$ (477,312)</i>	<i>\$ 656,516</i>	<i>\$ 179,204</i>	<i>\$ 1,070,201</i>

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- San Diego Police Headquarters (1401 Broadway)
- Fire Emergency Command and Data Center (3750 Kearny Villa Road)
- Public Works Dispatch (2700 Caminito Chollas)
- New PD Backup Dispatch (Echo Base)

Dispatch maintenance includes mandatory licensing and NICE 9-1-1 Logging Recorder support. This ongoing expenditure is funded by client departments through the Citywide non-discretionary process and is 100% attributed to the General Fund (Fire-Rescue, Police, and Public Works).

Issues for Council Consideration

Departmental Vacancies

The Department of Information Technology told us that filling vacant positions with highly qualified candidates and retaining staff are one of their biggest challenges. The Department has not been able to fill key vacant positions primarily due to challenges competing for qualified staff given current salaries and benefits. The Department has 24.00 or 18.0% of total FTE positions vacant. The table above and to the right shows the vacant positions by job classification.

To reduce the negative impacts of this high vacancy rate on operations, the Department has prioritized compliance and mandated tasks while strategic, planning, modernization and training efforts have been either delayed or minimized in scope. For IT operations, additional staff augmentation has been needed to maintain core operations. In addition, project timelines have been extended, and reprioritization of internal department requests for IT service enhancements have been implemented to ensure run-the-business operations are maintained. In the Wireless Communication Division, the vacancies are impacting wireless system maintenance tasks, infrastructure

SUMMARY OF VACANCIES - APRIL 2022	
Job Classification	Vacancies
Program Coordinator	6.00
Communication Technician	6.00
Geographic Information Systems Analyst 2	4.00
Program Manager	4.00
Administrative Aide 2	1.00
Equipment Technician 1 (Communication)	1.00
Geographic Information Systems Analyst 4	1.00
Information Systems Analyst 3	1.00
Total	24.00

projects, and radio installations.

The Department's plan and schedule to address these challenges filling vacant positions, includes the following:

- For IT operations, the Department of Information Technology is conducting interviews and plans to fill the majority of positions by the end of the fiscal year.
- For the Wireless Communication Division, the Department is working with Personnel and Human Resources to address competitive salaries for the Communication job class series to obtain highly qualified candidates. In the meantime, work is being redistributed and overtime is utilized to provide core services.

Filling vacancies is a significant challenge for many, various department. For more information, see the *Vacancies* section in *Key Citywide Issues* earlier in this report.

Supply Chain Issues

IT goods and services are still being impacted by supply chain and inflation issues resulting from the Covid-19 Pandemic. Supply chain-related issues are a main concern for obtaining IT hardware equipment. IT project timelines and operational deliverables are impacted due to delays in receiving equipment or equipment not being available at all. In some cases, the Department has to select alternative equipment options.

There are also higher than normal increases in costs to IT services and goods due to inflation. The FY23 budget adjustments reflect these

Department Review: Dept of Information Technology

inflation-related cost increases. In addition, demand for technology services have increased due to reliance on technology to optimize departmental operations and improve digital experience for residents and businesses.

Transitioning New Service Contracts to a Steady State

Department officials noted transitioning major IT service contracts to steady state services is one of the Departments biggest challenges. The FY 2022 Adopted Budget added \$9.0 million for new managed service provider contracts for (1) workplace services, (2) enterprise compute and (3) application development, maintenance and support services which are anticipated to be completed by the end of FY 2022. Supply chain issues for technology hardware have posed challenges but the Department has been working through the issues to keep the transition on track.

A data center migration is currently in progress for systems in the previous provider's data center and is anticipated to be completed by the end of the fiscal year. A new centralized IT service management system is being updated to centralize all service requests and incident tickets in one location that will be used by the City and all managed service providers. The Department of IT is working closely with the new service providers to monitor progress and transition to the new services.

Cybersecurity

According to Department officials, defending against increasing cyberattacks is a key priority for the Department. The FY 2023 Proposed Budget includes \$5.9 million in the cyber security category of the IT Fund and provides the level of support anticipated for the fiscal year. Cyberattacks on the City have followed national trends and have increased almost 2,000% in the past 4 years. Threats range from phishing, malware, criminal attacks, cryptocurrency mining malware, nation-state

attacks, ransomware, supply chain attacks and critical infrastructure. The total cost of cyberattacks globally is estimated at \$6.0 trillion in 2021 and has doubled since 2015. All sectors have experienced steep increases in attacks and have made cyber security a high priority. State and local governments have been targeted more heavily in recent years. The City continues to remain vigilant and works with regional and federal partners for best practices, threat intelligence and information sharing.

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.

The General Fund supports the Code Enforcement Division. Code enforcement penalties go into the Civil Penalty Fund which can support some of their activities.

The Development Services Fund supports development plan review, permit, and inspection services for private and public development projects throughout the City. The fund is supported by revenue from user fees.

The Local Enforcement Agency Fund is supported by State grants and funds inspection and enforcement of proper waste disposal.

Impacts of the Mayor's FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Development Services Department (DSD) includes approximately \$117.2 million in expenditures and 747.35 FTEs, an increase of \$13.7 million and 107.35 FTEs from the FY 2022 Adopted Budget, as shown in the table below. Revenues are projected to total approximately \$107.0 million, an increase of \$12.1 million from the FY 2022 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 2023 Proposed Budget in this section is organized by major funds.

General Fund

The FY 2023 Proposed Budget for DSD's General Fund expenditures totals approximately \$11.0 million, an increase of \$1.9 million over the FY 2022 Adopted Budget as shown on the table on the next page. Revenues are projected to decrease by \$2.9 million, due to the removal of one-time revenue used in FY 2022. DSD's General Fund-supported FTEs are budgeted at 90.50, an increase of 17.50 FTEs.

Significant Budget Adjustments

8.00 FTEs for Short Term Residential Occupancy Ordinance Enforcement

The Proposed Budget includes a request to change 8.00 FTE positions from unbudgeted, supplemental positions, to budgeted, including \$847,000 in expenses. Positions include a Program Manager, Senior Zoning Investigator, four Zoning Investigator 2s, an Associate Management Analyst, and an Administrative Aide 2.

5.00 FTEs for Sidewalk Vending Ordinance enforcement

The Proposed Budget includes 5.00 FTEs (one Program Manager, three Senior Zoning Investigators, and one Administrative Aide) and \$547,000 to enforce the provisions of the Sidewalk Vending Ordinance.

3.00 FTEs to Respond to Substandard Housing Complaints

The Proposed Budget includes 3.00 FTEs (1.00 Senior Combination Building Inspector

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT BUDGET CHANGES						
Fund	FY 2022 FTEs	FY 2023 FTEs	Change	FY 2022 Expense	FY 2023 Expense	Change
General Fund	73.00	90.50	17.50	9,092,254	11,021,473	1,929,219
Development Services Fund	562.00	652.35	90.35	93,395,333	105,346,119	11,950,786
Local Enforcement Agency Fund	5.00	4.50	(0.50)	1,000,250	842,274	(157,976)
Total Combined	640.00	747.35	107.35	\$ 103,487,837	\$ 117,209,866	\$ 13,722,029

Department Review: Development Services

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	73.00	\$ 8,190,550	\$ 901,704	\$ 9,092,254	\$ 3,556,890
Programmatic Changes					
<i>Short Term Residential Occupancy</i>	8.00	814,943	32,000	846,943	-
<i>Sidewalk Vending Ordinance</i>	5.00	527,305	20,000	547,305	-
<i>Substandard Housing</i>	3.00	326,146	24,000	350,146	-
<i>Zoning Complaint Response Support</i>	1.00	160,757	4,000	164,757	-
<i>Revised User Fee Revenue</i>	-	-	-	-	59,646
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	(40,927)	-	(40,927)	-
<i>Other Personnel Adjustments</i>	0.50	9,365	-	9,365	-
<i>Reduction in Funds Transferred In</i>	-	-	-	-	(2,337,438)
<i>Other Adjustments</i>	-	44,259	7,371	51,630	(619,083)
FY 2023 Proposed Budget	90.50	\$ 10,032,398	\$ 989,075	\$ 11,021,473	\$ 660,015
Difference from 2022 to 2023	17.50	\$ 1,841,848	\$ 87,371	\$ 1,929,219	\$ (2,896,875)

and 2.00 Combination Building Inspectors) and \$350,000 to enhance responses to substandard housing complaints. Staff indicate that there is a backlog of Building Inspector complaints and these positions have higher caseloads than Zoning Investigators.

State law specifies that any building, including any dwelling unit, where certain conditions exist to the extent that they endanger the life, limb, health, property, safety, or welfare of the public or occupants is deemed to be a substandard building. Conditions include but are not limited to inadequate sanitation, structural hazards, any nuisance, etc.

An additional Program Manager is anticipated to transfer from overseeing Zoning Investigation staff to supporting substandard housing complaints. That position is anticipated to be backfilled with the one described next.

1.00 FTE to Manage Zoning Complaint Response

The Proposed Budget transfers 1.00 FTE Program Manager and \$165,000 from the Local Enforcement Agency fund (non-General Fund) to the Code Enforcement fund (within the General Fund) to supervise the City's Zoning Investigation staff. The intent of this transfer is to free up another Program Manager to focus on substandard housing enforcement.

Unfunded Request

- 1.00 FTE position and \$127,000 to assist in creating and maintaining

enforcement procedures, developing a continuous training plan for the Code Enforcement Division, providing training to all division staff, as well as providing administrative hearing support. Ongoing training needs exist due to attrition. Administrative hearings are anticipated to increase due to new enforcement programs such as Short Term Residential Occupancy and Sidewalk Vending.

Development Services Fund

The FY 2023 Proposed Budget for the Development Services Fund is approximately \$105.3 million and 652.35 FTEs, an increase of approximately \$12.0 million and 90.35 FTEs over the FY 2022 Adopted Budget, as shown on the table on the next page. Revenues are projected to total \$105.3 million, an increase of approximately \$14.8 million over FY 2022.

Significant Budget Additions

The FY 2023 Proposed Budget includes the following significant budget additions.

44.00 FTEs for Housing Program Support

The Proposed Budget includes 44.00 FTEs and \$2.6 million in expenses and revenue to support the Housing Program. The program is intended to add staff to reduce the time it takes

Department Review: Development Services

SUMMARY OF DSD - DEVELOPMENT SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	562.00	\$ 70,774,815	\$ 22,620,518	\$ 93,395,333	\$ 90,559,027
Programmatic Changes					
<i>Housing Program Support</i>	44.00	5,034,784	(2,416,673)	2,618,111	2,592,673
<i>Right-of-Way and Subdivision Ministerial Inspections</i>	37.00	4,570,253	(2,203,400)	2,366,853	2,351,400
<i>Urban Division Support</i>	2.00	318,582	8,000	326,582	246,095
<i>Short Term Residential Occupancy Program</i>	2.00	192,704	-	192,704	193,036
<i>As-needed Plan Check Contract and Inspection</i>	-	-	2,000,000	2,000,000	2,000,000
<i>Reduction of 101 Ash Rent</i>	-	-	(3,706,360)	(3,706,360)	-
<i>Cannabis Operating Business Fee Revenue</i>	-	-	-	-	1,372,987
Other Changes					
<i>Hourly Position Adjustments</i>	5.35	102,625	-	102,625	-
<i>Proposition B Transition Costs</i>	-	-	407,920	407,920	-
<i>Facility Maintenance</i>	-	-	500,000	500,000	-
<i>Salary and Benefit Adjustments</i>	-	862,583	4,944,073	5,806,656	-
<i>Accela/ePlanSoft Maintenance</i>	-	-	953,631	953,631	-
<i>IT Adjustments - Various Platforms</i>	-	-	573,205	573,205	-
<i>Support for IT</i>	-	-	591,315	591,315	-
<i>One-Time Additions and Annualizations</i>	-	-	(524,804)	(524,804)	(222,467)
<i>Other Adjustments</i>	-	-	(257,652)	(257,652)	6,253,368
FY 2023 Proposed Budget	652.35	\$ 81,856,346	\$ 23,489,773	\$ 105,346,119	\$ 105,346,119
Difference from 2022 to 2023	90.35	\$ 11,081,531	\$ 869,255	\$ 11,950,786	\$ 14,787,092

to process permits that will result in new housing units.

37.00 FTEs to Take on Engineering & Capital Projects Department (E&CP) Activity of Right-of-Way Inspections

Through the addition of 37.00 FTEs (engineers) and \$2.4 million in net expenses and revenues, DSD will take over an existing activity performed by the E&CP Department – inspections of private development in the public right-of-way. Staff intends on streamlining the current process. We note that these are *new* positions and not transfers from E&CP, despite taking over this activity from the department.

2.00 FTEs to Support the Urban Division

The Proposed Budget adds a Senior Civil Engineer to the Urban Division so that when needs arise, staff does not have to pull an engineer from another division. Additionally, a Supervising Development Project Manager is being requested which, according to staff, is anticipated to allow a greater number of projects to be managed and increase productivity. Total estimated costs for these positions are \$327,000 associated with \$246,000 in revenue.

The Proposed Budget also includes:

- 2.00 FTEs (Plan Review Specialist 3s) and \$193,000 in expenses and revenues to support the Short Term Residential Occupancy Program
- One-time addition of \$2.0 million in expenses and revenues for a Request for Proposals to seek an as-needed contract to provide permit review check and/or permit inspection services to supplement DSD staff when necessary. Council will have the opportunity to approve the associated contract at a later date
- \$1.4 million in Cannabis operating business fee revenue based on a forthcoming FY 2023 comprehensive user fee analysis.

Unfunded Requests

The Department has various requests that were not funded including:

- \$500,000 in one-time expenses for consultant services to complete a departmentwide operational effectiveness and organizational culture assessment

Department Review: Development Services

- 2.00 FTEs to support Public Records Requests
- 1.00 FTE to manage the team that assists small businesses with obtaining construction permits
- 1.00 FTE to support the Call Center and develop ways to improve customer service as well as the effectiveness of permit processing programs.

Issues for Council Consideration

Removal of Lease Payments for 101 Ash

The Proposed Budget removes the allocation of \$3.7 million for 101 Ash rent from the Development Services Fund. In recent years, while leasing office space at 1222 1st Avenue (known as the City Operations Building, or COB), DSD has also contributed towards payments for the 101 Ash Building. With this change, the Development Services Fund will only pay rent at the facility it is using. We note that the General Fund has taken on costs for 101 Ash rent as shown by a \$6.4 million expenditure in the Citywide budget.

Vacancies and Additional Positions

As of this writing, DSD has 96.00 vacant FTEs in the Enterprise Fund (17.0% of total budgeted positions), which is down from 111.00 as of the FY 2022 Mid-Year vacancy report. The Proposed Budget includes an additional 90.35 FTEs, with 5.35 FTEs being hourly interns which is budgeted from scratch each year.

Of the remaining 85.00 FTEs, 44.00 FTEs are associated with the Housing Program to increase the Department's capacity to process permits for increased housing. There are a variety of classifications that make up this request, but some are in classifications that have a greater number of vacancies than others as of the FY 2022 Mid-Year Report. These

include Plan Review Specialists and Development Project Managers. Additionally, 37.00 FTEs are requested to be added to take on E&CP's current activity of performing inspections of private development in the public right-of-way. This will require various types of engineers which has been a classification with persistent vacancies at E&CP. Although, staff anticipate that some E&CP staff currently performing these functions will apply for the new positions in DSD.

According to DSD, the biggest challenges in hiring have been the delay in getting individuals onboard and not having enough candidates apply and/or meet minimum qualifications on various classification lists. **Given that the proposed positions are anticipated to perform important City functions, Council may wish to ask the Department what it needs to be able to fill the proposed new positions as well as existing vacancies.**

Local Enforcement Agency Fund

The FY 2023 Proposed Budget for the Local Enforcement Agency Fund includes approximately \$842,000 in expenditures, a decrease of \$158,000 over FY 2022. Revenues are projected to be \$984,000, which is an increase of \$198,000. FTEs budgeted in the Local Enforcement Agency Fund are 4.50 which is a net decrease of 0.50. This net adjustment in FTEs includes a reduction of a Program Manager which is intended to transfer to the Code Enforcement Division supported by the General Fund to allow for more resources to be dedicated to substandard housing enforcement.

Economic Development

Impacts of the Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Economic Development Department is approximately \$11.6 million, which is a reduction of \$11.0 million, or 48.6%, from the FY 2022 Adopted Budget. The FY 2023 Proposed Budget includes 56.00 FTEs, which is unchanged from FY 2022. Budgeted Revenue totals \$6.0 million which represents a decrease \$200,000 from the Adopted Budget.

The significant expenditure reduction in the FY 2023 Proposed Budget is due to the removal of several Back to Work SD programs that were funded on a one-time basis in FY 2022. These included a one-time distribution of \$10.0 million to the Small Business Relief Fund, \$750,000 for the Small Business Enhancement Program, \$750,000 for the Connect2Careers Program, \$500,000 for the San Diego Youth Diversion Summer Program, and \$250,000 to provide assistance to street vendors in anticipation of the City’s Sidewalk/street Vending Ordinance. In total, the removal of these FY 2022 one-time expenditures amounts to a \$12.3 million budget reduction. Of the Back to Work SD programs that were funded in FY 2022, only the Connect2Careers, Small Business Enhancement, and street vendor assistance programs will continue in FY 2023, as will be discussed.

Significant Budget Adjustments

Back to Work Connect2Careers Program

The FY 2023 Proposed Budget includes \$750,000 in one-time expenditures to continue the Back to Work Connect2Careers Program that was funded on a one-time basis in FY 2022 in an equal amount. The Program serves City of San Diego youth ages 16-24, providing them with work readiness training, job placement, and enrollment/scholarships in post-secondary education. In addition, the program works with businesses in priority sectors, including hospitality, retail, tourism, and non-profits to place young people in jobs today while providing career coaching, employment, and scholarships to launch longer-term career growth in the future.

Small Business Enhancement Program

The FY 2023 Proposed Budget includes \$500,000 in one-time expenditures for the Small Business Enhancement Program (SBEP). This represents a net reduction of \$250,000 towards the SBEP in FY 2023 after accounting for the removal of \$750,000 in one-time funding from the FY 2022 Adopted Budget. As a result, activities such as the issuance of “micro-district” grants to non-profit organizations providing assistance to businesses in low-to-moderate income and historically underserved communities, will not be offered.

Total funding in the FY 2023 Proposed Budget for the SBEP is \$1.3 million. We note

SUMMARY OF ECONOMIC DEVELOPMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	56.00	\$ 8,093,870	\$ 14,436,564	\$ 22,530,434	\$ 6,169,520
Programmatic Changes					
<i>Small Business Enhancement Program (SBEP)</i>	-	-	500,000	500,000	-
<i>Connect2Careers</i>	-	-	750,000	750,000	-
<i>One-Time Additions and Annualizations</i>	-	-	(12,250,000)	(12,250,000)	(200,000)
Other Changes					
<i>Other Salary and Benefit Changes</i>	-	(84,621)	-	(84,621)	-
<i>Non-Discretionary Adjustments</i>	-	-	127,901	127,901	-
FY 2023 Proposed Budget	56.00	\$ 8,009,249	\$ 3,564,465	\$ 11,573,714	\$ 5,969,520
<i>Difference from 2022 to 2023</i>	-	\$ (84,621)	\$ (10,872,099)	\$ (10,956,720)	\$ (200,000)

Department Review: Economic Development

that this amount is lower than what Council Policy 900-15 specifies, which is that the SBEP receive an annual General Fund appropriation equivalent to \$20 for each small business registered in the City with 12 or fewer employees. According to the Department, **there are approximately 98,044 applicable small businesses which would necessitate a total appropriation of approximately \$2.0 million, or \$695,000 more than what is included in the FY 2023 Proposed Budget. This is a policy consideration for the City Council.**

As stated in Council Policy 900-15, the purpose of the SBEP is to provide continuing support to small businesses in recognition of their vital economic, employment, service, and cultural roles, and their importance in sustaining and revitalizing older commercial neighborhoods and adjoining residential areas.

Issues for Council Consideration

Assistance for Street Vendors

As noted previously, \$250,000 was budgeted in FY 2022 on a one-time basis to provide assistance to street vendors in anticipation of the City's Sidewalk/Street Vending Ordinance (SVO), which was recently approved by the City Council on March 7, 2022. According to the Department, \$18,000 of this appropriation has been utilized following Council's approval of the SVO to support the Office of the City Treasurer's permitting system.

Remaining funds (\$232,000) are anticipated to be awarded to two community-based organizations (Logan Heights CDC and City Heights CDC) to provide outreach, education, and technical assistance related to the SVO, and for necessary translation services and printing materials. Since the Department does not expect to expend these funds in FY 2023, \$232,000 is anticipated to be reappropriated in the May Revision for this purpose.

American Rescue Plan Act Funds Available

The American Rescue Plan Act included additional funding through the U.S. Housing and Urban Development Department's HOME program, which is administered by the San Diego Housing Commission on behalf of the City. The City is expected to receive \$21.0 million for Homelessness Assistance and Supportive Services which 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. **Council may wish to inquire about plans to use these funds.**

Low and Moderate Income Housing Asset Fund

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 Low- and Moderate-Income Housing Asset Fund (LMIHAF) for affordable housing purposes.

The FY 2023 Proposed Budget includes \$39.8 million in expenditures, a decrease of \$17.7 million, or 30.8%, as compared to the FY

Department Review: Economic Development

2022 Adopted Budget. The decrease is associated with the completion of projects. We note that \$15.0 million in LMIHAF was set-aside in FY 2022 for the Bridge to Home Program that is not included for FY 2023.

The Proposed Budget also includes \$1.2 million in revenue, a decrease of \$20.8 million, or over 94.4%, as compared to FY 2022. The significant decrease in revenue is due removing \$20.0 million in one-time revenues budgeted for the sale of a property.

The following is a breakdown of proposed expenditures included in the LMIHAF budget:

- \$36.9 million for low-income development housing loans for several Council - approved affordable housing projects, in which loan proceeds will be incrementally spent down over time as affordable housing projects progress.
- \$1.8 million for administrative support related to negotiating agreements, property management, and staff time to administer the fund.
- \$1.1 million for legal, consultant, construction management, and staff time costs related to developing and drafting disposition and developer agreements.

Also included in the administrative support allocation is \$250,000 to partially support the operation of the Homelessness Response Center.

We note that 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 only ongoing revenue source is from is loan repayments, lease payments, and interest which are projected to be \$1.2 million in FY 2023.

Engineering & Capital Projects and Strategic Capital Projects

Engineering & Capital Projects (E&CP)

The Engineering & Capital Projects Department (E&CP) provides engineering, program and construction management, and inspection services for the Capital Improvements Program (CIP) and oversight of the development of public infrastructure and facilities. The CIP is made up of 1,305 capital improvement projects that rehabilitate, restore, improve, and create new capital infrastructure like libraries, parks, and water and sewer pipelines.

E&CP is responsible for planning, design, and project and construction management of public improvement projects; quality assurance and inspection of public and private work permitted in rights-of-way; surveying; and materials testing. There are seven divisions within E&CP which are included in the Department summary table on the next page.

Expenses in the department are billed against CIP projects and 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 to those respective projects. Staff that do not work directly on

projects are covered by the department's overhead rate included in the charge to projects.

Strategic Capital Projects (SCP)

The Strategic Capital Projects Department (SCP) was created in FY 2022 to provide quality engineering, project management, and construction management on complex, unique, and large capital projects that enhance the safety and the environment of the City of San Diego. These services are targeted to support the delivery of capital projects that are beyond the capabilities of the E&CP.

Key goals for these departments include:

- Provide quality, safe, reliable, and equitable infrastructure, and related services.
- Provide timely and efficient delivery of projects.
- Effect change and promote innovation.
- Increase departmental effectiveness and resiliency and expand individual employee expertise.

KPIs to measure achievement or progress toward these goals are shown in the table below.

Key Performance Measure	Target FY 2021	Actual FY 2021	Target FY 2022	Actual FY 2022	Target FY 2023
Percentage of Capital Improvement Projects delivered on baseline Project Charter schedule	80.0%	82.0%	80.0%	80.0%	N/A
Average number of days to award construction contracts	90	109	90	N/A	N/A
Number of information-sharing meetings with industries supporting City infrastructure	12	14	12	13	12
Percentage of all Construction Change Orders due to changed/unforeseen conditions and design errors	4.0%	3.5%	4.0%	3.5%	3.5%
Percentage of Capital Improvement Projects awarded on baseline schedule (New in FY 2023)	N/A	N/A	N/A	N/A	80%
Percentage of Capital Improvement Projects completed on baseline schedule (New in FY 2023)	N/A	N/A	N/A	N/A	80.0%

Department Review: E&CP and SCP

SUMMARY OF ENGINEERING & CAPITAL PROJECTS DEPARTMENT BUDGET CHANGES						
Fund	FY 2022 FTE	FY 2023 FTE	Change	FY 2022 Expense	FY 2023 Expense	Change
Architectural Engineering & Parks	88.00	92.00	4.00	13,023,237	15,312,244	2,289,007
Business Operations & Fiscal Services	76.50	90.50	14.00	31,966,188	33,563,591	1,597,403
Capital Asset Management	80.00	80.00	-	10,274,846	10,745,629	470,783
Construction Management & Field Engineering	190.00	212.00	22.00	27,762,663	32,382,308	4,619,645
Contracting	49.00	-	(49.00)	3,979,827	-	(3,979,827)
Engineering & Capital Projects	3.00	4.00	1.00	(8,167)	1,282,463	1,290,630
Program & Project Development	182.00	188.00	6.00	22,902,197	23,701,257	799,060
Transportation & Utility Engineering	157.00	156.00	(1.00)	19,790,943	19,832,053	41,110
Total Combined	825.50	822.50	(3.00)	\$ 129,691,734	\$ 136,819,545	\$ 7,127,811

Impacts of Mayor's FY 2023 Budget Proposal

The FY 2023 Proposed Budget for E&CP is \$136.8 million, an increase of \$7.1 million or 5.5%, from the FY 2022 Adopted Budget, as shown in the table above. The Proposed Budget includes 822.50 FTE positions, 3.00 fewer than FY 2022. The budget also includes offsetting revenue totaling \$136.8 million. A summary of budget changes is included in the table below.

Creation of SCP to Manage Large, Complex Projects

E&CP and SCP are currently sharing the same budget and the same internal revenue fund. It is yet to be determined whether this will continue beyond FY 2023. The FY 2023 Proposed Budget includes the addition of 12.00

FTE positions and \$1.6 million in related expenditures and \$759,000 in revenue in the new SCP Department to support the Pure Water Program, general project development, and support services. The addition of these positions requires \$51,000 in one-time supply purchases, which contributes to general office/cubical set up and onboarding of employees. Most of these positions are cost recoverable, with salary and fringe totals being reimbursable.

Key projects currently or planned to be managed by SCP include:

- Pure Water Phase I (10 Construction Contracts)
- Pure Water Phase II and Demo Facility
- Fenton Bridge (San Diego Statue University)

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	825.50	\$ 107,096,412	\$ 22,595,322	\$ 129,691,734	\$ 129,691,734
Programmatic Changes					
SCP Department Additions	12.00	1,562,809	50,996	1,613,805	759,243
E&CP Departments Additions	18.00	2,481,492	97,356	2,578,848	680,214
Transfer of Prevailing Wage Program to Compliance Department	(14.00)	(1,573,145)	-	(1,573,145)	(1,633,363)
Transfer of Contracts Program to Purchasing & Contracting	(19.00)	(2,610,273)	-	(2,610,273)	(2,247,109)
Transfer of Related NPE to Compliance and Purchasing & Contracting	-	-	(99,500)	(99,500)	-
Other Changes					
Salary & Fringe Benefit Adjustments	-	6,184,860	-	6,184,860	-
Prop B Transition Costs	-	-	596,314	596,314	-
Overtime Adjustments	-	1,020,730	-	1,020,730	-
Revised Revenue	-	-	-	-	8,590,098
Right-of-Way Reimbursements	-	-	-	-	643,932
Non-Discretionary Adjustments	-	-	223,257	223,257	-
Non-standard Hour Personnel Funding	-	(1,198)	-	(1,198)	-
One-Time Additions and Annualizations	-	-	(302,336)	(302,336)	334,796
Information Technology Adjustments (Annual Review Needs)	-	-	180,167	180,167	-
Information Technology Adjustments (Zero-based Review)	-	-	(683,718)	(683,718)	-
FY 2023 Proposed Budget	822.50	\$ 114,161,687	\$ 22,657,858	\$ 136,819,545	\$ 136,819,545
Difference from 2022 to 2023	(3.00)	\$ 7,065,275	\$ 62,536	\$ 7,127,811	\$ 7,127,811

Department Review: E&CP and SCP

- Convention Center Expansion
- Downtown Mobility Hub (SANDAG)
- Ocean Beach (OB) Pier Replacement
- Fire Repair Facility
- Lake Hodges Dam

E&CP Restructure to Focus on Core Purpose of Delivering the CIP

Due to the City's growing and record-breaking CIP, E&CP reorganized its operations to adapt to increased demand while increasing service levels and efficiencies. The FY 2022 reorganization was the first phase of the Department's organizational plan that will help refocus the department "back to basics" while concentrating on its core purpose of delivering capital infrastructure and the Mayor's strategic goals. The Department reports that the restructure will represent a significant step towards streamlining operations. The organizational plan will be complete with the approval of the E&CP's FY 2023 Adopted Budget where some functions are transferred out and additional positions will be added to support the new organizational structure.

The FY 2023 Proposed Budget transfers three programs out of E&CP. The first is the Prevailing Wage program, comprised of 14.00 FTE positions and approximately \$1.6 million in related expenditures. This program is being transferred to the Compliance Department (which was established in FY 2022).

The second program being transferred out of E&CP is the Public Works Contracting team which includes 19.00 FTE positions and about \$2.6 million in related expenditures to the Purchasing and Contracting Department. This shift is intended to allow E&CP to narrow the focus of its work and centralize the expertise of procurement staff as well as to bring the City's procurement-related functions under one department.

The third restructure does not transfer FTE positions or budget from E&CP, but only transfers the function of Right-of-Way

(ROW) and Ministerial Inspection Program work to the Development Services Department (DSD) in FY 2023. DSD's FY 2023 Proposed Budget adds 37.00 FTE positions to administer the inspection program. While DSD stand ups their new organization, ECP will be responsible for finishing about 2,000 existing permit projects currently in the inspection process. As DSD hires their new team, they will begin taking on the responsibility for the new permit inspections, starting with the 5G related permits.

When this function is taken over by DSD, E&CP will repurpose the existing positions elsewhere within the Department to fill critical gaps. Officials anticipate that some staff currently performing these functions in E&CP will apply for these new DSD positions which may result in future E&CP vacancies. Those employees that remain in their current positions will also be repurposed to other areas in the department.

Officials told us moving the ROW inspection program to DSD provides better customer service and more of a one stop shop experience to the private developers/residents.

Creation of E&CP Project Management Office

The Project Management Office (PMO) is intended to provide oversight and accountability for the CIP, including the following:

- Facilitate data gathering, planning, management, and analytical processes to improve positive project outcomes.
- Create, compile, and centralize procedures and processes that impact project management within the Service Line.
- Provide and manage tools that assist in efficient and effective project management and research the necessity of future tools.
- Centralize the communication of information in formats that assist effective governance, management, and decision

Department Review: E&CP and SCP

making.

- Centralize the sharing of information between ECP and Asset Managing Departments (AMDs), Delivery Lines, and Service Lines.
- Report and assure measures of project performance, schedule, and budget are at an acceptable level of risk.
- Provide a coordinated approach to the development and delivery of infrastructure.
- Serve as central point of reporting and assurance.
- Provide technical training within the Service Line.

The PMO has been established and E&CP has recently hired an Assistant Director to oversee the PMO. Additionally, E&CP has requested a Deputy Director position in the FY 2023 Proposed Budget to assist with managing the division, but in the meantime, an Assistant Deputy Director has been transferred to the PMO to assist the Assistant Director with standing-up the division and running day-to-day operations.

The FY 2023 Proposed Budget adds \$553,000 in expenditures and 4.00 FTEs:

- 1.00 Deputy Director
- 1.00 Assistant Deputy Director
- 1.0 Supervising Management Analyst
- 1.00 Geographic Information Systems (GIS) Analyst

Issues for Council Consideration

Departmental Vacancies

According to E&CP and SCP officials, recruitment and retention of top talent to deliver large complicated CIP Projects is a major challenge. Significant vacancies have persisted in the department since 2016, and the City added over 300 budgeted FTE positions

that time (in FY 2016 and 2020) to meet the growing demand of the CIP. 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. 109.00 of those FTE positions, or 13.2%, are vacant as of April 19, 2022. Job classification/s for the highest number and/or most difficult to fill vacancies are shown in the table below.

SUMMARY OF KEY VACANCIES - E&CP	
Job Classification	Vacancies
Assistant Civil Engineers	21.00
Project Assistant	12.00
Land surveying Assistant	10.00
Total	43.00

This vacancy rate represents a 6% reduction in vacancies since July 1, 2021. E&CP officials told us vacancies impact the Department's ability to generate revenue and cause increased stress and workload on existing employees and limit the department's ability to increase capacity as the CIP grows. Vacancies in key positions also jeopardize the Department's commitment to delivering projects on schedule and on budget. It is also important to note that current vacancies in other supporting departments also impact delivery of the CIP.

Although compensation increases for engineers and land surveyors began in FY 2019 and FY 2020, the Department has not been able to fill key vacant positions primarily due to challenges competing for qualified staff given current City salaries and benefits in comparison to other agencies as well as private consulting and construction firms.

To address this challenge, E&CP is working to aggressively fill positions. The department completed interviews for the Assistant Civil Engineers with 10 conditional offers pending and another 11 candidates being considered that are not reflected in the vacancy rate mentioned above. Other recruitment efforts are also underway, such as job fairs and recruiting events at private institutions and local schools.

Department Review: E&CP and SCP

Reducing vacancies also has been difficult due staff turnover such as retirements, promotions, and staff being hired by other City departments.

Despite significant, chronic vacancies, CIP expenditures have increased from \$398.3 million in FY 2016, to \$808.9 million in the FY 2023 Proposed Budget. 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.

Filling vacancies is a significant challenge for many, various department. For more information, see the *Vacancies* section in *Key Citywide Issues* earlier in this report.

E&CP's Capacity to Deliver Projects

To successfully deliver the current CIP and address the City's \$4.3 billion funding gap for capital projects, the City needs to continue investing in capacity. These investments include ensuring sufficient staff to support grant writing for unprecedented funding the federal government is making available through the Infrastructure Innovation and Jobs Act (IIJA) as well as other federal and state opportunities, such as the Water Infrastructure Finance and Innovation Act (WIFIA) funding for the City's Stormwater program. The City must also continue to make needed changes to salaries, job classifications, etc., to attract and retain needed skills and fill vacancies to deliver funded projects.

Creating the new SCP Department will help improve management of larger projects, such as Pure Water Phases 1 and 2, in a more efficient way. We note that the Pure Water program has been managed successfully to date and could be used as a model or guide for other large projects and programs.

In addition, E&CP is working to significantly

streamline and improve internal operations to safely and effectively increase CIP execution from currently levels to an anticipated \$1.0 billion annually. To help accomplish this goal, the Department plans to hire a consultant to study current operations, compare with other municipalities in California, and ensure all applicable industry best practices are considered with the goal of making recommended improvements to organizational structure, processes, financial/budget procedures, and staffing. E&CP also plans to develop a more comprehensive technical training program and formal internal rotation program for entry level engineers within the Department. This will help to engage, develop, and mentor staff.

Another challenge in the City's ability to deliver projects is external capacity, that is, helping to ensure the base of consultants, contractors and vendors are sufficient to support the current and future volume of work due to unprecedented future IIJA funds in the region and/or a Citywide financing plan. Department officials are working closely with industry contacts and coordinating through outreach efforts. They noted that increased awareness of the growing size of the CIP program, what projects will be available, and future needed contracts helps the private consulting and construction industries to plan for and grow capacity.

However, given the pending influx of federal dollars that that will be available to all municipalities and organizations in the region, there will be more competition for future project awards. Private industry may be able to choose those projects that are most interesting to them, which will ultimately reduce the number of contractors competing for any single contract.

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: E&CP and SCP

Pandemic-Related Impacts

While the City is rebounding from the immediate economic impacts of the COVID-19 pandemic, we note that we may still experience long term impacts from supply chain, inflation, and potential interest rate increases, which are resulting in overall higher costs for projects. E&CP and SCP officials told us the Pandemic continues to impact the Departments. They specifically note that they have seen reduced employee productivity related to COVID-related absences. Staff development has also slowed due to limited in-person collaboration and training opportunities. Finally, the Department has struggled with getting employees the proper IT equipment to telecommute due to supply chain shortages. Supply chain shortages have improved since earlier in the year, but the Department is still seeing delays in delivery or only partial deliveries due to shortages.

Environmental Services

Impacts of the Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Environmental Services Department (ESD) is approximately \$154.4 million, an increase of approximately \$19.7 million and 109.17 FTEs from the FY 2022 Adopted Budget. Revenues are projected to total approximately \$65.9 million, an increase of \$0.8 million from the FY 2022 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 2023 Proposed Budget in this section is organized by the Department’s four funds.

General Fund

The FY 2023 Proposed Budget for the Environmental Services Department totals approximately \$78.7 million in the General Fund, a \$20.0 million increase (34.0%) from the FY 2022 Adopted Budget. The FY 2023 Proposed Budget includes 303.20 FTEs which represents an increase of 112.47 FTEs from the FY 2022 Adopted Budget.

The Department’s General Fund revenue

totaling \$1.4 million is relatively unchanged from the FY 2022 Adopted Budget, with small increases tied to asbestos abatement and user fee adjustments.

Significant Budget Adjustments

SB 1383 - Organics and Food Waste Program

Similar to FY 2022, the largest increase in the General Fund budget for the Environmental Services Department are additions and annualizations related to the continued implementation of SB 1383. This new state law will require the Department to provide weekly organics collection to those customers who are served by City crews. The Department indicates that the majority of 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 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 cover these costs. Any SB 1383 costs that are borne within those funds are mainly for compliance provisions that go beyond the

ENVIRONMENTAL SERVICES DEPARTMENT FY 2023 PROPOSED BUDGET EXPENDITURES						
Divisions	FTE	General Fund	Automated Refuse Container Fund Replacement	Refuse Disposal Fund	Recycling Fund	TOTAL
Collection Services	249.00	\$ 53,351,350	\$ 1,952,906	\$ 2,592,302	\$ 11,560,424	\$ 69,456,982
Disposal & Environmental Protection	139.00	2,584,110	-	34,166,837	1,553,483	38,304,430
Environmental Services	47.00	4,924,284	-	4,608,234	3,493,323	13,025,841
Waste Reduction	130.26	17,894,183	-	6,797,396	8,892,594	33,584,173
TOTAL	565.26	\$ 78,753,927	\$ 1,952,906	\$ 48,164,769	\$ 25,499,824	\$ 154,371,426

Department Review: Environmental Services

collection of organic waste from residences serviced by City crews.

The total increase for FY 2023 includes 90.82 FTEs and almost \$11.7 million for the General Fund. These changes are summarized in the table to the right.

The largest change is the annualization of the positions which were added to the FY 2022 Adopted Budget. The largest portion of this budget adjustment is for 40 sanitation diver positions, as only a small portion of these FTEs were included in FY 2022 in order to allow the Department to start the hiring process for these drivers. Other positions include supervisors, code compliance positions, and others. The total impact to the FY 2023 Proposed Budget for these annualizations is \$3.4 million and 43.17 FTEs.

The next largest addition for SB 1383 within the General fund is the addition of 31.65 FTEs and \$3.0 million as a transfer from the Recycling Fund. These positions and funding represent the current yard waste collection services which will now be part of the organics collection service. Since this service is changing from a discretionary to a mandatory

SB 1383 General Fund Additions		
Description	FTE	Total Expense
SB 1383 - FY 2022 Position Annualizations	43.17	\$ 3,352,503
SB 1383 - Restructure from Recycling Fund	31.65	3,002,145
SB 1383 - Container Rollout	-	1,373,500
SB 1383 - Outreach Services	-	535,486
SB 1383 - Route Optimization Software	-	504,160
SB 1383 - Kitchen Pails	-	495,484
SB 1383 - Code Compliance Positions	5.00	371,775
SB 1383 - Utility Workers	3.00	311,552
SB 1383 - Area Refuse Collection Supervisors	2.00	290,636
SB 1383 - Vehicles	-	225,000
SB 1383 - Sweeper	-	212,034
SB 1383 - Program Manager	1.00	176,727
SB 1383 - Driver Overtime	-	174,172
SB 1383 - Public Information	2.00	128,948
SB 1383 - Skid Steer	-	120,000
SB 1383 - Fleet Coordinator	1.00	119,457
SB 1383 - Recruitment Bonuses	-	118,500
SB 1383 - Administration	1.00	73,326
SB 1383 - Reporting Software	-	58,900
SB 1383 - Uniforms	-	40,000
SB 1383 - Interns	1.00	33,364
Totals	90.82	\$ 11,717,669

service, City staff have determined that it is no longer eligible to be funded by the Recycling Fund. There is a similar corresponding decrease within the Recycling Fund budget for the Department.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	190.73	\$ 20,466,839	\$ 38,294,607	\$ 58,761,446	\$ 1,360,151
Programmatic Changes					
<i>SB 1383 - General Fund Changes</i>	90.82	7,681,636	4,036,033	11,717,669	
<i>CleanSD - Abatement Teams</i>	6.00	413,589	2,850,000	3,263,589	-
<i>Street Vending Ordinance</i>	12.00	1,016,354	1,261,633	2,277,987	-
<i>CleanSD Base Adjustment (Error)</i>	-	-	877,754	877,754	-
<i>CleanSD - Sidewalk Sanitation</i>	-	-	600,000	600,000	-
<i>Missed Collection IT Software</i>	-	-	311,465	311,465	-
<i>Asbestos Lead & Mold Program</i>	3.00	288,987	15,000	303,987	30,000
<i>CleanSD - Gator and Vehicles</i>	-	-	155,000	155,000	-
<i>CleanSD - Supervisor</i>	1.00	76,894	-	76,894	-
<i>Program Manager Restructure</i>	(0.35)	(72,629)	-	(72,629)	-
<i>Budgeted Personnel Savings Adjustment</i>	-	(357,499)	-	(357,499)	-
<i>One Time Adjustments From FY 2022</i>	-	-	(5,298,041)	(5,298,041)	-
<i>User Fee Increases</i>	-	-	-	-	7,069
Other Changes					
<i>Other Salaries & Wages</i>	-	256,843	-	256,843	-
<i>Non-Discretionary - Refuse Disposal Fees</i>	-	-	1,680,215	1,680,215	-
<i>Non-Discretionary Adjustments</i>	-	-	4,199,247	4,199,247	-
FY 2023 Proposed Budget	303.20	\$ 29,771,014	\$ 48,982,913	\$ 78,753,927	\$ 1,397,220
Difference from 2022 to 2023	112.47	\$ 9,304,175	\$ 10,688,306	\$ 19,992,481	\$ 37,069

Department Review: Environmental Services

The next significant increase is \$1.4 million for container rollout services. These funds will be used for the actual assembly and delivery of the green rolling containers to all City served residents that do not already have such a container.

Another significant increase is for outreach services, which include \$535,000 within the General Fund, as well as \$1.1 million within the Recycling Fund. These funds support the continued outreach and education that the City will need to conduct in order to educate residents on the new regulations and procedures required by SB 1383, and to improve organic diversion rates in order to comply with these regulations. These funds are split 1/3 to the General Fund and 2/3 to the Recycling Fund based upon the tonnage disposed by City crews versus the Franchise Haulers.

Some of the increases to the FY 2023 Proposed Budget are increases to continue programs that were began last year to comply with SB 1383. This includes the addition of \$504,000 for route optimization software in order to better develop and deploy the routes drivers will need to follow to implement the program. There is also an addition of \$495,000, which was included as a one-time addition in FY 2022, to continue funding the procurement of kitchen pails for residents.

One final notable addition related to SB 1383 is the addition of 5.00 FTEs and \$371,000 for additional Code Compliance Officers. These officers will enforce diversion efforts across the City, and these positions are in addition to the Code Compliance Officers that were already added to the FY 2022 budget. The remaining additions noted in the table above are either administrative positions or other smaller adjustments, many one-time, to fully outfit the new programs and services that the City will begin to provide.

It is worth noting that, even with these large expenditure increases, the General Fund increases are still just a portion of what the City

is adding to the FY 2023 Proposed Budget to comply with SB 1383. In addition to those changes discussed, the Recycling Fund is adding \$1.5 million in expenditures net of the restructure of positions, while the Refuse Disposal Fund is adding \$2.5 million. These changes are discussed in more detail below. Additionally, the General Services Department – Fleet Division is adding 15.00 FTEs and \$1.5 million for the technicians required to service the new packers that will be required, which is mostly responsible for the dramatic increase in other nondiscretionary costs included for the Environmental Services Department General Fund budget. Further, in August 2022, the Council approved the utilization of debt financing to purchase 53 new refuse packers and 238,000 new green containers for SB 1383 programs, which are projected to cost \$35.0 million.

Additional Budget Adjustments

The FY 2023 Proposed Budget for the Department within the General Fund also includes other significant additions beyond the requirements of SB 1383. The largest of these is 6.00 FTEs and \$3.3 million for additional CleanSD abatement teams. This addition will fund three additional abatement teams in order to improve current encampment abatement response times from 30 days to 14 days. This is one of the service level enhancement requests that was included in the most recent Five-Year Financial Outlook. There is also a supervisor position being added to the budget for CleanSD which is currently supplemental.

CleanSD enhancements also include an additional \$600,000 to increase sidewalk sanitation services from two days per week to five days per week, as well as ensuring that all sanitation requests reported through the City's Get It Done application can be addressed within 24 hours.

In FY 2022, CleanSD services were actually reduced on a one-time basis to recognize efficiencies within the program, including

Department Review: Environmental Services

reducing spraying from three times per week to two and shrinking the size of abatement teams. This funding, totaling \$878,000, was returned to the FY 2023 Proposed Budget, but it appears that due to a technical error it was placed in the budget twice. This error will be corrected in the May Revision.

Another large increase is 12.00 FTEs and \$2.3 million for the Department's share of the implementation costs of the new Street Vending Ordinance. The Environmental Services Department will be responsible for the impounding of supplies and equipment for vendors that are found to be out of compliance with the City's ordinance.

The last notable increase for the General Fund is the addition of 3.00 FTEs and \$304,000 for various positions that are currently supplemental within the Asbestos Lead & Mold Program.

Issues for Council Consideration

Impact of the People's Ordinance

In response to a request from Council President Elo-Rivera, our Office released [IBA Report 21-23 Analysis of the Fiscal Impact of the People's Ordinance](#) in September 2021, and subsequently presented this analysis to the Environment Committee the following October. As discussed in that analysis, the People's Ordinance of 1919, as subsequently amended in 1981 and 1986, prevents the City from charging most 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. As mentioned in our report, residents are charged for trash collection services in most other cities, including all other cities within San Diego County and most within the State of California, as these services are considered a utility under the provisions of

Proposition 218, which also cover water and sewer rates.

Amending the People's Ordinance could allow the City to charge single family homes receiving collection services from City crews for this service, relieving the General Fund and other funds of these increasing cost, especially in light of the increasing costs for SB 1383 compliance. Based on the Proposed Budget, if the City were able to charge a fee that fully recovered the costs of refuse, recycling, and organics collection, such a fee would relieve the General Fund of \$53.4 million in annual expenditures. In addition, fees charged to single family homes could also cover \$16.8 million within the Recycling Fund, as well as \$2.3 million within the Refuse Disposal Fund and the \$2.0 million in the Automotive Refuse Container Fund.

It is unclear at this point what the average single-family home cost would be if an amendment to the People's Ordinance removing the prohibition on the City from levying such a fee were passed. The Department would have to determine additional costs beyond its collection 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. However, it is worth noting that the costs for these services, as well as all of the other services to be covered by such a fee, would have to be included in a Cost of Service Study and properly noticed by the City and approved by the Council before any fee could be charged.

On March 16, 2022, the Rules Committee moved forward for additional consideration an initial proposal from the Council President to place a ballot measure on the November 2022 ballot to amend the People's Ordinance to allow for the City to charge a fee for refuse, recycling, and organics collection. If the Council were to approve of the final ballot measure, and a majority of City voters voted

Department Review: Environmental Services

in favor of such a measure, it would likely still take City staff a couple of years to conduct the requisite Cost of Service Study and fulfill the Proposition 218 process before any General Fund relief could begin.

Recycling Fund

The FY 2023 Proposed Budget for the Recycling Fund is approximately \$25.5 million, a decrease of approximately \$6.2 million from the FY 2022 Adopted Budget. Revenues are projected to total \$26.1 million, an increase of approximately \$0.6 million over FY 2022.

Significant Budget Adjustments

The largest expenditure adjustment for the Recycling Fund is tied to the transfer of positions associated with the collection of Green Waste from the Recycling Fund to the General Fund, which was discussed previously. This includes the 30.99 FTEs and \$2.9 million in expenditures removed from the FY 2023 Proposed Budget for the positions, as well as a significant amount of the non-discretionary adjustments and the one-time reductions.

However, the Recycling Fund is still contributing overall to the SB 1383 effort. The largest increase in this manner is \$1.1 million in

additional expenditures for outreach services, which are in addition to the outreach dollars discussed under the General Fund. Additionally, the Recycling Fund is adding 2.00 FTEs and \$0.3 million for recycling specialists who will oversee compliance with SB 1383 with a focus on managing programs for multi-family and commercial customers. The Recycling Fund is also adding \$125,000 for a Food Recovery Consultant to help develop those specific regulations that are also required by SB 1383.

In addition, while not contained in the operating budget, the Recycling Fund is providing \$6.2 million to the CIP in order to fund improvements at the Miramar Landfill for the development of the Organics Processing Facility. This facility will be required to comply with SB 1383 and will be the repository for all organic waste brought in by both City crews and Franchise Haulers.

The last notable change for the Recycling Fund is the addition of 2.00 FTEs and \$0.3 million in expenditures for a new mattress drop-off program to be sited at the Miramar Landfill. This program will provide a drop-off location at the landfill Monday through Friday and is partially offset by revenue that will be

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	113.73	\$ 12,016,961	\$ 19,649,719	\$ 31,666,680	\$ 25,450,760
Programmatic Changes					
<i>SB 1383 - Outreach</i>	-	-	1,070,972	1,070,972	-
<i>Mattress Dropoff Program</i>	2.00	116,744	200,000	316,744	100,000
<i>SB 1383 - Recycling Specialists</i>	3.00	274,232	3,000	277,232	-
<i>SB 1383 - Food Recovery Consultant</i>	-	-	125,000	125,000	-
<i>Household Hazardous Waste Program</i>	-	-	40,000	40,000	-
<i>SB 1383 - Recruitment</i>	-	-	31,500	31,500	-
<i>Program Manager Restructure</i>	(0.31)	(64,301)	-	(64,301)	-
<i>Budgeted Personnel Savings Adjustment</i>	-	(195,259)	-	(195,259)	-
<i>One Time Adjustments from FY 2022</i>	-	-	(731,053)	(731,053)	-
<i>SB 1383 - Restructure</i>	(30.99)	(2,773,676)	(91,533)	(2,865,209)	-
<i>Sycamore Canyon Landfill Franchise Fees</i>	-	-	-	-	500,000
Other Changes					
<i>Other Salaries & Wages</i>	-	(429,071)	-	(429,071)	-
<i>Non-Discretionary Adjustments</i>	-	-	(3,743,411)	(3,743,411)	-
FY 2023 Proposed Budget	87.43	\$ 8,945,630	\$ 16,554,194	\$ 25,499,824	\$ 26,050,760
Difference from 2022 to 2023	(26.30)	\$ (3,071,331)	\$ (3,095,525)	\$ (6,166,856)	\$ 600,000

Department Review: Environmental Services

received from the Mattress Recycling Council.

The additional revenue adjustment of \$0.5 million is to align the budget for franchise fees received from the Sycamore Canyon Landfill to the appropriate level.

Refuse Disposal Fund

The FY 2023 Proposed Budget for the Refuse Disposal Fund is approximately \$48.2 million, an increase of approximately \$5.6 million from the FY 2022 Adopted Budget. Revenues are projected to total \$36.8 million, which are unchanged from FY 2022. The difference between revenues and expenditures is anticipated to come from the fund's balance. However, as the fund is currently projecting a negative balance, we explain how the Department intends to partially rectify that after

discussion of the budget adjustments.

Significant Budget Adjustments

The largest increase for the Refuse Disposal fund is the addition of \$1.3 million to increase the budget for the contract to operate the landfill gas system operations, maintenance and gas supply services at the Miramar Landfill. This contract is increasing from \$1.0 million up to \$2.3 million to more accurately reflect the level of work that is required to maintain this gas system after the gas rights were returned to the City. With this new contract in place, the costs should be fixed for the next eight to ten years for this addition.

There are also numerous additions within the Refuse Disposal Fund related to SB 1383. This includes 7.00 FTEs (\$511,000) for additional equipment operators, 2.00 FTEs (\$230,000) for facility engineers, 3.00 FTEs (\$170,000) for laborers, and a recycling

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	151.63	\$ 16,592,564	\$ 25,944,297	\$ 42,536,861	\$ 36,754,373
Programmatic Changes					
<i>Increase in Landfill Gas Management Contract</i>	-	-	1,300,000	1,300,000	-
<i>SB 1383 - Vehicles</i>	-	-	806,400	806,400	-
<i>SB 1383 - Equipment Operators</i>	7.00	510,895	-	510,895	-
<i>Fee Booth Employees</i>	7.00	435,571	14,000	449,571	-
<i>SB 1383 - Organics Processing Facility Equipment</i>	-	-	400,000	400,000	-
<i>Landfill Facility Improvements</i>	-	-	350,000	350,000	-
<i>Wastewater Pumping Services</i>	-	-	300,000	300,000	-
<i>SB 1383 - Organics Processing Facility Engineers</i>	2.00	226,045	4,000	230,045	-
<i>Landfill Gas Consultant</i>	-	-	175,000	175,000	-
<i>SB 1383 - Laborers</i>	3.00	169,824	-	169,824	-
<i>Bins for City Departments</i>	-	-	156,000	156,000	-
<i>SB 1383 - Recycling Specialist</i>	1.00	105,951	2,000	107,951	-
<i>SB 1383 - Planner</i>	1.00	104,372	2,000	106,372	-
<i>Landfill Janitorial Services</i>	-	-	75,000	75,000	-
<i>SB 1383 - Restructure</i>	0.34	70,524	-	70,524	-
<i>SB 1383 - Utility Worker</i>	1.00	62,405	-	62,405	-
<i>Account Clerk</i>	1.00	58,432	2,000	60,432	-
<i>Program Manager Restructure</i>	(0.34)	(70,530)	-	(70,530)	-
<i>One-Time Adjustments</i>	-	-	(86,721)	(86,721)	-
<i>Budgeted Personnel Savings Adjustment</i>	-	(834,011)	-	(834,011)	-
Other Changes					
<i>Other Salaries & Wages</i>	-	276,181	-	276,181	-
<i>Non-Discretionary Adjustments</i>	-	-	1,012,570	1,012,570	-
FY 2023 Proposed Budget	174.63	\$ 17,708,223	\$ 30,456,546	\$ 48,164,769	\$ 36,754,373
Difference from 2022 to 2023	23.00	\$ 1,115,659	\$ 4,512,249	\$ 5,627,908	\$ -

Department Review: Environmental Services

specialist, planner, and utility worker (3.00 FTEs, \$277,000). All of these positions will be assisting with the development of the Organics Processing Facility. There is also an addition of \$806,000 to purchase vehicles for all of these positions, as well as an additional \$400,000 for the purchase of heavy equipment.

Another significant adjustment for the Refuse Disposal Fund is the addition of 7.00 FTEs and \$450,000 for fee booth employees. This addition will convert overbudget supplemental positions to fully budgeted positions. These positions were added to improve customer service and waiting times at the fee booth in response to an increase in transactions.

Other non-personnel expenditure adjustments that support the various activities related to the landfills or waste reduction include:

- \$350,000 for various facility improvements at the landfill.
- \$300,000 for wastewater pumping services.
- \$175,000 for consultant services to conduct additional feasibility studies on the beneficial reuse of landfill gas.
- \$156,000 for additional rolling bins for City facilities.
- \$75,000 for additional janitorial services at the landfill.

Fund Balance and Fee Increases

As presented in the Proposed Budget, the Refuse Disposal Fund is projected to exhaust its fund balance based on the revenue projections that were completed in time for issuance of the Proposed Budget. This did include a \$1 per ton increase, based on projections from last October.

However, the actual fee increases for the Refuse Disposal Fund will be increased based on the February Consumer Price Index (CPI),

which was 7.4%. Based on this updated CPI, the actual fee increase will be \$3 per ton, which will be included in the May Revision. This should provide additional revenue for the fund in the amount of \$2.4 million above what is currently in the Proposed Budget, decreasing the reliance on the fund balance and improving the fiscal health of the fund. However, based on current projections, this change will increase the General Fund budget for Refuse Disposal Fees by \$960,000.

Automated Refuse Container Fund

The FY 2023 Proposed Budget for the Automated Refuse Container Fund is approximately \$2.0 million, an increase of approximately \$200,000 over FY 2022. Revenues are projected to total \$1.6 million, an increase of \$200,000. The increase in both expenditures and revenues are associated with the increased purchase of refuse containers by residents.

Department Review: Fire-Rescue

Fire-Rescue

Impact of the Mayor's FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Fire-Rescue Department is approximately \$309.5 million for the General Fund, an increase of \$795,000, or 0.3% from the FY 2022 Adopted Budget. The Proposed Budget includes 1,356.00 FTEs, which is an increase of 2.00 FTEs. Budgeted revenue totaling \$56.2 million represents an increase of \$3.8 million from FY 2022

Proposed changes to the Fire-Rescue budget include position additions, facility improvements, and funding for wellness services and training; no programmatic budget reductions are proposed. No new fire stations, Fist Response Squads, or other units such as Peak Hour Engines are anticipated to become operational in FY 2023.

Addition of Sworn Fire Personnel

The FY 2023 Proposed Budget includes the addition of 3.00 sworn FTEs, including 1.00 Fire Captain and 2.00 Firefighter 2 positions.

The new Fire Captain is expected to support the Department's Professional Standards Unit to address a backlog of discipline cases. We

note that this addition partially satisfies one of the Council's consensus budget priorities that requested for 2.00 FTEs be added in the Proposed Budget for the Professional Standards Unit.

The 2.00 Fire-Fighter 2's will serve as recruiters to supplement the Department's lone Recruitment Officer (Fire Captain) in an effort to develop a more robust recruitment office. With the increased number of recruiters, the Department expects to have a greater presence at high school Fire Tech programs and EMT classes, as well as college recruiting events.

Firefighter Wellness

The FY 2023 Proposed Budget adds \$532,000 in ongoing non-personnel expenditures for firefighter wellness. This includes \$322,000 which represents the 5% annual cost escalation under the City's contract with San Diego Sports Medicine to conduct firefighter physical exams. The remaining \$210,000 is for behavioral wellness services provided by Focus Psychological Services. These additions are largely to right-size the Department's budget for these services, rather than being an increase in wellness services.

SUMMARY OF FIRE-RESCUE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	1,354.00	\$ 261,859,437	\$ 46,835,569	\$ 308,695,006	\$ 52,382,968
Programmatic Changes					
<i>Firefighter Wellness</i>	-	-	532,200	532,200	-
<i>Addition of 2.00 Marine Safety Lieutenants</i>	2.00	486,496	-	486,496	-
<i>Lifeguard Facilities</i>	-	-	445,000	445,000	-
<i>Addition of Fire-Rescue Personnel</i>	3.00	414,375	-	414,375	-
<i>Fire Equipment Replacement</i>	-	-	400,000	400,000	-
<i>Fire Station Facilities Maintenance</i>	-	-	176,000	176,000	-
<i>Lifeguard Training (Swift Water/Cliff Rescue)</i>	-	-	115,090	115,090	-
<i>One-time Removals and Annualizations</i>	-	(1,075,133)	(914,212)	(1,989,345)	(970,565)
<i>Revised Revenue</i>	-	-	-	-	4,816,407
Other Changes					
<i>Other Salaries & Wages</i>	(3.00)	275,179	-	275,179	-
<i>Non-Discretionary Adjustments</i>	-	-	(60,413)	(60,413)	-
FY 2023 Proposed Budget	1,356.00	\$ 261,960,354	\$ 47,529,234	\$ 309,489,588	\$ 56,228,810
Difference from 2022 to 2023	2.00	\$ 100,917	\$ 693,665	\$ 794,582	\$ 3,845,842

Department Review: Fire-Rescue

Fire Equipment Replacement and Fire Station Facilities Maintenance

The FY 2023 Proposed Budget includes the addition of \$400,000 in non-personnel expenditures for various fire equipment, including:

- \$250,000 in one-time funding to replace aging exhaust extraction systems at seven priority fire stations;
- \$80,000 in one-time funding to as a part of the Department's three-year plan to replace a total of 20 aging vehicle extraction air bag kits which are carried on truck companies; and
- \$70,000 in on-going funding to maintain Self-Containing Breather Apparatus (SCBA) compressor and storage tank pressure release valves.

In addition, \$176,000 in ongoing non-personnel expenditures are added in the FY 2023 Proposed Budget for various contracted fire station facilities maintenance. The Department has indicated that contracted maintenance costs have outpaced its budget for critical repairs and maintenance needs such as apparatus door replacements, fire station flooring, generators, and HVAC systems. The Department had requested a total increase \$352,000 for these services, of which \$176,000 was funded.

Lifeguard Staffing, Facilities, and Training

The FY 2023 Proposed Budget includes several additions for lifeguard operations totaling 2.00 FTEs and \$1.0 million in expenditures:

- 2.00 Marine Safety Lieutenants and \$486,000 in personnel expenditures are included to ensure that there is an on-duty Lieutenant managing emergency operations in the coastal area for the Boating Safety Unit 24 hours a day, 7 days a week. Funding for these positions was a Council budget priority.

- \$300,000 in one-time non-personnel expenditures for a new locker room trailer to replace the Boating Safety Unit's existing modular trailer. This was a Council budget priority.
- \$115,000 in ongoing non-personnel expenditures to restore funding for the Swift Water Rescue Team (SRT) and Cliff Rescue Instructor Training.
- \$100,000 in one-time non-personnel expenditures to replace the sleeping quarters trailer for La Jolla Lifeguard night staff. This was a Council budget priority.
- \$45,000 in ongoing funding to replace one aging lifeguard tower per year for the next five years.

TOT Revenue Transfer Increase

The FY 2023 Proposed Budget includes a \$4.0 million increase in TOT reimbursements for tourism-related safety services provided by the Lifeguard Division, for a total of \$24.0 million in FY 2023.

Issues for Council Consideration

Council Budget Priority Items

There were several items within the Fire-Rescue Department that received majority support in Councilmember budget priority memoranda.

For the Lifeguard Division, specific increases that received majority support included:

- 2.00 Marine Safety Lieutenants, which are included in the Proposed Budget;
- 5.00 Lifeguard Sergeants and 5.00 Lifeguard I positions (*these are not funded in the Proposed Budget*);
- A new fireboat to replace Marine II (*this is not funded in the Proposed Budget*);
- A new locker room for the Boating Safety Unit is included in the Proposed Budget; and

Department Review: Fire-Rescue

- Replacement of the sleeping quarters for the La Jolla nightguard staff is included in the Proposed Budget.

Other Fire-Rescue Council budget priorities included additional Fire-Rescue personnel. Specific positions that were mentioned included 3.00 FTEs to create a dedicated Staffing Unit intended reduce the amount of overtime incurred for administrative functions, 2.00 FTEs for the Department's Professional Standards Unit, and 1.00 FTE for the Department's Logistics Office. Of these positions, 1.00 FTEs Fire Captain was added in the FY 2023 Proposed Budget for the Professional Standards Unit; all other positions were not included. The Department indicated that two of these unfunded positions, including 1.00 Logistics Clerical Assistant 2 (\$61,000) and 1.00 Employee Services Clerical Assistant (\$61,000), are of particular importance given current administrative workloads.

Lastly, funding to study the feasibility for a new Fire Training Facility was also a Councilmember priority. \$800,000 for this feasibility study is included in the FY 2023 CIP Proposed Budget.

Firefighter Staffing

According to the Fire-Rescue Department, there are currently 70 sworn vacancies, as broken down by position in the table below.

Position	Vacancies
Fire Battalion Chief	1
Fire Captain	30
Fire Engineer	27
Firefighter I/II	12
Total	70

Three fire academies are budgeted for FY 2023, each with a goal of producing 28 graduating firefighters. With these new firefighters and after accounting for anticipated attrition (approximately 60 positions annually), the

Department anticipates being at, or near full staffing at fire stations by the end of FY 2023, not including Relief Pool positions (discussed below).

However, given that most of the Department's sworn vacancies are in the Fire Captain and Engineer ranks, reaching full staffing will depend on the Department's ability to promote existing Firefighters into those positions. The Department has indicated that they are in the process of making changes to the promotional exam process in an effort to increase the number of firefighters seeking promotion.

Relief Pool

The Relief Pool – which seeks to limit overtime spending by using regular fire personnel that can backfill leave taken by other firefighters instead of using overtime – was established with a total of 72.00 FTEs in the FY 2020 and FY 2021 Adopted Budgets, but has been inactive due to staffing shortfalls.

If the Department is successful in filling higher-level positions over the course of FY 2023 as discussed above, they hope to begin instituting the Relief Pool in FY 2024 and realizing anticipated overtime reductions.

Department Review: General Services

General Services

General Services is being added as a department in the FY 2023 Proposed Budget. This restructure was conducted in FY 2022 to combine two separate divisions into General Services: Facilities Services and Fleet Operations (previously its own department). Officials told us that combining these internal support functions into one department will enable operational efficiencies. Also, both groups have with large contingencies of AFSCME L127 staff, and similar systems and approaches to how work is managed, tracked, and implemented. Facilities was previously in the Department of Real Estate and Airport Management and transferring Facilities enables that department to focus entirely on real estate rather than day-to-day facility operations.

The two divisions in General Services have three funding sources which provide internal services to other City departments.

- The Facilities Services Division provides maintenance, repair, modernization, and improvements to approximately 1,600 facilities, and is in the General Fund.
- The Fleet Operations Division provides fleet management for over 4,500 motive vehicles and equipment, including repairs, maintenance, fuel and rental vehicles through the Fleet Operating Fund and replacements and acquisitions through the Fleet Replacement Fund.

Key departments goals include:

- Provide quality fleet and facilities services efficiently and economically.
- Advance a Green Fleet and Sustainable

Building program.

- Continue to develop a trained and certified team of professionals.
- Improve internal controls and accountability.
- Provide quality, safe and reliable facility services.

KPIs to measure progress toward these goals are discussed in the related division sections.

Impacts of Mayor’s FY 2023 Budget Proposal

The General Services Department’s overall proposed budget for FY 2023 totals approximately \$158.8 million with 402.75 FTE positions. The FY 2023 Proposed Budget for the entire department reflects an increase of approximately 22.00 FTEs and \$5.1 million, or 3.3% in expenditures over the FY 2022 Adopted Budget. Total revenues are \$150.4 million, an increase of \$17.2 million, or 12.9%, over the Adopted Budget. A summary of the total FY 2023 Proposed Budget by division and fund is provided in the table below, and further discussion of specific budget adjustments is provided under each division.

Facilities Services

The FY 2023 Proposed Budget for the Facilities Services Division is approximately \$23.6 million in General Fund expenditures, which is an increase of \$741,000, or 3.1% over the FY 2022 Adopted Budget, as shown below. The FY 2023 Proposed Budget includes \$3.9

SUMMARY OF GENERAL SERVICES DEPARTMENT BUDGET CHANGES						
Fund	FY 2022 FTE	FY 2023 FTE	Change	FY 2022 Expense	FY 2023 Expense	Change
Facilities Services - General Fund	174.50	177.50	3.00	\$ 23,649,598	\$ 24,390,837	\$ 741,239
Fleet Operations - Operating Fund	206.25	225.25	19.00	56,306,055	59,739,693	3,433,638
Fleet Operations - Replacement Fund	-	-	-	73,721,915	74,682,180	960,265
Total Combined	380.75	402.75	22.00	\$ 153,677,568	\$ 158,812,710	\$ 5,135,142

Department Review: General Services

million in revenue, which is a decrease of \$1.0 million, or 20.3%, from the FY 2022 Adopted Budget. Revenue through reimbursable work for enterprise-funded departments is down, and the trend expected to continue, because of an increase in needed General Fund building repair and projects. The \$1.0 million reduction is based on previous year receipts from enterprise-funded departments. The Facilities Division expects this trend to continue for future years and noted aging infrastructure is driving the need to do more work and repairs for General Fund departments, as this funding has been chronically underfunded in previous years.

Addition of 3.00 FTE Positions to Support Asset Management and Preventive Maintenance

The proposed budget includes 177.50 FTE positions which is an increase of 3.00 FTE positions. It important to note this is the first time that staff have been added to Facilities Division in some time, except for when the Building Maintenance Supervisor (BMS) positions were consolidated into Facilities from several other departments in FY 2019-20.

The 3.00 FTE additions include:

- 1.00 Program Coordinator and \$123,000 in related expenses to support the Facilities Enterprise Asset Management (EAM)

Program and the Facilities Work Control Section Preventative Maintenance Program.

- 2.00 FTE Positions (1.00 Project Officer 2 and 1.00 Construction Estimator) and \$243,000 in related expenditures to support the Minor Construction Process and Asset Management Plan for Facilities.

According to the Department, dedicated staff are required to manage the EAM System so they it can be fully utilized to increase effectiveness and efficiencies. Currently, only Plumbers and HVAC technicians use the work manager, and Work Control is not using the Asset Management Planning component of EAM. Facilities Division noted the following goals for the dedicated positions:

- Better data input management to ensure that the data coming out is accurate.
- Ensure that all assets and asset components are listed or added to the system, for instance all HVAC equipment did not transfer over from the legacy system.

In addition, the Project Coordinator position goal is to assess Facilities' current work ratio of preventive and reactive maintenance to determine what resources the division will need

SUMMARY OF FACILITIES SERVICES (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	174.50	\$ 17,073,900	\$ 6,575,698	\$ 23,649,598	\$ 4,923,756
Programmatic Changes					
Addition of 1.00 Program Coordinator to support the Facilities Enterprise Asset Management Program and Work Control Section Preventative Maintenance Program	1.00	119,457	3,910	123,367	-
Addition of 2.00 staff (1.00 Project Officer 2, 1.00 Construction Estimator) to Support the Minor Construction Process and Facilities Asset Management Plan	2.00	235,233	7,820	243,053	-
Addition of NPE to Support Asbestos Remediation in Various City Buildings	-	-	150,000	150,000	-
Revised Revenue Projection (due to increased General Fund building projects, which are nonreimbursable)	-	-	-	-	(1,000,000)
Other Changes					
Salary & Fringe Benefit Adjustments	-	364,752	-	364,752	-
Information Technology Adjustments	-	-	(138,233)	(138,233)	-
Non-Discretionary Adjustments	-	-	(1,700)	(1,700)	-
FY 2023 Proposed Budget	177.50	\$ 17,793,342	\$ 6,597,495	\$ 24,390,837	\$ 3,923,756
Difference from 2022 to 2023	3.00	\$ 719,442	\$ 21,797	\$ 741,239	\$ (1,000,000)

Department Review: General Services

Performance Measure	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Target FY 2022	Estimated FY 2022	Target FY 2023
Percentage of preventative maintenance activities of overall facilities maintenance	30%	19%	28%	20%	20%	20%	22%

going forward to improve this ratio. Work of Facilities Division staff is currently split between reactive and preventative maintenance, with reactive repair of broken systems and facilities accounting for 80% of their work, and preventative maintenance only accounting for 20%, as shown in Facilities Division’s KPI in the table above. Best practices suggest that preventative maintenance should account for at least 70% of repairs. As discussed in more detail earlier in this report (in the *Infrastructure Funding* section in *Key Citywide Issues*), achieving the correct balance between these activities is a key factor in an effective and efficient maintenance program and helps manage costs by minimizing expensive emergency repairs and unplanned shutdowns.

Facilities Requests Not Included in the Proposed Budget

Items requested by Facilities Division that were not included in the FY 2023 Proposed Budget include:

- \$1.0 million for Repair and Maintenance Contracts
- \$17.5 million for a CIP Infrastructure Fund Request (O&M pass through)
- \$2.3 million for a Facilities Condition Assessment

While the new positions additions will help the Division have a better understanding of needed resources, both maintenance and capital for facilities have been chronically underfunded for many years. By not providing funding in FY 2023 needed to address aging infrastructure and preventative maintenance, the Division will have to prioritize projects based on funding limitations, and the funding gap for City facilities will continue to grow. This topic is discussed in more detail in the

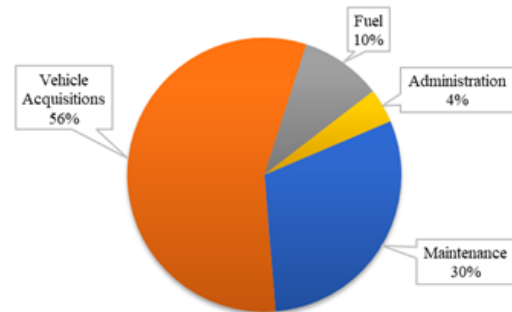
Infrastructure Funding section in *Key Citywide Issues* earlier in this report.

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 56% of the total FY 2023 Proposed Budget for Fleet Operations, as reflected in the following figure. Maintenance represents roughly 30% of the budget and 10% is for Fuel.

The combined FY 2023 Proposed Budget for Fleet Operations is approximately \$134.4 million, an increase of \$4.4 million, or 3.4%, primarily due to the addition of personnel related to the implementation of Organics Waste Collection required by SB 1383. The FY 2023 Proposed Budget includes 225.25 FTE positions, an increase of 19.00 FTEs from prior year. Budgeted revenue totals \$146.5 million, an increase of \$18.2 million. As an Internal Service Fund, all the revenue for the Division is derived from the operating budgets of other City Departments. Typically, about 60% of the revenue comes from the General Fund.

FLEET OPERATIONS BUDGET BY FUNCTION



Department Review: General Services

Performance Measure	Target FY 2021	Actual FY 2021	Target FY 2022	Estimated FY 2022	Target FY 2023
Percentage of fleet within designated lifecycle	85%	66%	85%	67%	85%
Greenhouse gas reduction from municipal vehicles (metric tons)	19,788	18,451	19,788	13,826	19,788
Maintain availability of Priority 1 vehicles	90%	89%	90%	89%	90%

Significant Budget Additions

Most of the increases for the Fleet Division are within the Fleet Operating Fund. The largest increase for the Fleet Operating Fund is the addition of \$1.5 million and 15.00 FTEs for additional technicians required to implementation of SB 1383. This is the state law which requires the City to collect organic waste from City residents and is more fully explained in our discussion of the *Environmental Services Department*.

There are two notable changes to the Fleet Division budget based on the impact of the pandemic on supplies and other inflationary pressures. The first is a large increase of almost \$1.0 million, both for expenditures and revenue, to account for increased fuel costs in FY 2023, while the second is an expenditure increase of \$650,000 to align the supply budget for fleet repair and maintenance to account for increased costs.

Additionally, there are two significant

increases for Electric Vehicle (EV) additions within the Division’s Proposed Budget. The first is 1.00 FTE and \$182,000 for a new program manager to oversee Fleet’s EV program. This position will be responsible for overseeing the planning and implementation of the EV program for vehicles, infrastructure, and collaboration with outside agencies. Further, the budget also contains \$500,000 in one-time costs for a consultant to provide a feasibility study on the development and expansion of the EV yard and electrical infrastructure. It is important to note that these EV related additions are focused on the Fleet Division and the City’s own vehicles as the City will need specialized equipment, infrastructure, and other assets that will be unique to the City and only utilized by the City. There is additional EV programming and funding more focused on public adoption of EV technology within the Sustainability and Mobility Department.

Positions were also added for additional

SUMMARY OF FLEET OPERATIONS (OPERATING & REPLACEMENT FUNDS) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	206.25	\$ 23,065,086	\$ 106,962,884	\$ 130,027,970	\$ 128,301,214
Programmatic Changes					
<i>SB 1383 - Technicians</i>	15.00	1,298,349	180,000	1,478,349	-
<i>Fuel Expenses</i>	-	-	966,413	966,413	998,407
<i>Debt Payments for Replacement Vehicles</i>	-	-	960,265	960,265	-
<i>Supplies Alignment</i>	-	-	650,000	650,000	-
<i>Electric Vehicle Consultant</i>	-	-	500,000	500,000	-
<i>Overtime Alignment</i>	-	250,000	-	250,000	250,000
<i>Training Positions</i>	2.00	171,366	35,000	206,366	-
<i>Electric Vehicle Program Manager</i>	1.00	157,808	25,000	182,808	-
<i>Safety Officer</i>	1.00	113,440	-	113,440	-
<i>Fleet Focus Upgrades</i>	-	-	104,000	104,000	-
<i>One-Time Infrastructure and IT Upgrades</i>	-	-	87,100	87,100	-
<i>COVID Cleaning Supplies</i>	-	-	30,000	30,000	-
<i>Budgeted Personnel Savings Adjustment</i>	-	(723,692)	-	(723,692)	-
<i>Usage Fees for Fleet Operations</i>	-	-	-	-	2,299,731
<i>Usage Fees for Fleet Replacement</i>	-	-	-	-	14,612,878
Other Changes					
<i>Proposition B Payment Transfer</i>	-	-	108,654	108,654	-
<i>Salary & Fringe Benefit Adjustments</i>	-	58,934	-	58,934	-
<i>Non-Discretionary Adjustments</i>	-	-	(228,734)	(228,734)	-
<i>Removal of Prior Year One-Time Expenses</i>	-	-	(350,000)	(350,000)	-
FY 2023 Proposed Budget	225.25	\$ 24,391,291	\$ 110,030,582	\$ 134,421,873	\$ 146,462,230
Difference from 2022 to 2023	19.00	\$ 1,326,205	\$ 3,067,698	\$ 4,393,903	\$ 18,161,016

Department Review: General Services

training requirements (2.00 FTEs and \$206,000) as well as for a safety officer (1.00 FTE and \$113,000). The training positions are required to meet new state standards concerning behind the wheel training for various positions, while the safety officer is a replacement position for one that was previously reduced but has subsequently been determined to be necessary.

Finally, the last notable change within the Fleet Operating Fund is an additional \$104,000 for upgrades to the Division’s Fleet Focus software. This will allow the Division to take greater advantage of the overall software package and create greater efficiencies within the operation. Overall, revenue adjustments for the Fleet Operating Fund include the previously mentioned adjustment for the fuel expenses, as well as usage fee adjustments related to aligning expenditures and revenue within the fund.

For the Fleet Replacement Fund, the only increase is approximately \$1.0 million for increased debt service payments for vehicle replacements that have been debt financed through the General Fund. There is also a \$14.6 million increase in revenues for the Replacement Fund to align the budget with the multiyear vehicle replacement plan.

Fleet Key Performance Measures

The table above shows select performance measures for the Fleet Operations Division. The Division continues to focus on the

SUMMARY OF VACANCIES - FLEET	
Job Classification	Vacancies
Apprentice 2 - Fleet Technician	1.00
Assistant Fleet Technician	4.00
Clerical Asst 2	1.00
Equipment Operator	1.00
Fleet Repair Supervisor	1.00
Fleet Team Leader	1.00
Fleet Technician	5.00
Master Fleet Technician	4.00
Motive Service Technician	1.00
Stock Clerk (Auto Parts)	2.00
Supervising Management Analyst	1.00
Total	22.00

percentage of the City’s vehicles that are within their useful life, as replacing more of these vehicles will reduce maintenance costs over the long term. The estimate for FY 2022 is an improvement from FY 2021 at 67%. However, the Division still remains below their goal to get to 70% of vehicles within their useful life.

Issues for Council Consideration

Departmental Vacancies

General Services officials told us that filling vacant positions with highly qualified candidates and retaining staff continues to be a challenge, particularly for skilled trade job classifications. The Department has 48.50 total vacancies or 12.0%. Vacancies for Facilities (25.50, 15%) and Fleet (22.00, 10%) are shown by job classification in the tables below.

The Department has not been able to fill key vacant positions primarily due to challenges competing for qualified staff given current City salaries and benefits in comparison to other agencies and private companies,

SUMMARY OF VACANCIES - FACILITIES	
Job Classification	Vacancies
Admin Aide II	1.00
Apprentice 2 Electrician	2.00
Building Service Tech	1.00
Building Supervisor	1.00
Carpenter	5.00
Custodian 1	3.00
Custodian 2	0.50
Electrician	2.00
Electrician Supervisor	1.00
HVAC Technician	3.00
Locksmith	1.00
Painter	1.00
Painter Supervisor	1.00
Plasterer	1.00
Plumber	1.00
Senior HVAC Technician	1.00
Senior Locksmith	1.00
Total	26.50

Department Review: General Services

especially given the current tight labor market.

To address this issue, in FY 2022 Special Salary Adjustments (SSA) were provided for some job classifications, including Electricians, HVAC Technicians, Plumbers, and the Fleet Technician series. While this has helped in some cases, in others the City is still not competitive with outside organizations. For example, officials noted that they did a recruitment for Electrician to fill 8.00 vacant positions and received *zero* responses.

Department officials noted they have also used Apprenticeship programs which enables staff to fill positions once they graduate/become certified, such as for HVAC technicians. However, there are no related requirements or enticements for these staff to stay with the City after they graduate.

Challenges filling vacancies is a significant challenge for many, various department. For more information, see the *Vacancies* section in *Key Citywide Issues* earlier in this report.

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

The Kearny Mesa Repair Facility project is critical to relocate the repair and maintenance services of heavy-duty fire-apparatus from the Miramar facility where they share space with repair and maintenance of refuse packers.

In anticipation of this need, the City entered into a 10-year lease of the facility on Othello Avenue with the intention for this site to serve as the new maintenance and repair facility. The City then completed additional lease negotiations in September 2019 that secured rights to the facility for up to 30 years, along with right of first refusal to purchase the facility if the owner desire to sell. The current Capital Improvements Program contains \$16.4 million for the construction of the improvements to this site.

Construction has not begun at the site as the City and owner will still working out the

details on how to execute the project. Currently, City staff are working on a third amendment to the lease that will include a reimbursement agreement with the owner for the construction of the improvements. This reimbursement agreement, which will be informed by construction bids received by the owner, will be the final step required before the owner of the facility will begin construction. Completion of construction and move in is estimated to be completed 20 months after the initiation of construction.

Previously, there were also concerns 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 but delays in the procurement of these packers is providing more time for Fleet and Environmental Services to address this issue.

Prioritizing Facilities Maintenance and Capital Projects

Chronic underfunding for Facilities maintenance and capital project has created a significant funding gap of \$593.4 in the CIP Outlook. This and related issues are discussed in the *Infrastructure Funding* section in *Key Citywide Issues* and the *CIP* section earlier in this report.

Government Affairs

The Government Affairs Department was established as a new department with the adoption of the FY 2019 Budget. The Department manages the City’s state and federal legislative priorities as they are developed by the Mayor and City Council. Government Affairs directs the City’s lobbying teams and collaborates with other local and regional government entities such as SANDAG, the Port, and the San Diego 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, public safety, and economic development.

Key departmental goals include:

- Implementing the City of San Diego’s legislative platform.
- Engaging at all levels of government to maximize advantages for the City and minimize negative impacts.
- Serving departments and stakeholders to promote, support, and enhance grant applications and competitiveness.

KPIs to measure progress toward these goals are shown in the table below.

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Government Affairs Department is approximately \$1.2 million, a decrease of \$172,000 or 12.7% from the FY 2022 Adopted Budget. Department officials told us these savings are from

staff accommodations for a part-time schedule and lack of travel due to COVID-19, and the same FY 2022 funding level was carried forward to the FY 2023 Proposed Budget. Government Affairs is working with the Department of Finance to restore the budget to the baseline and expects this to be included in the May Revise and/or Adopted Budget.

Total positions in the Department remain unchanged at 7.00 FTE positions and there are no vacancies. Budgeted revenue for the Department also remains unchanged at \$319,000. Government Affairs receives revenue from the Public Utilities Department as reimbursement for the considerable work that is conducted to support the water and wastewater functions and the Pure Water project.¹ For example, Government Affairs helped secure \$50.0 million for Pure Water in the FY 2022 state budget. The Department also advocates on legislation like the Ocean Pollution Reduction Act (OPRA) II and regulatory matters, such as dam safety and water conservation.

Department Priorities

Officials told us the Department is committed to maximizing funding for core City priorities as approved by the City Council and Mayor in its legislative platform, including maximizing funding for housing and homelessness, coordinating on Infrastructure Innovation and Jobs Act (IIJA) funding, supporting community project requests through the state and federal budget cycles.

Performance Measure	Target FY 2021	Actual FY 2021	Target FY 2022	Actual FY 2022	Target FY 2023
Number of Bills with Position Taken	25	25	25	27	25
On Time Performance for Legislative Reports	100%	75%	100%	80%	100%
Number of Grant Review Memos Issued	70	79	70	75	75
Value of Grants Applied For	\$200M	\$195.3M	\$200M	\$216M	90%

¹¹ The level of funding approved in the budget was negotiated with Public Utilities through a service level agreement.

Department Review: Government Affairs

SUMMARY OF FACILITIES SERVICES (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	7.00	\$ 1,279,104	\$ 73,370	\$ 1,352,474	\$ 319,094
Programmatic Changes					
<i>None</i>	-	-	-	-	-
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	(193,308)	-	(193,308)	-
<i>Information Technology Adjustments</i>	-	-	21,245	21,245	-
<i>Non-Discretionary Adjustments</i>	-	-	348	348	-
FY 2023 Proposed Budget	7.00	\$ 1,085,796	\$ 94,963	\$ 1,180,759	\$ 319,094
Difference from 2022 to 2023	-	\$ (193,308)	\$ 21,593	\$ (171,715)	-

Advocating for City Funding from IJJA

The recently passed federal IJJA is expected to provide significant infrastructure funding to address the City’s deferred capital backlog and could fund key water, stormwater, and transportation projects in future CIP Outlooks.²

The Government Affairs supported City and regional efforts to ensure priority infrastructure projects in the San Diego region get their share of IJJA funding. Government Affairs work does not replace the existing City policy for prioritizing infrastructure projects but helps inform and promote coordination among City staff and regional partners on federal funding opportunities as they become available. For more information on IJJA, see the *Citywide Issues* section on *Infrastructure*.

Key Accomplishments

Department accomplishments related to securing funding for homelessness and other key issues that are notable particularly during a Pandemic include the following:

- Helped secure and implement spending of American Rescue Plan Act (ARPA) funding totaling nearly \$300 million in State and Local Recovery Funds, millions in emergency rental assistance, and \$21 million in HUD administered HOME funding.
- Advocated for tenant protections and state and federal emergency rental assistance totaling over \$192 million to serve over

16,000 households through April of 2022, and legislation at the state to ensure all approved applications submitted through March 31, 2022 can be funded.

- Advanced and secured \$83.9 million in community projects funding across 20 different projects in the FY 2022 California State Budget for projects including Pure Water, Gun Violence Restraining Orders, Ocean Beach Pier, and Stormwater Improvements in Southcrest.
- Secured continued state funding for Homelessness including \$27.7 million in HHAP and the opportunity for more funding through the submittal of an accountability plan in the FY 2022 State Budget. For the first time this funding was guaranteed by the state for two years and \$27.7 million is the largest allocation since Government Affairs started lobbying for direct state homelessness funding in 2018.
- Sought and secured \$19 million in Youth Workforce Development Funding through the FY 2022 State Budget.
- Advanced and secured \$2.4 million in Federal Congressionally Directed Spending in the SY 2022 Appropriations Bill for four projects, in addition to supporting regional projects totaling over \$107 million.

² IJJA was signed into law on November 15, 2021 and considered to be a once in a generation infrastructure opportunity. It will provide an estimated \$1.2 trillion nationwide over the next ten years, with the State of California estimated to receive \$46.6 billion.

Homelessness Strategies and Solutions Department

The Homelessness Strategies Division was re-structured into its own department in FY 2021 and changed its name to Homelessness Strategies and Solutions Department (HSSD). The department currently reports to the Mayor.

HSSD oversees homeless programs that provide immediate assistance as well as long-term solutions and ensures that the City’s homelessness policies are reflected in the operations of various City departments whose work impacts homelessness.

Much of the City’s funding for homelessness is transferred to the San Diego Housing Commission to administer. The City and Housing Commission first entered into a Memorandum of Understanding in 2010 for the administration of provider contracts for the City’s homeless programs.

In reviewing the HSSD budget, it is important to note that only a portion of funding for homelessness programs is approved as part of the budget process, which is limited to General Funds. The City’s homelessness efforts are funded through a variety of sources, but State grant funding provides the majority of funding in a given fiscal year (aside from funding allocated in previous years to address COVID-19). As part of the FY 2023 budget process, Council is only being asked to

approve General Fund allocations to homelessness programs. Requests to approve additional funding streams will come separately.

Additionally, our Office will review the Housing Commission’s FY 2023 Budget in a separate report that will be released in early May.

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget includes \$16.6 million in General Fund expenditures, a decrease of \$1.5 million, or 8.3%, from the FY 2022 Adopted Budget. The Proposed Budget also includes 15.00 FTE positions, an increase of 3.00 FTE positions over FY 2022.

Budgeted revenues are \$394,000, a decrease of \$106,000, or almost 21.3% from the FY 2022 Adopted Budget. Revenues are attributed to staff time charged to State grant funding. Staff state that revenue projections will need to be revised in the May Revision.

Significant Budget Reduction

- Removal of \$10.0 million in one-time General Fund provided in the FY 2022 Adopted Budget

SUMMARY OF HOMELESS STRATEGIES AND SOLUTIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	12.00	\$ 1,755,338	\$ 16,316,486	18,071,824	\$ 500,000
Programmatic Changes					
<i>Additional Staff</i>	3.00	335,101	-	335,101	-
<i>Continue Homeless Shelter and Services (one-time)</i>	-	-	6,192,014	6,192,014	-
<i>Continue Outreach and PEER (ongoing)</i>	-	-	1,750,000	1,750,000	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	147,058	-	147,058	-
<i>Other Adjustments</i>	-	-	77,553	77,553	-
<i>Revised Revenue</i>	-	-	-	-	232,676
<i>Removal of One-time Funding</i>	-	-	(10,000,000)	(10,000,000)	(339,071)
FY 2023 Proposed Budget	15.00	\$ 2,237,497	\$ 14,336,053	\$ 16,573,550	\$ 393,605
Difference from 2022 to 2023	3.00	\$ 482,159	\$ (1,980,433)	\$ (1,498,274)	\$ (106,395)

Department Review: Homelessness Strategies and Solutions

Significant Budget Additions

- \$335,000 for 3.00 additional FTE positions (one Senior Management Analyst and two Program Coordinators)
- \$6.2 million in one-time expenses to continue existing programs
- \$1.8 million in ongoing funding to continue Coordinated Outreach and the Program for Engaged Educational Resources (PEER)

The following subsections discuss these adjustments in more detail.

Additional Staffing

The Proposed Budget includes three additional positions. The purpose for these positions is primarily to increase Department capacity to oversee provider contracts and homelessness services. We note that as of this writing, the Department currently has two vacancies but is aiming to fill them in May.

Funding to Continue Existing Shelters and Services on a One-time Basis

The Proposed Budget includes \$6.2 million of *one-time* General Fund to support existing homeless programs and services which are outlined in the table below. We note that only 17th and Imperial and the Harm Reduction shelters show total program costs. The other programs reflect one-time adjustments to the existing program costs and are not reflective of total program costs.

FY 2023 Homeless Program One-time Adjustments	
17th and Imperial Bridge Shelter	\$ 3,190,909
Harm Reduction Interim Shelter*	2,149,237
SMART Program/Criminal Diversion	650,738
Paul Mirable Center Interim Shelter	223,404
Inclement Weather Shelter*	150,000
Connections Interim Housing	136,422
Bishops Father Joe's Villages on Imperial	57,083
Shelter Ancillary Costs	(370,779)
Total	\$ 6,187,014

*Opened in FY 2022

Our Office did a year-over-year comparison of total program costs for each of the programs listed in the table and the only significant adjustment is a \$651,000 increase to the SMART program. SMART connects chronic misdemeanor drug offenders to a case manager and offers personalized treatment and tailored housing placements. We note that the SMART Program has not operated since spring of 2021.

However, the program is being redesigned in coordination with HSSD, the County, and the City Attorney's Office. According to staff, the budget increase reflects this new program design. Staff estimate that the SMART Program will resume in the fall of 2022. The facility that was acquired and rehabilitated for the SMART program temporarily operated as a family shelter in response to the COVID-19 pandemic. Staff is pivoting the facility to provide bridge housing so as to keep the facility active until the SMART program is ready to resume.

Ongoing Funding for Existing Coordinated Outreach and PEER Programs

The Proposed Budget includes \$1.5 million in *ongoing* General Fund to support the Coordinated Outreach program. Although not reflected in the budget, staff intends on proposing an additional \$2.4 million to this program using State grant funding which is anticipated to come before Council for approval in May. If approved, this would be a \$1.3 million increase as compared to the FY 2022 Adopted Budget.

The Proposed Budget also allocates \$250,000 towards the PEER program which is a community college course developed by San Diego City College and the Housing Commission intended to increase the workforce providing homelessness services. This was provided on a one-time basis in FY 2022 and the FY 2023 budget includes funding for the program going forward.

Department Review: Homelessness Strategies and Solutions

Many Other Homelessness Programs are Funded in FY 2023 Outside the Budget Process

With the approval of HSSD's \$16.6 million budget, partial or full funding will be provided to a subset of the homelessness programs the City offers. In May, Council will be asked to approve allocations of the third round of State Homeless Housing Assistance and Prevention Program (HHAP) funds totaling \$27.5 million. Staff project to use a total of \$39.5 million in State HHAP grant funds between this new round of funding and carryforward from previous rounds of funding.

Other funding sources that will support homelessness programs in FY 2023 include Affordable Housing Funds, federal grants, as well as Housing Commission funds such as federal Moving to Work and local discretionary funding.

Issues for Council Consideration

Shift of Program Administration

As mentioned earlier, much of the funding allocated to the City to address homelessness is transferred to the Housing Commission to administer. However, in FY 2023, HSSD staff plans to directly oversee provider contracts for three homelessness programs which are currently being overseen by the San Diego Housing Commission. These include:

- Coordinated Outreach
- Family Reunification
- Safe Parking

HSSD indicates that they intend to take more ownership and accountability of programs and their outcomes and believe directly overseeing these programs will support this goal. Regarding Coordinated Outreach, HSSD is currently filling a vacant position to oversee the program. **The Housing Commission would likely repurpose the position that was hired for this program in previous years. Council**

may wish to ask staff about their plans to transition the programs.

We note that the FY 2023 Affordable Housing Fund Plan, administered by the Housing Commission, was forwarded to Council without recommendation from the Land Use and Housing Committee on April 21, 2022. The plan includes an allocation of \$394,000 for the Family Reunification program which is administered by the Housing Commission. Additionally, the City plans to use \$500,000 in State HHAP funds for the program. This will either create two contracts with the same provider, or Housing Commission staff will look to reallocate this funding to another homelessness activity.

One-time Funding to Support Ongoing Programs

In recent years, the City has been able to expand homelessness services due to a series of one-time State grants, including HHAP as mentioned earlier. Based on staff's best estimates, nearly all HHAP funds will be expended by the end of FY 2023. However, we understand that the State will provide a fourth round of one-time HHAP funding. Although allocations are not known at this time, all three previous rounds of funding combined have averaged about \$20.0 million per year. According to a press release dated April 25, the mayors of the largest big California cities are advocating State officials to continue HHAP funding for three more years.

Additionally, the Proposed Budget allocates \$6.2 million in one-time General Funds to support homelessness activities (listed in the table on the previous page) that are expected to continue.

Our Office notes that of the \$63.4 million in planned FY 2023 City homelessness expenses (excluding additional Housing Commission funds), \$45.8 million or 72.2% is one-time funding. Assuming a \$20.0 million HHAP grant for FY 2024, HSSD would still have a

Department Review: Homelessness Strategies and Solutions

roughly \$25 million budget need to maintain existing services in FY 2024, if no additional funds become available. This need would increase or decrease depending on the size of the grant.

Increased Clarity on Homelessness Program Costs is Needed

Approval of the HSSD budget of \$16.6 million supports a subset of homelessness programs that will be funded for FY 2023. However, based on current information available, **the City's homelessness efforts will likely total about \$63.4 million, but there is no breakdown of program allocations available to Council and the public. Therefore, it is very difficult to have a clear discussion of what the City's efforts to address homeless are, how much they cost, and how they compare to the year prior.**

In response, our Office has created a breakdown of funding for FY 2023 based on information available. Though we recognize that funds in the "Other" column, which includes HHAP funding, could change as projected needs are not final. However, **if HSSD has the capacity, we would request the department to make this information publicly available for future budget discussions.**

We have a couple items to note with regard to how the allocations in the following table compare to FY 2022 allocations that were made at the beginning of the fiscal year. While there are planned to be increased expenditures to support several new shelters anticipated to open in FY 2023, there are reductions to Rapid Rehousing and Flexible Spending, both for approximately \$1.0 million each. We note that the Housing Commission plans to partially offset the reduction to Flexible Spending with Affordable Housing Funds.

Program Outcomes

Positive steps have been made in making outcome data on the City's efforts on homelessness available to the public. HSSD has

identified several meaningful Key Performance Indicators that will begin to be tracked over time. They will be clearly published in the City's budget and can easily be compared year over year. This will allow program outcomes to enter budget discussions.

Additionally, within the past year, the Housing Commission has created data dashboards on its website tracking both Housing Commission and City homelessness programs, as well as progress towards achieving the goals in the Community Action Plan on Homelessness. Data is presented on the system level as well as activity level (e.g. shelters).

To provide one data point from the Housing Commission's website, between July 1, 2021 and February 28, 2022, there were 2,139 exits from shelters. Of these, 15% exited to permanent housing, 11% to temporary housing, 18% to the streets, and 53% to an unknown destination. As data continue to be tracked, year-over-year comparisons of progress can be made. We note that an update to the region's homeless Point-in-Time Count should be available in May.

To the extent the City Council wants additional information on the many homelessness programs and their outcomes, it should request staff to provide an update to the appropriate committee.

Department Review: Homelessness Strategies and Solutions

FY 2023 Anticipated Funding for Homelessness (Subject to Change)					
System Component	Programs	FY 2023 Proposed Budget General Fund	Other	FY 2023 Total	
Housing & Services	Rapid Rehousing	Rapid Rehousing	\$ -	\$ 1,274,843	
	Diversion	Family Reunification	-	500,000	
		Subtotal	-	1,774,843	1,774,843
Crisis Response and Stabilization	Shelters	Bridge Shelters - 16th and Newton	-	6,571,548	
		Bridge Shelters - 17th and Imperial	3,190,909	-	
		Bridge Shelters - Golden Hall (Upstairs)	-	8,059,160	
		Bridge Shelters - Golden Hall (Downstairs)	-	2,301,110	
		Bishops Father Joe's Villages on Imperial	622,900	-	
		Connections Housing Interim Bed Program	404,528	435,211	
		Paul Mirabile - Interim Housing for Homeless Adults	1,823,404	476,988	
		New Shelter <i>(pending)</i>	-	5,000,000	
		Family, Youth, Senior Non-Congregate Hotels <i>(pending)</i>	-	4,982,250	
		Family Shelter <i>(In Flux)</i>	-	-	
		Inclement Weather	150,000	-	
		Ancillary Services for Shelters	1,600,000	-	
		Womens Shelter <i>(pending)</i>	-	1,067,617	
	Youth Shelter and Case Management	-	2,198,475		
	Subtotal	7,791,741	31,092,359	38,884,100	
	Substance Use Disorder Services	Safe Haven <i>(pending)</i>	-	285,000	
		SMART	1,900,000	-	
		Serial Inebriate Program	290,000	-	
		PLEADS	-	207,000	
		Harm Reduction Interim Shelter	2,149,237	-	
Subtotal		4,339,237	492,000	4,831,237	
Engagement Services	Outreach	Coordinated Outreach	1,500,000	2,425,000	
		Police Department: Homeless Outreach Team	3,625,124	-	
		Subtotal	5,125,124	2,425,000	7,550,124
	Other	Housing Response Center	300,000	1,250,000	
		Day Center for Homeless Adults	-	541,250	
		Storage Connect Center I (Imperial Ave)	-	1,883,424	
		Storage Connect Center II (Lea St)	-	1,048,137	
		Think Dignity Storage Facility	-	259,399	
		Safe Parking: Mission Valley and Aero/Balboa	-	1,166,907	
		PEER	250,000	-	
	Subtotal	550,000	6,149,117	6,699,117	
	Admin	Admin Costs	SDHC Admin	-	1,243,937
			City HSSD Positions	2,392,572	-
Subtotal			2,392,572	1,243,937	3,636,509
Grand Total		\$ 20,198,674	\$ 43,177,256	\$ 63,375,930	

Notes: ¹ Other funds include: State HHAP funds, Low and Moderate Income Housing Asset Fund, Affordable Housing Fund, federal funding

² Does not include all administrative costs

³ Funds in the Other column are subject to change as they may not be final estimates.

⁴ A significant portion of the allocations above are administered by the San Diego Housing Commission

Additional FY 2023 Proposed San Diego Housing Commission Homeless Services			
Housing and Services	Permanent Housing	Federal Voucher Support	\$ 54,993,686
		Permanent Supportive Housing CoC Program & svcs	5,204,073
		Permanent Supportive Housing (create new)	15,000,000
		Landlord Engagement	2,880,641
		Family Reunification	394,000
		Capacity Building	50,000
	Rapid Rehousing	Rapid Rehousing CoC	1,491,374
		Rapid Rehousing	2,758,000
	Prevention & Diversion	Prevention and Diversion	2,028,053
		Flexible Spending	455,020
Crisis	Shelter	Transitional Housing	433,809
Engagement	Other	PEER	187,553
Admin	Admin	SDHC Admin	4,758,722
Total		\$ 90,634,931	

Department Review: Human Resources

Human Resources

Impacts of Mayor’s FY 2023 Budget Proposal

The Human Resources Department’s FY 2023 Proposed Budget totals approximately \$8.9 million, an increase of approximately \$1.9 million, or 27.8%, from the FY 2022 Adopted Budget. Changes to the Human Resources Department budget are shown in the table below.

Personnel Expenditures (PE) increases include the addition of the following positions:

- 4.00 Program Coordinators for increased HR support citywide. In addition to providing support for COVID-19 impacts on the workforce, these positions will assist in enhanced strategic human capital management, including recruitment, retention, reasonable accommodations, and employee and labor relations issues.

These 4.00 positions are currently filled supplemental (unbudgeted) positions.

The positions were filled on an emergency basis to deal with more than 1,000 reasonable accommodation requests related to the COVID-19 vaccination mandate. The Department will be sending the Civil Service Commission a request for these positions to be exempted from classified service, which if approved will be sent to Council for approval.

Note that the Department currently has 7.00 budgeted positions which are vacant. In total, the Department has 31.00 filled FTEs as compared to its 34.00 budgeted FTEs.

- 4.00 FTE positions for the California for All Program (including 1.00 Program Manager, 2.00 Assistant Trainers, and 1.00 Payroll Specialist 1) – The program is anticipated to be fully supported by a grant from the State through May 1, 2024; so these positions will be designated as limited, rather than permanent.

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	34.00	\$ 5,757,239	\$ 1,243,409	\$ 7,000,648	\$ 675,280
Programmatic Changes					
<i>Consultant to Study Recruitment/Hiring Process</i>	-	-	250,000	250,000	-
<i>Total Compensation Survey Consultant</i>	-	-	200,000	200,000	-
<i>Increase for Labor Negotiations Consulting</i>	-	-	15,000	15,000	-
<i>Citywide HR Support</i>	4.00	528,192	-	528,192	-
<i>California for All Program (grant supported)</i>	4.00	425,708	-	425,708	423,545
<i>Program Coordinator to Support Employee Rewards and Recognition Program</i>	1.00	132,048	-	132,048	-
<i>Program Manager for Labor and Employment Issues</i>	1.00	157,808	-	157,808	-
<i>Repurpose 2.00 FTEs (to align positions with job duties)</i>	-	61,714	-	61,714	-
Other Changes					
<i>Net Pay-in-Lieu of Annual Leave Increase</i>	-	27,224	-	27,224	-
<i>Budgeted PE Savings Decrease (a budget increase)</i>	-	11,492	-	11,492	-
<i>Other Salaries & Wages Adjustments (incl. merit and other wage increases)</i>	-	334,572	-	334,572	-
<i>Net Other Fringe Benefits Adjustments</i>	-	(219,870)	-	(219,870)	-
<i>Net Non-Discretionary Adjustments</i>	-	-	19,098	19,098	-
FY 2023 Proposed Budget	44.00	\$ 7,216,127	\$ 1,727,507	\$ 8,943,634	\$ 1,098,825
Difference from 2022 to 2023	10.00	\$ 1,458,888	\$ 484,098	\$ 1,942,986	\$ 423,545

Department Review: Human Resources

This program will support paid internships for approximately 1,000 youth, ages 16-30, to build a pipeline of future public employees. These internships will be spread throughout the City.

- 1.00 Program Manager to provide guidance and policy advice on labor and employment issues
- 1.00 Program Coordinator to support the Employee Rewards and Recognition Program

The largest non-personnel expenditure (NPE) increases include a one-time budget increase of \$250,000 for a consultant to study the City's overall recruitment and hiring processes, as well as an ongoing \$200,000 for a consultant to perform work on total compensation surveys for represented and unrepresented positions.

Department Requests Not Included in the FY 2023 Proposed Budget

Requested budget increases that were not funded in the FY 2023 Proposed Budget include:

- 1.00 Program Manager (\$166,000 for wages and fringe) to provide guidance and policy advice on labor and employment issues – There were two positions requested, and only one was funded in the Proposed Budget. Without the additional support from this position, the Department anticipates continued delays in assisting departments with employee and labor relations issues, including discipline issues affecting employee rights and meet and confer issues.
- 1.00 Program Coordinator (\$131,000 for wages and fringe) for developing and implementing a Citywide strategic

recruiting strategy for unclassified positions – Without this position, unclassified recruitments will continue to be decentralized, with each department developing their own recruitment strategies.

- \$110,000 for one-time maintenance of the COVID-19 Tracking System – This system is currently in place, however the additional funding is needed for continued support and maintenance. The system tracks COVID-19 related items including positive cases, symptomatic employees, contact tracing, and outbreak management. Without continued support and maintenance, any functionality issues and additional programing needs cannot be addressed.
- \$145,000 as an ongoing cost to increase the number of Management Fellowship Cohorts from one to two per year – With one cohort, 65 employees go through this program in a year.

Enhancements to the Recruitment & Hiring Process for Unclassified Positions

Although not part of the Proposed Budget process, the Department has begun implementation of an applicant tracking system for unclassified positions that will streamline the process for managing recruitments – allowing departments to manage and monitor their recruitments in real-time. The system will also provide a repository of applicants as a future resource. Additionally, the Department is implementing an add-on onboarding module that will enable information on chosen candidates to be automatically transferred to SAP, further streamlining the hiring process.

Department Review: Library

Library

Impacts of the Mayor's FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Library Department totals approximately \$65.6 million, an increase of \$4.8 million from the FY 2022 Adopted Budget. The FY 2023 Proposed Budget includes 460.33 FTE positions which is an increase of 56.10 FTEs from the FY 2022 Adopted Budget. The significant increase in positions and budgeted expenditures is primarily associated with the annualization of benefited positions that were added in FY 2022 as a result of the department's staffing reorganization that largely eliminated the use of hourly staff. Budgeted revenue totaling \$1.5 million represents a revenue reduction of approximately \$100,000 compared to FY 2022.

Significant Budget Additions

Replacement of Public-use Computers

The FY 2023 Proposed Budget includes \$357,000 in ongoing non-personnel expenditures as a part of the Department's plan to replace 1,035 existing outdated public-use computers over a three-year period (345 computers per year in FY 2023-2025). In total, there are 1,239 public use computers systemwide,

of which the 1,035 computers planned for replacement are approximately 7-8 years old and no longer supported by the Department of IT. The typical useful life for these PCs is 5-years.

Increase to Materials Budget

The FY 2023 Proposed Budget includes a \$250,000 increase for library materials which is expected to be utilized to create more equity in collections among branches, and boost the e-book and foreign language collections. The total General Fund budget for library materials in the FY 2023 Proposed Budget is \$2.8 million.

In addition, \$38,000 is included in the Proposed Budget for a new automated collection development service that is expected to assist and improve the way that materials are selected and distributed throughout the Library system.

Increase to Library Donation Match

The FY 2023 Proposed Budget includes \$200,000 in ongoing non-personnel expenditures to increase the annual amount available for the City to match library donations from \$1.0 million to \$1.2 million. Per Council Policy 100-12, Library donation matching funds can be used towards library equipment,

SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	404.20	\$ 42,467,424	\$ 18,273,902	\$ 60,741,326	\$ 1,559,780
Programmatic Changes					
<i>Window Washing for Central Library</i>	-	-	578,000	578,000	-
<i>Replacement of Public-use Computers</i>	-	-	357,000	357,000	-
<i>Security Services</i>	-	-	350,000	350,000	-
<i>Materials Budget Increase</i>	-	-	287,500	287,500	-
<i>Increase to Library Donation Match</i>	-	-	200,000	200,000	-
<i>One-time Reductions and Annualizations</i>	-	-	(1,238,297)	(1,238,297)	-
<i>Revised Revenue</i>	-	-	-	-	(100,183)
Other Changes					
<i>Other Salaries & Wages</i>	56.10	\$4,584,710	-	4,584,710	-
<i>Non-Discretionary Adjustments</i>	-	-	(317,701)	(317,701)	-
<i>Other Adjustments</i>	-	12,066	-	12,066	-
FY 2023 Proposed Budget	460.30	\$ 47,064,200	\$ 18,490,404	\$ 65,554,604	\$ 1,459,597
Difference from 2022 to 2023	56.10	\$ 4,596,776	\$ 216,502	\$ 4,813,278	\$ (100,183)

Department Review: Library

materials, program support, or other purposes beneficial to the Library. It also dictates how matching funds are to be distributed among library locations/ branches.

Security Services

The FY 2023 Proposed Budget adds \$350,000 in non-personnel expenditures for contracted security services at Central and branch libraries. This addition is intended to right size the budget for these services based on increased security demands in FY 2022, and does not represent a service level increase. We note that the FY 2022 Mid-Year Budget Monitoring Report projected a \$300,000 overage for security services at fiscal year-end.

Window Washing for Central Library

The FY 2023 Proposed Budget includes \$578,000 in non-personnel expenditures for window washing at the Central Library. This necessary component of ongoing maintenance has been deferred nearly every year since the facility opened in 2014. For this reason, \$325,000 of the overall expenditure request are one-time expenditures necessary to have existing window washing equipment inspected (as required by Cal OSHA) and to have an initial power washing performed to remove dirt build up. The remaining \$253,000 are on-going expenditures for regular annual window washing.

Issues for Council Consideration

Reopening/Restaffing Update

In IBA Report 22-03: *IBA Review of the FY 2022 Mid-Year Budget Monitoring Report*, our Office provided an update on the Library Department's progress towards reorganizing its staffing model, reopening the remaining locations closed for in-person services, and restoring Sunday hours. Since that time, the Department has indicated that they are now nearly complete with all hiring processes. In total, over 500 interviews were conducted for

275 vacant positions, of which 207 positions were successfully filled (leaving 68 remaining vacancies).

The North Clairemont Library reopened on April 2, 2022, leaving Ocean Beach, Clairemont, and Mountain View/Beckworth as the remaining closed locations. According to the Department, they are developing a plan to reopen these locations next month on a part-time basis (at least a few days a week) until sufficient vacancies are filled to reopen them fully in mid-June 2022. Sunday hours may begin to be restored in August 2022, with a priority to be given to branch locations in communities of concern.

Council Budget Priority Items

Support for maintaining or increasing the Library Department's budget and operating hours was included in majority of Councilmember budget priority memoranda. As discussed earlier, the FY 2023 Proposed Budget includes several budget additions, including the replacement of public-use computers, and an increase to library materials. Overall library operating hours will remain unchanged, though hours at the particular branches noted above (Ocean Beach, Clairemont, and Mountain View/Beckworth) are expected to increase.

New Pacific Highlands Ranch Library

The Outlook identified 9.50 FTEs and \$770,000 associated with the opening of the Pacific Highlands Ranch Library which was anticipated to occur FY 2023. Due to a contracting delay, ground-breaking is now anticipated to occur in late-summer 2022 with a construction timeline of 18-24 month.

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 the Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the ORE totals \$2.6 million, which is a \$1.2 million decrease from the FY 2022 Adopted Budget. The vast majority of this decrease is not a decrease in resources, but an extension of the period during which Community Equity Fund expenditures are projected, as will be discussed. FTEs in the Proposed Budget total 5.00, which is an increase of 2.00 FTEs from FY 2022.

Significant Budget Increases

The Proposed Budget includes the addition of two Program Coordinators and \$319,000 in associated expenditures. These positions will

be focused on developing and providing internal training to City Departments and employees, and will provide technical assistance to City Departments in finding ways to operationalize equity. These positions are anticipated to be filled in November, 2022.

Significant Budget Decreases

As noted, the Proposed Budget projects \$1.5 million in expenditures from the Community Equity Fund. The Community Equity Fund was established along with the creation of the Office of Race and Equity in FY 2021, and received a contribution of \$3.0 million to help facilitate ORE goals and objectives.

The full amount of the Fund was budgeted to be expended in FY 2022, but it is not anticipated that it will be used in this fiscal year. Instead, the City’s Chief Race & Equity Officer notes that funds in the account are proposed to be used in FY 2023 and 2024, with the goal of providing grants to selected organizations on a two-year evaluation cycle. The Proposed Budget allows for this by projecting the allocation of \$1.5 million, or half of the Community Equity Fund’s balance, in FY 2023, and reserving the remaining half for FY 2024.

Issues for Council Consideration

Unfunded Requests

The ORE submitted a number of additional

SUMMARY OF OFFICE OF RACE AND EQUITY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	3.00	\$ 493,142	\$ 3,295,390	\$ 3,788,532	\$ -
Programmatic Changes					
<i>Addition of 2 Program Coordinators</i>	2.00	319,220	-	319,220	-
<i>Rescheduled Community Equity Fund Expenditures</i>	-	-	(1,500,000)	(1,500,000)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	(41,515)	-	(41,515)	-
<i>Non-Discretionary & Information Technology</i>	-	-	1,500	1,500	-
FY 2023 Proposed Budget	5.00	\$ 770,847	\$ 1,796,890	\$ 2,567,737	\$ -
Difference from 2022 to 2023	2.00	\$ 277,705	\$ (1,498,500)	\$ (1,220,795)	\$ -

Department Review: Office of Race and Equity

position requests that were not funded in the Proposed Budget, including two Deputy Directors, four Program Managers, and an Administrative Aide. The ORE notes that it will work with the COO to leverage support from existing administrative staff to support the ORE on an as-needed basis. A request to add one of the requested Program Managers to manage the Community Equity Fund grantmaking and evaluation process is anticipated to be made in the May Revise.

Office of the Chief Operating Officer

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Office of the Chief Operating Officer (COO) is approximately \$4.7 million, an increase of \$549,000 over the FY 2022 Adopted Budget.

The budget includes 21.00 FTE positions, reflecting an increase of 7.00 FTE positions over the FY 2022 Adopted Budget.

Significant Budget Additions

There are 7.00 FTE position that have been added to the FY 2023 Proposed Budget:

Additional Positions for the Office of Child and Youth Success

As part of its adoption of the FY 2022 Budget, the City Council established an Office of Child and Youth Success by providing 1.00 FTE for an Executive Director and \$350,000 in expenditures to support the Office’s work. That Office was established in the Office of the COO. The position added in FY 2022 was filled on April 18th, 2022, when Andrea O’Hara was hired as the Executive Director. Because of the time it took to hire the Executive Director, the \$350,000 was not expended and will be carried over in FY 2023.

The FY 2023 Proposed Budget does include further additions for the Office. The Pro-

posed Budget is adding 1.00 FTE for a Senior Management Analyst, 1.00 FTE for a Program Coordinator, and \$444,000 in expenditures to support the Office of Child and Youth Success.

Additional Positions for Grant Writing Support

The Proposed Budget adds 2.00 FTE Program Coordinator positions to the Office of the COO. The Office indicates that the two positions will provide grant writing support on grant proposals and will help coordinate the grant submission process.

Additional Position to the Docket Office

The Docket Office is responsible for oversight of the docketing process used Citywide for review and approval of actions to be placed on City Council and Council Committee agendas, as well as those routed for approval under Mayoral authority. The COO’s Office indicates that the Docket Office Program Coordinator position was added supplementally as a full-time position mid-year and was always intended to be requested as an addition for FY 2023, as indicated in the Office Staff Report when the position exemption was approved by Council on October 19th, 2021. This position is the second person in the two-person Docket Office, working in the capacity of Assistant Docket Liaison. The Program Coordinator position is currently filled, and the incumbent

SUMMARY OF OFFICE OF THE CHIEF OPERATING OFFICER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	14.00	\$ 3,563,587	\$ 590,480	\$ 4,154,067	\$ 579,976
Programmatic Changes					
<i>Additional Positions for Office of Child & Youth Success</i>	2.00	275,109	169,000	444,109	-
<i>Additional Positions for Grant Writing</i>	2.00	311,106	-	311,106	-
<i>Additional Positions for Office of Immigrant Affairs</i>	2.00	239,851	41,000	280,851	-
<i>Additional Program Coordinator for Docket Office</i>	1.00	119,457	-	119,457	-
<i>Salary and Benefit Adjustments</i>	-	(537,741)	-	(537,741)	-
<i>Other/Non-Discretionary/IT Adjustments</i>	-	16,758	(86,013)	(69,255)	-
FY 2023 Proposed Budget	21.00	\$ 3,988,127	\$ 714,467	\$ 4,702,594	\$ 579,976
Difference from 2022 to 2023	7.00	\$ 424,540	\$ 123,987	\$ 548,527	\$ -

Department Review: Office of the Chief Operating Officer

continues to manage and oversee all projects and the day-to-day use of the electronic docketing software while assisting users. Additionally, she is responsible for developing and administering the user training program.

Additional Positions for the Office of Immigrant Affairs

The Proposed Budget also includes 1.00 FTE for a Senior Management Analyst position and 1.00 FTE for a Program Coordinator position to support critical operations in the Office of Immigrant Affairs.

Office of the IBA

The Office of the Independent Budget Analyst (IBA) provides budgetary and policy analysis for the City Council, and strives to implement good government principles by ensuring that the public has access to information and the ability to participate in the decision-making process.

The IBA also provides supplemental information, findings, and recommendations to further education decision-makers and the public.

Impacts of the Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Office of the IBA totals \$2.5 million, which is a \$115,000, or 4.5%, decrease from the FY 2022 Adopted Budget. FTEs in the Proposed Budget total 10.00, which represents no change from FY 2022.

Significant Budget Adjustments

The Proposed Budget does not include any programmatic changes to the Office of the IBA. Proposed changes to the budget are non-discretionary in nature.

Issues for Council Consideration

Council Priorities Resolution – Technical Consultant

The City Council’s Budget Priorities Resolution for FY 2023 included a request for \$50,000 be budgeted for the IBA to hire

outside consultants on an as-needed basis to assist the IBA and Council with an analysis of major building acquisitions, as recommended in the [City Auditor’s Performance Audit of the Major Building Acquisition Process](#). As this amount is to fund as-needed consultants, if it were included in the Budget and not used during the year, any unused amount would likely fall to fund balance/excess equity at the conclusion of the fiscal year.

This request was not included in the Proposed Budget. Our Office recommends that Council request this amount be included in the May Revise.

Additional Staff Resources

The Office of the IBA currently has 10 budgeted positions:

- One Independent Budget Analyst
- One Deputy Director
- Six Fiscal & Policy Analysts
- One Budget & Research Analyst
- One Executive Assistant

Staffing levels budgeted for the Office have remained unchanged since FY 2010. While budgeted staff positions in the Office have remained static for over a decade, work the Office does in support of the Council and the public has expanded to include additional public outreach and presentations, and support for an increasing number of Council committees.

SUMMARY OF OFFICE OF THE INDEPENDENT BUDGET ANALYST BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	10.00	\$ 2,411,529	\$ 157,615	\$ 2,569,144	\$ -
Other Changes					
<i>Partial Restoration of Personnel Expenditures</i>	-	43,782	-	43,782	-
<i>Salary and Benefit Adjustments</i>	-	(144,522)	-	(144,522)	-
<i>Non-Discretionary & Information Technology</i>	-	-	(14,696)	(14,696)	-
FY 2023 Proposed Budget	10.00	\$ 2,310,789	\$ 142,919	\$ 2,453,708	\$ -
Difference from 2022 to 2023	-	\$ (100,740)	\$ (14,696)	\$ (115,436)	\$ -

Department Review: Office of the IBA

During FY 2023, our office will undertake a comprehensive review of our structure and staffing levels, but we also note that increased Council engagement in a number of areas – including work on City housing and homelessness issues and the establishment of the newly formed Select Committee on Housing Commission Oversight and Reform – will require increased support from our Office.

Accordingly, we recommend Council consider the addition of 1.00 Budget/Legislative Analyst 1 position in the FY 2023 Budget to support the Office’s work in the upcoming fiscal year.

Office of the Mayor

The Office of the Mayor consists of three teams: Communications, Community Engagement, and Policy. The Communications team is focused on open and transparent communication between the City and the Mayor; the Community Engagement team attends functions on the Mayor’s behalf and provides information to community groups; and the Policy team works with City staff and the Council to develop and implement policies.

Impacts of the Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Office of the Mayor is approximately \$3.6 million, which is an increase of \$195,000 or 5.6% from the FY 2022 Adopted Budget.

There are no programmatic changes proposed to the Office of the Mayor; all budget adjustments are non-discretionary in nature.

SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	20.00	\$ 2,996,889	\$ 386,333	\$ 3,383,222	\$ -
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	316,154	-	316,154	-
<i>Non-Discretionary & Information Technology</i>	-	-	(121,343)	(121,343)	-
FY 2023 Proposed Budget	20.00	\$ 3,313,043	\$ 264,990	\$ 3,578,033	\$ -
Difference from 2022 to 2023	-	\$ 316,154	\$ (121,343)	\$ 194,811	\$ -

Department Review: Parks & Recreation

Parks & Recreation

Impacts of the Mayor’s FY 2023 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 2023 Proposed Budget totals \$181.9 million, an increase of approximately \$9.7 million from the FY 2022 Adopted Budget.

General Fund

The FY 2022 Proposed Budget for the Parks and Recreation Department totals approximately \$141.7 million in the General Fund, a \$7.9 million increase from the FY 2022 Adopted Budget. The FY 2022 Proposed Budget includes 1,021.00 FTEs which represents an increase of 97.26 FTEs from the FY 2022 Adopted Budget.

The Department’s General Fund revenue totals \$46.7 million represents an increase of approximately \$18.3 million from FY 2022.

Park and Recreation Equity

Equity has become a key component of the Department’s plan for providing recreation services going forward as it begins to implement the Parks Master Plan and address the recommendations that were included in the City Auditor’s Performance Audit of Equity in Recreation Programming (Equity Audit).

To carry out the Equity Audit’s recommendations, the FY 2023 Proposed Budget includes 5.00 FTEs and \$555,000 in expenses, including \$50,000 for necessary consulting contracts. We note that the Department requested 5.00 additional FTEs consistent with was anticipated to be required in Management’s response to the Equity Audit, which outlined an overall need for 10.00 FTEs, non-personnel expenditures to fund contractual expenses for an analytics consultant and a marketing consultant, and additional funding for recreation programming. The Department has indicated that while they expect make significant progress in beginning to address the Equity Audit recommendations with the resources that are funded in the FY 2023 Proposed Budget,

SUMMARY OF PARK AND RECREATION DEPARTMENT EXPENDITURE BUDGET CHANGES						
	FY 2022 FTE	FY 2023 FTE	CHANGE	FY 2022 BUDGET	FY 2023 PROPOSED	CHANGE
General Fund						
<i>Administrative Services</i>	23.75	69.75	46.00	\$ 5,193,631	\$ 8,840,471	\$ 3,646,840
<i>Community Parks I</i>	214.64	221.61	6.97	\$ 34,089,172	\$ 34,643,122	\$ 553,950
<i>Community Parks II</i>	274.80	296.16	21.36	\$ 33,286,851	\$ 34,717,264	\$ 1,430,413
<i>Developed Regional Parks</i>	334.23	358.55	24.32	\$ 46,402,930	\$ 48,441,991	\$ 2,039,061
<i>Open Space</i>	76.32	74.94	(1.38)	\$ 14,886,709	\$ 15,080,060	\$ 193,351
Subtotal General Fund	923.74	1,021.00	97.26	\$ 133,859,293	\$ 141,722,908	\$ 7,863,615
Non-General Fund						
<i>Environmental Growth Fund 1/3</i>	-	-	-	\$ 5,525,864	\$ 6,054,079	\$ 528,215
<i>Environmental Growth Fund 2/3</i>	-	-	-	\$ 11,673,046	\$ 12,434,476	\$ 761,430
<i>Golf Course Fund</i>	105.83	112.42	6.59	\$ 20,830,312	\$ 21,410,862	\$ 580,550
<i>Los Penasquitos Canyon Preserve Fund</i>	2.00	2.00	-	\$ 277,975	\$ 289,853	\$ 11,878
Subtotal Non-General Fund	107.83	114.42	6.59	\$ 38,307,197	\$ 40,189,270	\$ 1,882,073
TOTAL PARK AND RECREATION	1,031.57	1,135.42	103.86	\$ 172,166,490	\$ 181,912,178	\$ 9,745,688

Department Review: Parks & Recreation

implementation may be slower than would be otherwise possible with additional resources.

The FY 2023 Proposed Budget also includes 7.50 FTEs and \$664,000 in ongoing expenditures for Back to Work SD programs geared towards equity-focused youth programming and paid youth internship and mentoring opportunities. The 7.50 FTEs are hourly-intern positions, amounting to approximately \$250,000 in personnel expenditures, to continue the Youth Environmental/Recreation Corp Program that was funded on a one-time basis in FY 2022.

The remaining \$414,000 is expected to be continue programs such as “Come Play Outside” which focused on expanded programming this past summer at 21 recreation centers and aquatic centers in underserved communities located in Council Districts 3, 4, 7, 8, and 9. In addition to this, it is anticipated that the new Opportunity Fund, which was established with the Department’s recently revised fee schedule as a mechanism to increase funding for recreation opportunities in communities of concern, will offer additional funding for

equity-based recreation programs.

To address inequities associated with capital improvements, the FY 2023 Proposed Budget includes 6.00 FTEs and \$705,000 for asset management positions to support the implementation of the Park Master Plan. The positions include 3.00 Park Designers, 2.00 Geographic Info Systems (GIS) positions, and 1.00 Project Officer 2.

New Park Facilities

The FY 2023 Proposed Budget includes 1.98 FTEs and \$630,000 in expenses (of which \$184,000 are one-time costs related to vehicle purchases) to operate and provide maintenance to five new parks throughout the City, including three Joint Use (JU) Facilities. The new parks are as follows:

- Salk Neighborhood Park
- Dennery Ranch Neighborhood Park
- Mission Bay High Tennis Courts (JU)
- Wagenheim Middle School (JU)
- Taft Middle School (JU)

SUMMARY OF PARK AND RECREATION DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	923.74	\$ 80,841,980	\$ 53,017,313	\$ 133,859,293	\$ 28,423,053
Programmatic Changes					
<i>Recreation Programming Audit Recommendations</i>	5.00	484,902	69,750	554,652	-
<i>Asset Management to Support Parks Master Plan</i>	6.00	692,006	12,500	704,506	-
<i>Back To Work SD - Recreation Programming</i>	7.50	250,230	413,800	664,030	-
<i>New Park Facilities</i>	1.98	154,706	475,475	630,181	-
<i>Park Maintenance</i>	17.00	1,262,087	1,282,500	2,544,587	-
<i>Sidewalk/Street Vending Ordinance</i>	27.00	1,134,559	116,000	1,250,559	-
<i>Conversion of Hourly Positions</i>	10.65	911,910	-	911,910	-
<i>San Diego Humane Society Dedicated Park Patrol</i>	-	-	350,000	350,000	-
<i>Addition of Support Staff</i>	3.00	263,823	83,850	347,673	-
<i>TOT Reimbursable Revenue</i>	-	-	-	-	17,000,000
<i>EGF Reimbursement Revenue</i>	-	-	-	-	1,945,287
<i>Revised Users Fees</i>	-	-	-	-	(30,000)
<i>One-Time Reductions and Annualizations</i>	-	(127,364)	(1,596,171)	(1,723,535)	(614,318)
Other Changes					
<i>Other Salaries & Wages</i>	0.13	(542,912)	-	(542,912)	-
<i>Non-Discretionary Adjustments</i>	-	-	(277,343)	(277,343)	-
<i>Addition of FY 2022 Supplemental Positions</i>	19.00	1,943,494	402,500	2,345,994	-
<i>Other Adjustments</i>	-	-	103,313	103,313	-
FY 2023 Proposed Budget	1,021.00	\$ 87,269,421	\$ 54,453,487	\$ 141,722,908	\$ 46,724,022
Difference from 2022 to 2023	97.26	\$ 6,427,441	\$ 1,436,174	\$ 7,863,615	\$ 18,300,969

Department Review: Parks & Recreation

Park Maintenance

The FY 2023 Proposed Budget includes a total addition of 17.00 FTEs and approximately \$2.5 million in expenses (of which approximately \$1.1 million are one-time costs primarily related to vehicle and equipment purchases) for park maintenance activities, including:

- 10.00 FTEs and \$1.7 million in expenses (of which \$777,000 are one-time costs) for additional specialty maintenance staffing to primarily address needs generated by new parks;
- 4.00 FTEs and \$473,000 in expenses (\$168,000 one-time) to re-institute the Balboa Park Maintenance Special Projects Unit which will focus on special projects in Balboa Park such as the restoration of gardens and planters; and
- 3.00 FTEs and \$336,000 in expenses (\$115,000 one-time) to maintain and repair Dusty Rhodes Neighborhood Park and Dog Park.

Sidewalk/Street Vending Ordinance

The FY 2023 Proposed Budget includes 27.00 FTEs and \$1.3 million in expenses related to the Sidewalk/Street Vending Ordinance that was approved by the Council in early-March. The new positions primarily consist of 13.00 Park Rangers to conduct education and enforcement activities in park areas and 11.00 Grounds Maintained Worker 2's to address increased trash generated by sidewalk vending.

No sidewalk permit revenue is included in the Proposed Budget to offset new expenditures associated with the Sidewalk Vending Ordinance, including those for the Parks and Recreation Department. The Office of the City Treasurer is planning to bring an item for City Council consideration in mid-May 2022 to establish permit fees. An associated revenue adjustment based on proposed permit fees is anticipated to be included in the May Revision.

Conversion of Hourly Positions

The Department has faced significant challenges with respect to hiring and retaining hourly positions at city pools and recreation centers, including recreation aides, recreation leaders, pool guards, and swimming pool managers-hourly. As of February 2022, the Department had approximately 130 FTEs vacant, and staff turnover rates remain higher than normal. These challenges have caused significant operational impacts, which in some cases has resulted in reduced hours and facility closures.

While the Department has been relatively successful with keeping recreation centers open for their scheduled hours by shuffling hourly employees from other sites across the park system, it has required significant effort to match the desired work schedules of hourly employees with coverage deficiencies at recreation centers. At the City's swimming pools, the same staffing difficulties exist, but are further compounded given the necessary training and certifications required for pool guards which has resulted in impacts to pool operating hours.

For these reasons, the Department is proposing a staffing reorganization that would convert 19.35 FTE Hourly positions to 30.00 part-time benefitted positions, a net increase of 10.65 FTEs and \$912,000. The Department believes that this change will improve recruitment similar to the positive impact that the Library Department experienced with their hourly staffing reorganization. Additionally, the change to benefitted positions will allow the Department increased flexibility when determining staffing assignments which provides greater stability in terms of operating hours. The Department does not anticipate any additional impacts to operations while the conversion/hiring process is being conducted.

Department Review: Parks & Recreation

Other Significant Budget Adjustments

San Diego Humane Society Dedicated Park Patrols

The FY 2023 Proposed budget includes \$350,000 in ongoing non-personnel expenditures for the San Diego Human Society to conduct education and enforcement patrols with respect to illegal off-leash dog activities at City parks and Joint Use sites in violation of the Municipal Code.

Relatedly, we note that the Department is in the process of expanding the number of off-leash dog parks south of the 8 Freeway in an effort to offer legal alternatives. Currently, there are four sites in various stages of planning.

Addition of Support Staff

The FY 2023 Proposed Budget includes 3.00 FTEs and \$348,000 in expenses (of which \$75,000 is one-time) for various positions necessary to support the Department's increased field staffing levels. The positions include 1.00 Payroll Supervisor, 1.00 Administrative Aide 2, and 1.00 District Manager.

Addition of FY 2022 Supplemental Positions

The FY 2023 Proposed Budget includes 19.00 FTEs and \$2.3 million in expenses (of which approximately \$114,000 is one-time) for supplemental positions that were added during FY 2022. Three of these positions, including 1.00 Assistant Director and 2.00 Program Managers were exempted from classified service on January 11, 2022

Significant Revenue Changes

The FY 2023 Proposed Budget includes a \$17.0 million increase in reimbursable revenue from the TOT Fund and a \$1.9 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 expected to increase to 520 acres with existing funding.
- The maintenance of, or an increase to, Parks and Recreation services, including Recreation Center hours and programming, park maintenance, and Park Ranger Staffing: Recreation Center hours and programming are maintained, funding for park maintenance is increased by \$2.5 million (previously discussed), and Park Ranger staffing has increased by 19.00 FTEs, including 13.00 related to the Sidewalk Vending Ordinance and 6.00 FTEs that were added as supplemental positions during FY 2022.
- The continuation and expansion of the newly created Youth Environmental/Recreational Corp Program: this Program is continuing with the inclusion of 7.50 FTEs and approximately \$250,000 in the FY 2023 Proposed Budget.

Performance Measures

As reflected in the table below, many of the Department's Key Performance Indicators were significantly impacted in FY 2022 due to staffing shortages, including Recreation Center operating hours and the number of aquatic users. As discussed earlier in this report, the

Performance Measure	Actual FY 2021	Target FY 2022	Estimated FY 2022	Target FY 2023
Number of aquatic users	28,006	285,000	41,000	285,000
Number of hours of operation of recreation centers	0	172,432	145,891	172,432
Percentage of acres of brush management	91%	95%	95%	95%

Department Review: Parks & Recreation

Department is proposing a staffing reorganization that would convert many of its hourly positions, which have been difficult to hire and retain, to benefitted part-time positions in an effort to improve this issue.

An area of interest to the Council where the Department is projected to meet their goal is brush management.

Environmental Growth Fund

The Environmental Growth Funds (EGFs) are projected to receive approximately \$20.2 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 \$3.6 million from the FY 2022 Adopted Budget given the increase of projected franchise fees from SDG&E.

We note that the EGFs should have also been allocated its one-quarter share of SDG&E's bid payment in the FY 2023 Proposed Budget equating to \$2.7 million that was erroneously withheld; this correction is expected to occur in the May Revision. Additional information related to the allocation of SDG&E's bid payment and contribution to the Climate Equity Fund, 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 allow up to two-thirds of revenues to 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 2023, a total of \$15.5 million is being transferred to the Parks and Recreation General Fund budget, an increase of \$1.9 million from FY 2022. 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 2023 Proposed Budget for the Golf Course Fund totals \$21.4 million, representing an increase of approximately \$581,000 over the FY 2022 Adopted Budget. Golf Fund revenues total \$23.5 million, which is an increase of \$2.6 million from FY 2022 based on increased user fees.

Significant Budget Additions

The FY 2023 Proposed Budget includes the following significant expenditures additions:

- 6.00 FTEs and \$403,000 in associated personnel expenditures to meet demands for turf maintenance given the increased activity on the City's golf courses.
- \$217,500 for various golf course supplies and contracts.

Performance and Analytics

Impacts of Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Performance and Analytics Department is approximately \$5.1 million, which is \$304,000 or 6.3% increase from the FY 2022 Adopted Budget. Staffing levels increased from 15.00 FTE positions in FY 2022 to 16.00 FTE in FY 2023.

Significant Budget Additions

Program Coordinator to support Get It Done

In FY 2021 the Department launched a major update to Get It Done which included Spanish language support. They worked to integrate Parks & Recreation into the Get It Done system to handle and track work requests related to park maintenance. The FY 2023 Proposed Budget, includes the addition of Program Coordinator and \$143,000 in associated expenditure to continue to support the expansion of the Get It Done app. This app is used by community members to report on non-emergency issues occurring in the City of San Diego.

Pay Equity Study

The Proposed Budget for FY 2023 includes \$250,000 in funds carried over from Fiscal Year 2022 to continue development of a Pay Equity Study. The Pay Equity Study is used to

identify and attempt to mitigate issues related to gender and racial-and-ethnic pay gaps among City of San Diego employees. The FY 2022 Adopted Budget included \$250,000 for a Pay Equity Study; of that amount, non have been expended. The Department wants to carry over the \$250,000 from FY 2022; however, of that amount only \$150,000 have been included in the FY 2023 Proposed Budget, the \$100,000 remaining will be included in the May revise.

Issues for Council Consideration

Unfunded Requests

Program Coordinator for Customer Experience (CX)

The Department requested 1.00 Program Coordinator position to support City's customer experience (CX) efforts. This position was not included in the FY 2023 Proposed Budget, but the Department indicates that it will be requested in the May Revise. The position would allow for system oversight, training, customer service, data governance, advanced analytics, and performance level tracking that will help ensure the City exceeds customer experience and service level objectives.

SUMMARY OF PERFORMANCE AND ANALYTICS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	15.00	\$ 2,376,332	\$ 2,457,925	\$ 4,834,257	\$ -
Programmatic Changes					
<i>Add: Get It Done Program Coordinator</i>	1.00	143,467	-	143,467	-
<i>Continuation of Pay Equity Study</i>	-	-	150,000	150,000	-
Other Budget Adjustments					
<i>Information Technology Costs</i>	-	-	(60,511)	(60,511)	-
<i>Salary and Fring Benefit Adjustments</i>	-	251,677	-	251,677	-
<i>One-Time Additions and Annualizations</i>	-	-	(250,000)	(250,000)	-
<i>Non-Discretionary Adjustment</i>	-	-	68,946	68,946	-
FY 2023 Proposed Budget	16.00	\$ 2,771,476	\$ 2,366,360	\$ 5,137,836	\$ -
Difference from 2022 to 2023	1.00	\$ 395,144	\$ (91,565)	\$ 303,579	\$ -

Department Review: Performance and Analytics

Short Term Residential Occupancy (STRO) Program Coordinator

The Department requested 1.00 Program Coordinator that would allow for system oversight, data governance, advanced analytics, and performance level tracking that will help ensure the City meets objectives laid out in the STRO. This position is not included in the FY 2023 Proposed Budget, but the Department indicates it will be included in the May Re-visit.

Other Issues

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 2023 Proposed Budget does not include any assumed revenue from this marketing venture as no sales are pending yet. The department also indicates that the agreement is still on standby in case if any potential customers come up in the fiscal year. The contract in place has no effect on the overall budget.

Department Review: Personnel Department

Personnel Department

Impacts of Mayor’s FY 2023 Budget Proposal

As shown in the table below, the FY 2023 Proposed Budget for the Personnel Department is \$11.2 million, an increase of \$622,000, or 5.9%, from the FY 2022 Adopted Budget. The Department has minimal budgeted revenue. The number of positions is increasing by 1.00 FTE, from 71.99 to 72.99.

FY 2023 Proposed Budget increases include the following:

- 1.00 Payroll Audit Specialist 2 to provide assistance with payroll auditing and COVID-19 vaccination verification for new hires
- \$194,331 increase to salaries and wages that restores half of the 4% budget reduction applied to the Personnel Department beginning FY 2021 (Due to declining revenues from COVID-19, 4% budget reductions applied to most independent departments beginning FY 2021.)

Issues for Council to Consider

Effects of FY 2021/2022 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 expenditures. The Department held six positions vacant during FY 2021 and most of FY 2022 to keep spending in line with the Adopted Budget. The Department has been working to fill these positions; however, it currently has three budgeted positions which are vacant. In total, the Department has 66.00 filled FTEs as compared to its 69.00 budgeted non-hourly positions.

The 4% budget reduction, and resulting hold on filling six vacant positions, has impacted the Department’s key performance measures, specifically the average number of days it takes to issue a certification list of eligible

SUMMARY OF PERSONNEL DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	71.99	\$ 9,436,951	\$ 1,175,961	\$ 10,612,912	\$ 6,200
Programmatic Changes					
<i>Payroll Audit Specialist 2</i>	1.00	77,769	-	77,769	-
<i>Restoration of Half of the 4% Budget Reduction that Began FY 2021</i>	-	194,331	-	194,331	-
Other Changes					
<i>Net Pay-in-Lieu of Annual Leave Increase</i>	-	25,801	-	25,801	-
<i>Hourly Wages</i>	-	5,983	-	5,983	-
<i>Net Other Salaries & Wages Adjustments (incl. merit and other wage increases)</i>	-	262,228	-	262,228	-
<i>Net Other Fringe Benefits Adjustments</i>	-	(35,416)	-	(35,416)	-
<i>Net Non-Discretionary Adjustments</i>	-	-	85,791	85,791	-
<i>Advertising/Promotion Costs for Recruitments</i>	-	-	6,000	6,000	-
<i>Fingerprinting Fee Reduction</i>	-	-	-	-	(810)
FY 2023 Proposed Budget	72.99	\$ 9,967,647	\$ 1,267,752	\$ 11,235,399	\$ 5,390
Difference from 2022 to 2023	1.00	\$ 530,696	\$ 91,791	\$ 622,487	\$ (810)

Department Review: Personnel Department

Performance Measure	Actual FY 2020	Target FY 2021	Actual FY 2021	Target FY 2022	Estimate FY 2022	Target FY 2023
Number of days to issue certification to hiring departments (without recruitment)	11	11	16	12	16	12
Number of days to issue certification to hiring departments when recruitment is required	54	57	74	60	67	60

candidates to hiring departments. The table above shows actual and target timeframes. The Actual FY 2021 average timeframes for issuing certified lists of eligible candidates to hiring departments increased significantly from the FY 2020 Actuals, as shown in the table. There is some anticipated improvement in the FY 2022 Estimate related to issuing certifications when recruitment is required, but not for issuing certifications when no recruitment is required.

Hiring Process Concerns/Additional Funding Needs for Staffing

The hiring and recruitment process is critical to achieving the City’s service levels. City leadership has convened a working group, including multiple stakeholders, offices, and departments, that intends to study hiring process deficiencies and contemplate solutions. Additionally, the Personnel Department has indicated that its current staffing level does not allow for immediate processing of current requests from hiring departments for certified lists of eligible candidates for open positions.

The City needs to determine whether increased Personnel Department staffing is warranted, given the City’s many unfunded needs and limited resources. The Mayor and Councilmembers may wish to discuss appropriate staffing levels for the Department with the Personnel Director to help inform their future budget decisions.

The Personnel Department has informed our Office that they are requesting additional budget adjustments in the May Revision. The requested adjustments include 12.00

additional FTEs, which is a 17% increase in number of standard hour positions as compared to the Proposed Budget. We note that these additional 12.00 positions were not included as budget requests in the initial budget development process. Council may wish to discuss which positions the Personnel Director considers to be most important. The additional budget requests include:

- Restoration of the other half of their 4% budget reduction (\$194,000)
- 1.00 Associate Personnel Analyst to support the Equal Employment Investigations Office
- 1.00 Supervising Personnel Analyst position to supervise a Recruiting Section
- 1.00 Associate Personnel Analyst position to serve as a dedicated Recruiter
- 2.00 Associate Personnel Analyst positions to support the Exam Management Section
- 1.00 Program Coordinator position to manage an Outstation Section
- 1.00 Senior Personnel Analyst position to support the Outstation Section
- 4.00 Associate Personnel Analyst positions to support the Outstation Section
- 1.00 Personnel Assistant II position to support the Certification Section

In addition to the 2.00 FTEs to support the Exam Management Section, the Personnel Department believes that reinstating the Recruitment Section and the Outstation Section will assist hiring departments in filling their

Department Review: Personnel Department

vacancies and help make the hiring process more efficient. The Department has indicated that these two Sections were discontinued about 15 to 20 years ago.

The Recruitment Section would develop recruiting strategies to assist hiring departments, promote employment opportunities for the City, attend job and career fairs to develop a pipeline of candidates, and serve as a point of contact for applicants.

The Outstation Section would provide on-site assistance to hiring departments on a myriad of personnel issues including the development of screening criteria and interview processes, coordinating the screening of candidates and scheduling of interviews, and guiding candidates receiving conditional job offers through the pre-employment process.

Proposed Charter Amendment Regarding Supervision of the Personnel Director

On April 20, 2022, the Rules Committee heard a proposed Charter amendment regarding City employee hiring and recruitment practices. The proposed Charter amendment would remove the Personnel Director from Civil Service Commission supervision, placing him or her under the supervision of the Mayor. The Civil Service Commission would remain as an independent investigative and appellate body.

The Rules Committee forwarded the proposed Charter amendment to the City Council to authorize meet-and-confer with the City's recognized employee organizations over the impacts of this proposal on their members. If, after meet-and-confer, this Charter amendment proposal were to be approved by the Council as a proposed ballot measure, and further, were to be approved by the electorate in November 2022, there would be a new organizational structure.

However, because the proposed Charter amendment does not restructure the Civil Service system, and the work of the Personnel Department would still need to continue, fiscal impacts for FY 2023 will likely be minimal. We anticipate that there would be creation of an Executive Director position to work directly for the Civil Service Commission regarding its independent investigative and appellate functions; and related costs may begin around the second half of FY 2023. If there are structural changes within the Personnel Department, the fiscal impacts would need to be estimated. However, to-date no other structural changes have been proposed.

Further, with respect to the functioning of the Civil Service system, meet-and-confer would be required for changes to Civil Service Rules that impact Civil Service employees, before City Council could approve such changes.

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 2023 Budget Proposal

The FY 2023 Proposed Budget categorizes the Planning Department into three divisions based upon their respective work functions. These divisions are:

- Community Planning & Housing
- Environmental & Public Spaces
- Financial & Administrative Services

Due to varied work functions and multiple funding sources in the Department, the following analysis is organized by funding source.

The FY 2023 Proposed Budget for the Planning Department totals approximately \$17.6 million, an increase of approximately \$977,000 (or 5.9%) from the FY 2022 Adopted Budget. FTEs are budgeted at 78.75, which is an increase of 9.00 FTE positions.

General Fund

The General Fund budget for the Planning Department is approximately \$9.8 million, which is a \$634,000, or a 7.0% increase over the FY 2022 Adopted Budget. FTEs budgeted in the

General Fund are 59.75, which is an increase of 8.00, or 15.5%. General Fund revenues in the Proposed Budget are projected to total approximately \$3.2 million, an increase of \$91,000 (or 3.0%) from the FY 2022 Adopted Budget. This revenue increase is attributable to an anticipated funding transfer from the Facilities Financing Fund of \$91,000 to reimburse half of one Program Manager for activities that will support work on Parks for All of Us implementation.

Parks for All of Us is a City initiative that focuses on addressing park system inequities and prioritizes park investments in areas with the greatest needs.

Significant Budget Adjustments

2.00 FTEs for Parks for All of Us Implementation

The Proposed Budget includes 2.00 FTEs positions (one Program Manager and one Associate Planner) and \$288,000 in expenditures to assist with the implementation of the Parks for All of Us initiative. Activities include leading the Chollas Creek Watershed Regional Parks Master Plan, the Citywide Trails Master Plan, and assessing and identifying areas that have the greatest park needs. About half of the manager’s time will be dedicated to implementing the new Citywide Park Development Impact fee, resulting in \$91,000 from the Facilities Financing Fund.

The Department plans to allocate FY 2022 General Plan Maintenance Fund budget to fund the Chollas Creek Regional Park Master Plan, Citywide Trails Master Plan, and a Parks

SUMMARY OF PLANNING DEPARTMENT BUDGET CHANGES						
Fund	FY 2022 FTEs	FY 2023 FTEs	Change	FY 2022 Expense	FY 2023 Expense	Change
General Fund	51.75	59.75	8.00	9,120,153	9,754,402	634,249
General Plan Maintenance Fund	-	-	-	4,166,000	4,400,000	234,000
Facilities Financing Fund	18.00	19.00	1.00	3,387,023	3,495,477	108,454
Total Combined	69.75	78.75	9.00	\$ 16,673,176	\$ 17,649,879	\$ 976,703

Department Review: Planning

Needs Index.

2.00 FTEs for California Coastal Commission Support and funding for one position at Commission

The Proposed Budget includes 2.00 FTEs (one Supervising Development Project Manager and one new Associate Planner) and \$243,000 to expedite the City’s Local Coastal Program amendments through the California Coastal Commission (CCC) for certification so that the City’s policies can go into effect in the Coastal Zone. The positions are intended to increase communication and coordination with CCC staff and will provide needed information on an expedited basis to help streamline the process.

This adjustment also includes an additional \$50,000 in NPE to support funding a position at the CCC, which is on top of \$100,000 that is included in the base budget, for a total of \$150,000. We note that although \$100,000 was provided in the FY 2022 budget for this purpose, it was determined that additional funding would be needed to fund the position.

According to the Department, the current process takes as long as 15 to 27 months between obtaining CCC and City Council approvals, resulting in initiatives that have long been approved by Council and are in effect Citywide, except for the Coastal Zone.

2.00 FTEs to create Equitable Public Engagement Program

The Proposed Budget includes 2.00 FTEs (one Senior Planner and one Associate Planner) positions and \$222,000 to support an Equitable Public Engagement Program to improve input gathering for department initiatives. The focus will be particularly in communities that have historically experienced barriers to public participation. The goal of the program is to ensure that initiatives represent the population’s demographics. Staff plan to provide increased translation and interpretation services and develop a new digital application for public engagement. We note that increased translation services was a budget priority supported by a majority of Councilmembers for the FY 2023 budget.

1.00 FTE Chief Resiliency Officer

The Proposed Budget includes 1.00 FTE Program Manager and \$173,000 to be the Chief Resiliency Officer to manage the implementation of Climate Resilient SD. Climate Resilient SD is a plan to prepare for, respond to, and recover from a changing climate. The position will also be responsible for monitoring and updates to the plan. This is also a budget priority of a majority of Councilmembers.

1.00 FTE to restore CEQA Support

This adjustment restores 1.00 FTE Associate

SUMMARY OF PLANNING DEPARTMENT GENERAL FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	51.75	\$ 7,943,428	\$ 1,176,725	\$ 9,120,153	\$ 3,081,120
Programmatic Changes					
<i>Parks for All of Us Implementation</i>	2.00	287,783	-	287,783	91,061
<i>California Coastal Commission Support</i>	2.00	242,612	50,000	292,612	-
<i>Equitable Public Engagement Program</i>	2.00	222,484	-	222,484	-
<i>Chief Resiliency Officer</i>	1.00	172,687	-	172,687	-
<i>Restoration of CEQA Position</i>	1.00	104,372	-	104,372	-
<i>GIS Position</i>	-	(8,143)	-	(8,143)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	(307,875)	-	(307,875)	-
<i>Information Technology Adjustments</i>	-	-	(98,577)	(98,577)	-
<i>Other Adjustments</i>	-	-	(31,094)	(31,094)	-
FY 2023 Proposed Budget	59.75	\$ 8,657,348	\$ 1,097,054	\$ 9,754,402	\$ 3,172,181
Difference from 2022 to 2023	8.00	\$ 713,920	\$ (79,671)	\$ 634,249	\$ 91,061

Department Review: Planning

Planner and \$104,000 that was removed from the budget in FY 2021. The position will provide increased capacity for several activities including the advancement of environmental initiatives, like the Climate Action Plan and environmental review of actions to ensure compliance with the California Environmental Quality Act across all City Departments and Council offices.

Geographical Information System (GIS) support

The Proposed Budget includes the reduction of 1.00 FTE vacant Principal Engineering Aid and the addition of 1.00 GIS Analyst IV to align better with the needs of the Department. This position would coordinate and oversee the acquisition and implementation of numerous GIS applications and systems for City and public use.

Unfunded Requests

The Department had several unfunded requests, such as:

- 1.00 FTE and \$104,000 to support Community Planning Group reform.
- 1.00 supplemental FTE to assist with managing fiscal and administrative operations. Staff indicate that this position will be requested in the May Revise.

Issues for Council Consideration

Community Plan Updates

The Department's current work plan can be found on [the Planning Department's website](#). The workplan currently specifies five community plan updates, as shown below.

COMMUNITY PLAN WORK SCHEDULE	
Community	Target Completion
Clairemont Mesa	2022
College Area	2023
Hillcrest Focused Plan Amendment	2023
Mira Mesa	2022
University	2023

General Plan Maintenance Fund (GPMF)

The FY 2023 Proposed Budget for the GPMF includes \$4.4 million in expenditures, which is an increase of \$234,000 from the FY 2022 Adopted Budget. The increase in expenditures is associated with planned work on Community Plan Updates scheduled for FY 2023. Revenues in the FY 2022 Proposed Budget for the GPMF remain flat at \$3.4 million.

Included in the GPMF budget is \$1.0 million in one-time expenses (anticipated carry-forward balance) to continue to support the Department's workplan and support Community Plan Updates.

Facilities Financing Fund

The vast majority of revenues in the Facilities Financing Fund are generated by staff charges to each development impact fee account to support the administration of the program.

The FY 2023 Proposed Budget totals approximately \$3.5 million for the Facilities Financing Fund, which represents an increase of \$108,000 from FY 2022, or 3.2%. FTEs supported by the Facilities Financing Fund are budgeted at 19.00, which is an increase of one position. The increase in expenditures is mostly due to an additional \$91,000 being budgeted to reimburse the General Fund for work on implementing the Parks for All of Us initiative and to work on revising the Development Impact Fee program. FY 2023 revenues for the Facilities Financing Fund are budgeted at \$3.4 million, an increase of \$43,000 (or 1.3%) over FY 2022.

Department Review: Police

Police

Impacts of the Mayor’s FY 2023 Budget Proposal

The FY 2023 Proposed Budget for the Police Department is approximately \$584.2 million for the General Fund, a reduction of \$9.1 million or 1.5% from the FY 2022 Adopted Budget. This reduction in budgeted expenditures for the Police Department is primarily due to reduced pension costs related to the overall reduction in the City’s FY 2023 Pension ADC that is discussed in this report’s Key Citywide Issues: Pension section.

The Proposed Budget includes 2,657.14 FTEs, which is an increase of 23.00 FTEs. Budgeted revenue totaling \$53.2 million represents an increase of \$11.8 million from FY 2022.

Proposed changes to the Police Department budget include the addition of civilian positions to support enhanced parking enforcement, increased overtime for CleanSD activities and scooter enforcement, and the restoration of overtime that was reduced in FY 2022.

The FY 2023 Proposed Budget does not include any service cuts to the Police Department.

Parking Enforcement

The FY 2023 Proposed Budget adds a total of 23.00 FTEs (civilian) and \$2.9 million in expenditures related to the enforcement of parking zones and 72-Hour parking violations.

Parking Zone Enforcement

The majority of this increase, consisting of 20.00 FTEs and \$2.4 million (of which \$936,000 is one-time), is for additional Parking Enforcement staff that would be available to respond to reports of Parking Zone violations submitted through the Get it Done (GID) App. Currently, GID customers are advised via the app that reports are viewed for enforcement Monday- Friday, 7:00 a.m.-5:30 p.m. With this increase, service levels would be changed to 7-days per week, 7:00 a.m.-8:30 p.m. The Department is assuming that it will take approximately six months to fill the new enforcement staff and estimates that \$3.2 million in additional parking ticket revenue will be generated.

72-Hour Parking Violations

3.00 FTEs and \$500,000 in expenditures (of which \$250,000 is one-time) are included in the FY 2023 Proposed Budget to reduce

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	2,634.14	\$ 510,629,912	\$ 82,662,474	\$ 593,292,386	\$ 41,437,423
Programmatic Changes					
<i>Parking Enforcement</i>	23.00	1,724,624	1,222,640	2,947,264	3,150,000
<i>Clean SD Overtime</i>	-	1,034,004	-	1,034,004	-
<i>Restoration of Extension of Shift Overtime</i>	-	1,000,000	-	1,000,000	-
<i>Back to Work SD: No Shots Fired Program</i>	-	-	250,000	250,000	-
<i>Scooter Enforcement (Overtime)</i>	-	149,352	-	149,352	-
<i>One-Time Additions and Annualizations</i>	-	1,034,407	(1,000,000)	34,407	4,390,261
<i>Revised Revenue</i>	-	-	-	-	3,917,404
Other Changes					
<i>Other Salaries & Wages</i>	-	(14,390,074)	-	(14,390,074)	351,637
<i>Rate Increase for Misdemeanor Bookings</i>	-	-	1,445,645	1,445,645	-
<i>Discretionary Information Technology Costs</i>	-	-	250,000	250,000	-
<i>Non-Discretionary Adjustments</i>	-	-	(2,684,399)	(2,684,399)	-
<i>Other Adjustments</i>	-	-	887,795	887,795	-
FY 2023 Proposed Budget	2,657.14	\$ 501,182,225	\$ 83,034,155	\$ 584,216,380	\$ 53,246,725
Difference from 2022 to 2023	23.00	\$ (9,447,687)	\$ 371,681	\$ (9,076,006)	\$ 11,809,302

Department Review: Police

service level response times for addressing complaints of 72-hour parking violations. Current service level response times are between 45-60 days due to a backlog of 5,000 cases. The FY 2023-2027 Outlook assumed the addition of 6.00 FTEs which the Department states would be necessary to respond to complaints in 6 days. While the 3.00 FTEs included in the Proposed Budget will help meet current monthly caseloads, the backlog may not be addressed without additional or reallocated resources.

Police Overtime

The FY 2023 Proposed Budget adds \$5.6 million in overtime expenditures for a total overtime budget of \$36.3 million (all General Fund). The overall increase is attributed to the following:

- \$2.4 million to reflect POA and MEA salary increases;
- \$1.0 million in additional Clean SD overtime to support the Environmental Services Departments proposal to increase illegal encampment abatement response times;
- \$1.0 million restoration of Extension of Shift (Patrol Staffing Backfill) overtime that was reduced in FY 2022;
- \$1.0 million restoration of Special Event overtime that was reduced on a one-time basis in FY 2022; and
- \$147,000 for specialized enforcement related to shared mobility devices (i.e., scooters) in areas of the City that receive a high number of citizen complaints and injury collisions.

The table below compares budgeted overtime with actual overtime expenditures dating back

to FY 2016. With the exception of FY 2021, the Department has exceeded budgeted levels every year. FY 2022 in particular is projected to end significantly over budget by approximately \$6.9 million. As we discussed in IBA Report 22-03 “*IBA Review of the FY 2022 Mid-Year Budget Monitoring Report*,” the Police Department reports that the projected overage in FY 2022 is primarily attributable to a recent rise in violent crime and increased 911 call volumes which have necessitated increased patrol staffing requirements.

According to the Police Department, these trends have largely continued. While the \$1.0 million restoration in Extension of Shift (Patrol Staffing Backfill) is a prudent increase, it may be insufficient, leaving the department without enough budget to cover actual overtime expenditures. The FY 2022 Third Quarter Report, scheduled to be released on May 17, 2022, will contain an updated projection for Police overtime that the Council may wish to consider during FY 2023 budget deliberations.

Back to Work SD: No Shots Fired Program

The FY 2023 Proposed Budget includes \$250,000 in ongoing costs for the No Shots Fired Intervention and Prevention Program that was funded on a one-time basis as a pilot program in FY 2022.

Other Adjustments

The FY 2023 Proposed Budget includes several non-programmatic expenditure adjustments. These include the following:

- \$1.4 million in additional ongoing funding to account for County of San Diego Sheriff rate increases for misdemeanor

Police Overtime - Historical Budget vs. Actuals (in Millions)								
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*	FY 2021*	FY 2022	FY 2023
Budget	\$18.0	\$21.0	\$26.3	\$24.6	\$35.9	\$38.1	\$30.7	\$36.3
Actual	\$25.0	\$26.0	\$29.7	\$31.9	\$44.8	\$37.20	37.6 (Proj)	-
Overage	\$7.0	\$5.0	\$3.4	\$7.3	\$8.9	(\$0.9)	\$6.9	-

* FY 2020 and FY 2021 included \$3.9 million and \$4.3 million, respectively, budgeted in the Seized Asset Fund.

Department Review: Police

bookings;

- \$400,000 for uniform allowances required by the current POA MOU;
- \$250,000 for Computer Aided Dispatch (CAD) upgrades; and
- \$138,000 in one-time funding for the bi-annual promotional examination process required by the POA MOU.

Significant Revenue Changes

The FY 2023 Proposed Budget includes a net revenue increase of \$11.8 million. Aside from \$3.2 million in revenue anticipated from increased parking enforcement activities (discussed earlier), other revenue adjustments included in the FY 2023 Proposed Budget include the following

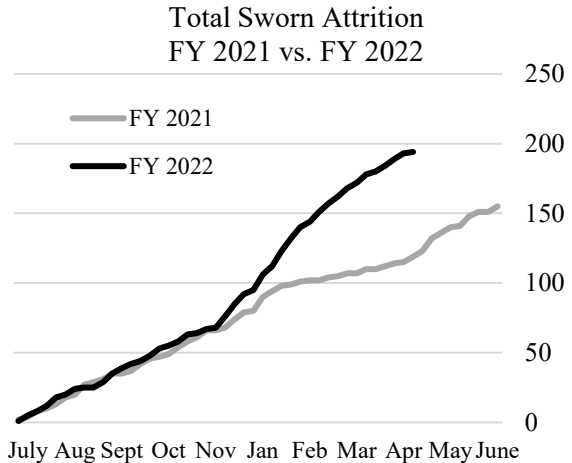
- \$4.4 million net restoration of revenues that were reduced on a one-time basis in FY 2022. This primarily includes revenues from special events and parking citations that were anticipated to be impacted due to COVID-19;
- \$3.3 million increase based on recently approved user fee adjustments; and
- \$689,000 increase in Safety Sales Tax allocation.

Issues for Council Consideration

Officer Recruitment and Retention

As shown in the table below, overall staffing is lower and attrition metrics are higher compared to same time last year. Notably, the overall number of officers departing SDPD is up 67% with an average of nearly 20 officers leaving per month.

Reviewing the pace of sworn attrition over the course of FY 2022 in the chart below, a notable inflexion point occurs in early-December 2021 when the pace of sworn attrition begins to accelerate compared to FY 2021. This time frame appears to correspond with the implementation of the City’s Mandatory COVID-19 Vaccination Policy which went into effect of December 1, 2021.



When asked by our Office, the Department acknowledged that the recent rise in attrition is likely attributable in part to the vaccine mandate. Other factors that were mentioned included service retirements and increased costs of living. Given that some of the factors impacting staffing, such as the vaccine mandate, are more one-time in nature, the Department is anticipating that attrition rates will improve in FY 2023.

Police Academy sizes have remained mostly unchanged at approximately 45-50 recruits per academy, which has mitigated what otherwise would have been a more significant impact to overall sworn staffing levels. With that said, the Department has indicated that they

SDPD – Sworn Staffing and Attrition Comparison		
<i>2,036 Budgeted Officers</i>	As of April 19, 2021	As of April 18, 2022
Staffing Level	1,926 filled	1,889 filled
Total Attrition	115 (12 per month)	193 (19 per month)
Lost to other Agencies	7 (1 per month)	53 (5 per month)
Retirement	54	60

Department Review: Police

have seen a decline in applications for the police academy (2,743 applications in 2021 compared to 3,664 in 2020). For this reason, the Department requested \$75,000 in additional non-personnel expenditures to enhance recruiting efforts, but did not receive funding for this purpose in the FY 2023 Proposed Budget. The Department's Recruiting Unit consists of 1.00 Police Sergeant and 5.00 Police Officers and has a non-personnel expenditure budget of \$50,000 for recruiting efforts .

In the past, the City has offered monetary recruitment incentives for new police hires. Most recently, this included \$400,000 funded on a one-time basis in FY 2020 for the Lateral and Recruitment Incentive Programs which provided lateral hires a \$15,000 incentive, and existing officers a \$3,000 to \$4,000 incentive for successfully referring new police officers to the Department. No such program is funded in the FY 2023 Proposed Budget.

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.

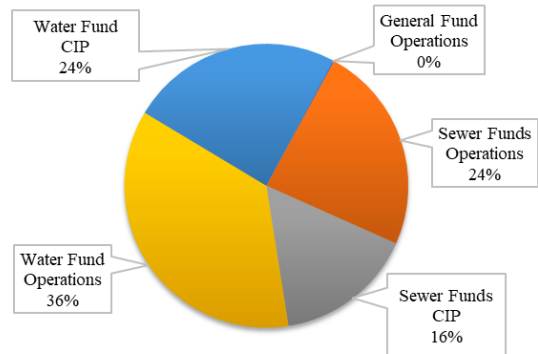
Impacts of Mayor's FY 2023 Budget Proposal

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 2023, the Proposed Operating Budget for all funds combined is approximately \$1,037.5 million, which is an increase of \$38.8 million, or 3.9%, from the FY 2022 Adopted Budget. Positions are increased by 101.61 for a total of 1,893.11 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 2023 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 40% of the Department's proposed budget for FY 2023.

PUBLIC UTILITIES FY 2023 PROPOSED BUDGET



When combined, the operating and CIP components of the Water Fund represent 60% of the Department's total proposed budget and Sewer is 40%. The General Fund, at \$2.6 million, represents less than a percent of the Department's total proposed budget for FY 2023.

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 Department's 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 2023 Proposed Budget for the reservoir recreation program is \$2.6 million, which is an increase of \$219,000, or 9.1%, from the

SUMMARY OF PUBLIC UTILITIES DEPARTMENT OPERATING BUDGET						
Fund	FY 2022 FTE	FY 2023 FTE	Change	FY 2022 Expense	FY 2023 Expense	Change
General Fund	-	-	-	2,396,709	2,615,925	219,216
Sewer Funds	926.83	945.64	18.81	387,660,237	410,601,246	22,941,009
Water Fund	864.67	947.47	82.80	608,741,099	624,259,856	15,518,757
Combined Public Utilities Funds	1,791.50	1,893.11	101.61	\$ 998,798,045	\$ 1,037,477,027	\$ 38,678,982

Department Review: Public Utilities

FY 2022 Adopted Budget. Revenue to support the program is budgeted at approximately \$1.8 million for FY 2023, which represents roughly 68% of the cost of the program. There are no staff budgeted in this program as the General Fund reimburses Water Fund staff for running the program.

Significant Budget Adjustments

The Public Utilities Department is not proposing any significant changes to the programmatic activities at the reservoirs in FY 2023. The only significant addition is \$200,000, which recognizes the increase in staff salaries that are billed from the Water Utility Fund to the General Fund for the staff running the program. There is also a small expenditure increase for the City's contributions to the San Dieguito River Joint Powers Authority (JPA) based on the 2022 required contributions.

For the Department's General Fund revenues, there is a significant increase of \$440,000. This increase is due to the increases in fees for the recreational program that were passed as part of the General Fund comprehensive user fee study. Without this increase, the revenue would be projected to only cover 51% of the cost of the program.

Department-Wide Activities

The table on the top right of this page 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

DEPARTMENT-WIDE ACTIVITIES		
Description	FTE	Expense
Pure Water North City Operations	24.00	\$ 3,596,713
Regulatory Support	12.00	2,339,086
Pure Water Phase 2 Planning	1.00	2,120,084
Customer Service Success	13.00	1,298,047
Water Meter Representatives	12.00	1,031,172
Assistant to the Department Director	1.00	231,946
GIS Support	2.00	200,024
Assistant Deputy Director - Finance	1.00	175,238
Enterprise Asset Management Position	1.00	163,026
Assistant Civil Engineer	1.00	105,796

activities, refer to each fund's table of budget changes later in this section.

For the purposes of review, we will discuss these activities holistically across the department, rather than by fund.

The largest department-wide increase is for additional staff and maintenance costs for the for the operations at the City's Pure Water Phase 1 Treatment facility. The additions include \$3.6 million and 24.00 FTEs for positions to operate the Pure Water Phase 1 Demonstration facility and the expansion of the North City Water Reclamation Plant.

Another significant increase is \$2.3 million and 12.00 FTEs for additional regulatory support positions. These positions mostly include treatment inspectors and chemists that will support the Department's ability to meet enhanced federal regulations under the Clean Water Act, as well as prepare the Department for future permit activities for the Point Loma

SUMMARY OF PUBLIC UTILITIES GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	-	\$ -	\$ 2,396,709	\$ 2,396,709	\$ 1,345,146
Programmatic Changes					
<i>Billable Services Increase</i>	-	-	200,000	200,000	-
<i>San Dieguito River JPA Payment</i>	-	-	13,304	13,304	-
<i>Recreational Fee Increases</i>	-	-	-	-	440,929
Other Changes					
<i>Non-Discretionary Adjustments</i>	-	-	5,912	5,912	-
FY 2023 Proposed Budget	-	\$ -	\$ 2,615,925	\$ 2,615,925	\$ 1,786,075
<i>Difference from 2022 to 2023</i>	-	\$ -	\$ 219,216	\$ 219,216	\$ 440,929

Department Review: Public Utilities

Wastewater Treatment Plant.

The next largest increase is \$2.1 million and 1.00 FTE for Pure Water Phase 2 planning, which includes additional consulting dollars as well as an Associate Civil Engineer position. This position will manage the planning, pre-design and other activities as Pure Water Phase 2 begins to ramp up during the upcoming fiscal year. The Department is already preparing a new request for proposals for a Program Management Consultant similar to the contract that the Department procured for Phase 1, which is anticipated to be released in the summer with a contract brought to Council at the beginning of next year. The current plan for Phase 2 has it becoming operational in 2035, while the current CIP already contains funding to begin the construction of an additional demonstration plant for this phase.

Another significant addition is \$1.3 million and 13.00 FTEs for customer service positions. These positions are designed to enhance and improve the Department's Customer Success efforts and make the Department more resilient to future inquiry volume fluctuations as well as implementing additional state regulations.

The Proposed Budget also contains \$1.0 million and 12.00 FTEs for new water meter field representative positions, as well as \$106,000 and 1.00 FTE for an additional Assistant Civil Engineer position to support the Cross-Connection Control Program. These positions will assist the Department with critical water meter operational needs and will provide adequate support and inventory services that will be required prior to the restart of the Advanced Metering Infrastructure (AMI) program. The Department is currently in the process of designing the AMI program, which includes taking lessons learned from the first effort and developing additional steps to ensure success in the future. These positions are part of that effort to ensure that the Department's inventory of meters and cross connections is up to date

ahead of any AMI implementation.

Other departmentwide additions are mostly administrative management positions. These include:

- \$231,000 and 1.00 FTE for a new Assistant to the Department Director position. This position will be responsible for coordinating various activities across the Department under a one-water view and is designed to be an entry level position. The Department has noted that the salary included for this position is too high for the classification and will need to be adjusted to a more appropriate level, which will happen when the position is hired.
- \$200,000 and 2.00 FTEs for additional GIS support. These positions will perform advanced GIS work for the Department that cannot be done by current staff.
- \$175,000 and 1.00 FTE for a new Assistant Deputy Director for Finance position. This position will focus on interagency billing and cost allocation functions and will allow other positions to focus on other activities of the Finance Division.
- \$175,000 and 1.00 FTE to provide additional support for the Department for the Enterprise Asset Management (EAM) system. This position will conduct additional evaluations and troubleshoot issues with the Department's participation in the program, thereby improving the Department's participation with the EAM program.

Sewer Funds

The FY 2023 Proposed Budget for operating expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals \$410.6 million, which is an increase of \$22.9 million, or 5.9%, from FY 2022. Revenues in the Sewer Funds are budgeted at \$708.0 million, which is an increase of \$98.4 million

Department Review: Public Utilities

from FY 2022 primarily due to various financing actions to support CIP projects. Positions are increased by 18.81 FTE positions to 945.64 FTE positions for FY 2023.

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 2023 budget adjustments that are unique to the sewer system.

The largest adjustment within the Sewer Funds is \$2.3 million for monitoring activities at the Pt. Loma Wastewater Treatment Plant. This funding will allow the Department to monitor cliff erosion near the plant in order to

come up with a comprehensive plan to address the erosion of the road leading to the plant. Subsequently, this plan will need to be cleared with federal agencies before any substantial work can be done on the road. Funding estimates to fix the road will become available as the Department completes its monitoring process and develops a plan.

The next largest addition for the Sewer Funds is \$2.0 million and 3.00 FTEs for a CCTV crew. This crew will conduct quality control checks on televised pipes and perform additional televising functions to monitor hard to reach areas in the non-right-of-way to mitigate and prevent sanitary sewer spills. A large portion of the funding (\$1.8 million) is added on a one-time basis for the purchase of

SUMMARY OF SEWER FUNDS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	926.83	\$ 107,050,751	\$ 280,609,486	\$ 387,660,237	\$ 609,658,780
Programmatic Changes					
<i>Deferred Maintenance at Point Loma Treatment Plant</i>	-	-	2,300,000	2,300,000	-
<i>CCTV Crew</i>	3.00	207,669	1,775,000	1,982,669	-
<i>Regulatory Support*</i>	5.00	644,745	500,000	1,144,745	-
<i>Pure Water Phase 2 Planning*</i>	0.50	60,042	1,000,000	1,060,042	-
<i>Pure Water North City Operations*</i>	5.00	536,240	200,000	736,240	-
<i>Pump Station Vehicles and Gas Detection</i>	-	-	800,000	800,000	-
<i>Customer Service Success*</i>	5.50	428,949	60,680	489,629	-
<i>FY 2022 Supplemental Positions</i>	5.00	486,075	-	486,075	-
<i>Manhole Crew</i>	2.00	124,915	300,000	424,915	-
<i>Bucketing Crew</i>	4.00	261,006	150,000	411,006	-
<i>Water Meter Representatives*</i>	3.60	242,388	97,200	339,588	-
<i>Assistant to the Department Director*</i>	0.53	122,931	-	122,931	-
<i>Energy Production Support</i>	1.00	110,523	-	110,523	-
<i>GIS Support*</i>	1.08	108,014	-	108,014	-
<i>Assistant Deputy Director - Finance*</i>	0.55	96,381	-	96,381	-
<i>Enterprise Asset Management Position*</i>	0.55	89,663	-	89,663	-
<i>Assistant Civil Engineer*</i>	0.36	38,086	-	38,086	-
<i>AMI Restructure</i>	(11.71)	(1,678,870)	79,259	(1,599,611)	-
Other Changes					
<i>Non-Discretionary Adjustments</i>	-	-	16,378,097	16,378,097	-
<i>Other Salary and Benefit Adjustments</i>	(0.14)	4,600,207	-	4,600,207	-
<i>Prop B Trasfer</i>	-	-	497,653	497,653	-
<i>Overtime Reduction</i>	-	(65,000)	-	(65,000)	-
<i>Hourly Position Adjustments</i>	(7.01)	(307,461)	-	(307,461)	-
<i>Various NPE Reductions</i>	-	-	(1,329,885)	(1,329,885)	-
<i>Budgeted Personnel Savings Reduction</i>	-	(1,000,000)	-	(1,000,000)	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(4,973,498)	(4,973,498)	-
<i>Revised Revenue, incl Financing Actions</i>	-	-	-	-	98,359,153
FY 2023 Proposed Budget	945.64	\$ 112,157,254	\$ 298,443,992	\$410,601,246	\$ 708,017,933
Difference from 2022 to 2023	18.81	\$ 5,106,503	\$ 17,834,506	\$ 22,941,009	\$ 98,359,153

* Department-wide activity

Department Review: Public Utilities

equipment, particularly vehicles, and additional positions will be requested next year to fully staff the program.

Other additions within the Sewer Funds include:

- \$800,000 for additional utility trucks with cranes attached and a gas detection system to assist with specialty work at various pump stations.
- \$486,000 and 5.00 FTEs to bring onto the budget supplemental positions that were filled in FY 2022 to support various regulatory requirements and preventative maintenance tasks at pump stations and wastewater facilities.
- \$425,000 and 2.00 FTEs for a manhole inspection crew to address the manhole backlog and implement regular inspections to mitigate spills.
- \$411,000 and 4.00 FTEs for a bucketing crew needed to perform proactive maintenance and clean larger diameter sewage mains to mitigate and prevent spills.
- \$111,000 and 1.00 FTE to manage the Energy Production Program.

Finally, there is one significant reduction of \$1.6 million and 11.71 FTEs to realign expenditures and positions between the Sewer Funds and the Water Fund for the AMI program. This realignment is due to a recent settlement over the cost split for this program which requires a greater share of the program to be funded from the Water Fund than the Sewer Fund. There is a corresponding increase in the Water Fund.

Water Fund

Expenditures in the FY 2023 Proposed Budget for the Water Utility Operating Fund total \$624.3 million, which is an increase of \$15.5 million, or 2.5%, from the FY 2022 operating budget. Revenues in the Water Fund are

proposed at \$1,167.2 million, an increase of \$145.9 million from the FY 2022 Adopted Budget, primarily from additional financing revenues supporting the CIP as well as a true up of water sales estimates. Positions are increased by 82.80 FTE positions to 947.47 FTE positions for FY 2023.

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 2023 budget adjustments that are unique to the water system.

The largest expenditure increase for the Water Fund is the addition of \$4.4 million for dam maintenance funding. This funding will cover a significant amount of work at various dams which the City maintains, and this work will comply with the Division of Dam Safety's request to the City to complete specific maintenance projects. It should be noted that the Department is currently conducting condition assessments on the numerous dams owned and operated by the City, and that there is an expectation that some dams will require extensive repairs or replacement, which could total hundreds of millions if not over a billion dollars. It will be important to monitor the cost estimates for these projects as the condition assessments are completed. **The Council should seek a status update from the Department on the dam condition assessments and the timeline for developing project costs.**

The next largest increase is for \$2.5 million for contractual services to perform various maintenance projects at the three water treatment plants. Of this amount, about \$1.6 million is being added on a one-time basis. These increases are in addition to \$1.7 million and 15.00 FTEs for additional positions at three water treatment plants, bring total additions for the plants up to \$4.2 million in FY 2023.

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Another notable increase in the Water Fund is \$1.5 million and 1.00 FTE related to the replacement of boxes and lids. The additional position will reduce the span of control in order to enhance supervision and the inspection of work done by contractors to ensure work is performed up to City standards, while a significant amount of the funding will go towards those contractors in order to address the 8,100 boxes identified in the backlog by the City Auditor.

Finally, the last significant adjustment is the increase of \$1.6 million and 11.71 FTEs related to the AMI restructure previously

discussed.

Other changes within the Water Fund include:

- \$780,000 and 8.00 FTEs for additional support for potable water pump station operations and maintenance.
- \$500,000 for additional training and the modernization of various aspects of the technical training program for water staff.
- \$421,000 and 11.00 FTEs for additional hourly laborer positions.
- \$320,000 for a new vehicle for the Raw Water Program to provide a vehicle for a

SUMMARY OF WATER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	864.67	\$ 93,447,406	\$ 515,293,693	\$ 608,741,099	\$ 1,021,299,317
Programmatic Changes					
<i>Dam Maintenance</i>	-	-	4,385,500	4,385,500	-
<i>Water Treatment Plant Maintenance</i>	-	-	2,483,275	2,483,275	-
<i>Pure Water North City Operations*</i>	19.00	2,063,208	797,265	2,860,473	-
<i>Water Treatment Plant Positions</i>	15.00	1,682,867	-	1,682,867	-
<i>AMI Restructure</i>	11.71	578,282	1,021,329	1,599,611	-
<i>Boxes & Lids Funding</i>	1.00	109,483	1,400,000	1,509,483	-
<i>Regulatory Support*</i>	7.00	694,341	500,000	1,194,341	-
<i>Pure Water Phase 2 Planning*</i>	0.50	60,042	1,000,000	1,060,042	-
<i>Customer Service Success*</i>	7.50	748,350	60,068	808,418	-
<i>Water Meter Representatives*</i>	8.40	565,584	126,000	691,584	-
<i>Potable Water Support</i>	8.00	779,371	-	779,371	-
<i>Water Training</i>	-	-	500,000	500,000	-
<i>Hourly Laborers</i>	11.00	420,563	-	420,563	-
<i>Raw Water Vehicle</i>	-	-	320,000	320,000	-
<i>Water Tracking Support</i>	-	-	300,000	300,000	-
<i>Reservoir Equipment</i>	-	-	120,000	120,000	-
<i>Assistant to the Department Director*</i>	0.47	109,015	-	109,015	-
<i>GIS Support*</i>	0.92	92,010	-	92,010	-
<i>Water Meter Technician</i>	1.00	90,078	-	90,078	-
<i>Assistant Deputy Director - Finance*</i>	0.45	78,857	-	78,857	-
<i>Enterprise Asset Management Position*</i>	0.45	73,363	-	73,363	-
<i>Assistant Civil Engineer*</i>	0.64	67,710	-	67,710	-
<i>Santa Fe Depot Payment</i>	-	-	13,304	13,304	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	3,685,423	-	3,685,423	-
<i>Non-Discretionary Adjustments</i>	-	-	3,432,601	3,432,601	-
<i>Prop B Transfer</i>	-	-	397,684	397,684	-
<i>Overtime Reduction</i>	-	(35,000)	-	(35,000)	-
<i>Hourly Position Reductions</i>	(10.24)	(430,730)	-	(430,730)	-
<i>Various NPE Reductions</i>	-	-	(4,834,402)	(4,834,402)	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(7,936,684)	(7,936,684)	-
<i>Revenue Adjustments, incl Financing Actions</i>	-	-	-	-	145,853,560
FY 2023 Proposed Budget	947.47	\$ 104,880,223	\$ 519,379,633	\$624,259,856	\$ 1,167,152,877
Difference from 2022 to 2023	82.80	\$ 11,432,817	\$ 4,085,940	\$ 15,518,757	\$ 145,853,560

* 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	945.64	410,601,246	273,935,618	684,536,864	708,017,933
Water Funds	947.47	624,259,856	418,026,792	1,042,286,648	1,167,152,877
Total FY 2022 Proposed Budg	1,893.11	\$ 1,034,861,102	\$ 691,962,410	\$ 1,726,823,512	\$ 1,875,170,810

*Revenues include AB 1600 revenues of \$21.7 million for the Sewer Funds and \$14.5 million for the Water Fund.

team that was not originally provided and to avoid having to continue renting a truck.

- \$300,000 for additional services to improve the ability to track raw water assets and optimize local water usage.
- \$120,000 for three additional work boats that assist with reservoir maintenance.
- \$90,000 and 1.00 FTE for a water meter technician to oversee crews and increase the quality of review of contractor work.
- \$13,000 for the City’s share of the maintenance costs for the Santa Fe Depot.

Issues for Council Consideration

Rate Case/Cost of Service Study

In 2021, the Public Utilities Department underwent the extensive Cost of Service Study (COS) and rate increase process for the wastewater (sewer) portion of the Department. After almost a year of review, including reviews from our Office with the assistance of Stantec, a new COS was approved in September of 2021. This included rate increases ranging from 3.0% to 5.0% from January 1, 2022 through January 1, 2025. These revenue assumptions are included in the FY 2023 Proposed Budget, and the expenditures for the Sewer Funds roughly match what was included in the most recent Five-Year Financial Outlook for the Public Utilities Department (PUD), which was released November 2021.

Initially, the Water COS was also planned for 2021, but has been delayed due to ongoing litigation. This litigation is currently in the appellate phase, and the release of a Water COS is pending the litigation outcome. PUD Staff

estimate that, if the litigation remains on schedule, it could release the Water COS later this calendar year.

As such, the only change to Water Rates was the approval of a 3.0% increase effective January 1, 2022 for increasing costs for water purchased from the San Diego County Water Authority (CWA). Due to this delay, the most recent Outlook for PUD estimated that future water rate increases would range between 6.3% and 6.9% depending on the outcome of the new COS. Just as our Office did for the Sewer COS, we continue to retain Stantec as a consultant to assist our Office with an independent review of the Water COS.

The FY 2023 Proposed Budget for the Water Funds, however, is significantly lower than what was projected in the Outlook, with the primary reason being a decline in the estimated purchases of water from the CWA. In order to not have to spend additional Water Fund dollars, PUD staff is anticipating to draw more water from the City’s reservoirs to offset purchases from CWA to save costs. The local water would be available once staff receives Council approval to change the minimum reservoir level policies, which they anticipate bringing to Council later this year. **PUD Staff should be prepared to comment on the timelines for the reservoir policy level changes as well as the timeline for a Water COS.**

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 2023. The revenue amounts reflected in the previous tables for the Sewer

Department Review: Public Utilities

and Water Funds support both operations and the Public Utilities Department's substantial CIP. The combined revenue for operations and CIP is proposed at \$1.9 billion for FY 2023.

Department Review: Purchasing and Contracting

Purchasing and Contracting

Performance Measure	Target FY 2021	Actual FY 2021	Target FY 2022	Estimated FY 2022	Target FY 2023
Average number of days to award a contract	66	131	80	186	80
Percentage of contracts, based on total dollar value, awarded to Small Local Business Enterprises (SLBEs)	20%	28%	20%	20%	20%
Percentage of purchase orders processed within 10 days	88%	85%	90%	98%	90%
Percentage of on-line Quick Copy services requests processed for production within 1 business day	92%	94%	90%	72%	90%

The Purchasing & Contracting Department oversees transactions for procuring and/or contracting goods and services (including professional services), the procurement of Capital Improvement Program (CIP) construction contracts, minor repairs, and associated professional consulting services, as well as contract management functions to ensure that contracts are meeting the City's needs. It also manages the centralized advertising and award of all contracts for goods, services, and public works.

In addition, the Department manages the Central Stores, Equal Opportunity Contracting (EOC) Program, and Publishing Services programs, as well as overseeing the City's Animal Services contract.

Key departmental goals include:

- Providing quality goods and services in a fiscally responsible manner.
- Ensuring equality, non-discrimination, and compliance in the procurement of City contracts.
- Using best practices in the delivery of procured goods and services.

KPIs to measure progress toward these goals are shown in the table above. The Department is significantly over the FY 2022 target for the

number of days to award a contract. Department officials told us this is due to vacancies, Pandemic-related issues, and receiving more bid protests which take a longer time to resolve.

Impacts of Mayor's FY 2023 Budget Proposal

The Purchasing & Contracting Department's proposed budget for FY 2023 totals approximately \$33.8 million, as shown in the table below. This reflects an increase of \$5.4 million, or 19.0%. This increase is primarily due to transferring in the Public Works Contract Division from Engineering & Capital Projects (E&CP) with 19.00 FTE positions and \$2.7 million, as well as the addition of the Animal Services contract of \$1.4 million. These additions are made under the Department's General Fund budget, as shown in the table on the next page.

General Fund

The FY 2023 Proposed Budget for the Purchasing & Contracting Department's General Fund activities is approximately \$24.7 million and includes funds for Purchasing &

SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES						
Fund	FY 2022 FTE	FY 2023 FTE	Change	FY 2022 Expense	FY 2023 Expense	Change
General Fund						
Purchasing & Contracting	32.00	51.00	19.00	18,269,757	22,765,100	4,495,343
Equal Opportunity Contracting	11.00	12.00	1.00	\$ 994,267	\$ 1,952,392	958,125
Central Stores Fund	20.00	21.00	1.00	7,375,189	7,371,859	(3,330)
Publishing Services Fund	8.00	8.00	-	1,765,259	1,707,569	(57,690)
Total Combined	71.00	92.00	21.00	\$ 28,404,472	\$ 33,796,920	\$ 5,392,448

Department Review: Purchasing and Contracting

SUMMARY OF PURCHASING & CONTRACTING GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	43.00	\$ 4,888,363	\$ 14,375,661	\$ 19,264,024	\$ 175,254
Programmatic Changes					
<i>Transfer of Public Works Contracts Division from E&CP</i>	19.00	2,610,273	57,288	2,667,561	1,633,363
<i>Addition to Animal Services Contract</i>	-	-	1,428,603	1,428,603	-
<i>Small Business Bonding Assistance</i>	-	-	500,000	500,000	-
<i>Small Business Technical Assistance</i>	-	-	350,000	350,000	-
<i>Additional of Positions for the EOC Program (1.0 Program Coordinator and 1.0 Administrative Aide 1)</i>	2.00	189,955	-	189,955	-
<i>Transferr of Prevailing Wage Personnel to the Compliance Department</i>	(1.00)	(108,410)	-	(108,410)	-
Other Changes					
<i>Salary & Fringe Benefit Adjustments</i>	-	644,312	-	644,312	-
<i>Information Technology Adjustments</i>	-	-	(21,735)	(21,735)	-
<i>One-time Additions and Annualizations</i>	-	-	(150,000)	(150,000)	-
<i>Non-Discretionary Adjustments</i>	-	-	(46,818)	(46,818)	-
FY 2023 Proposed Budget	63.00	\$ 8,224,493	\$ 16,492,999	\$ 24,717,492	\$ 1,808,617
Difference from 2022 to 2023	20.00	\$ 3,336,130	\$ 2,117,338	\$ 5,453,468	\$ 1,633,363

Contracting and the EOC Program. This is an increase of \$5.5 million or 28.3% from the FY 2022 Adopted Budget. The Department's General Fund budget has a proposed transfer of 1.00 FTE position and \$108,000 for the Prevailing Wage program to the Compliance Department, which was created in FY 2022 to consolidate various compliance related programs.¹ The FY 2023 Proposed Budget also transfers 14.00 FTE positions for the Prevailing Wage program from E&CP to the Compliance Department.

Consolidation of Procurement Functions into the Purchasing & Contracting Department

The FY 2023 Proposed Budget transfers in the Public Works contracts program from E&CP to Purchasing & Contracting will centralize procurement functions for the City. Centralizing this function is intended to help the City be more consistent with contracts, the contract award process, and ensuring compliance with requirements. The function and reporting structure was transferred to Purchasing & Contracting in FY 2022. The FY 2023 action transfers the budget, including 19.00 FTE positions and \$2.7 million in expenses, and approximately \$1.6 million in related revenue.

We found that the correct revenue transferred in should be \$2.2 million. This was transferred into the Compliance Department by mistake, and the Department of Finance told us this technical error will be corrected in the May Revise or FY 2023 Adopted Budget.

Additional Funds for Animal Services Contract

The FY 2023 Proposed Budget includes an addition of \$1.4 million in non-personnel expenditures to support the Animal Services contract, including a spay/neuter voucher program, per the agreement approved by City Council on December 17, 2019. Amendment 2 of the Animal Services contract (RR-312803) provides for annual adjustments based on the Consumer Price Index (San Diego Area, for all urban customers) to a maximum of 5% (or the annual Living Wage increase) each year on July, 1 beginning in FY 2021. The amount requested also includes a one-time/approval for needed costs such as deferred maintenance and unanticipated costs associated with Animal Services.

Additional Staff for the EOC Program

The FY 2023 Proposed Budget includes the addition of 1.00 Program Coordinator and

¹ In their Budget Priorities for FY 2022, City Council called for the creation of an Office of Labor Standards Enforcement, 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.

Department Review: Purchasing and Contracting

SUMMARY OF CENTRAL STORES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	20.00	\$ 1,569,981	\$ 5,805,208	\$ 7,375,189	\$ 7,478,415
Programmatic Changes					
<i>Store Room Support</i>	1.00	157,808		157,808	
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	(210,289)	-	(210,289)	-
<i>Information Technology Adjustments</i>	-	-	(10,638)	(10,638)	-
<i>Non-Discretionary Adjustments</i>	-	-	59,789	59,789	-
<i>One-time Additions and Annualizations</i>	-	-	-	-	123,088
<i>Revised Revenue</i>	-	-	-	-	73,516
FY 2023 Proposed Budget	21.00	\$ 1,517,500	\$ 5,854,359	\$ 7,371,859	\$ 7,675,019
Difference from 2022 to 2023	1.00	\$ (52,481)	\$ 49,151	\$ (3,330)	\$ 196,604

1.00 Administrative Aide 1 to support the EOC Program. Given that the Program has been chronically understaffed (as discussed in *Issues for Council to Consider* later in this section), these positions are intended to support the EOC Program Manager to offload some responsibilities and potentially provide additional bandwidth to enable proactive compliance reviews. These reviews would be conducted in cases where a firm shows underrepresentation in its Equal Employment Opportunity (EEO) Plan to see if what the firm provided is actually being realized.

Disparity Study Recommendations for Small Business Assistance

The City conducted a [Disparity Study](#) in 2020 which notes disparities within several ethnic and gender groups in the City’s contracts for construction, professional services, and goods and services. The report also makes recommendations on ways to increase participation by minority- and woman-owned businesses. Based on the recommendations and implementation plan, the FY 2023 Proposed Budget adds non-personnel expenditures for two small business assistance programs:

- Bonding Assistance – Addition of \$500,000 in non-personnel expenditures to support a bonding assistance program for the City. This program is intended to assist small businesses obtain bid, payment, and performance bonds in order to participate in City of San Diego contracts, as well as help these businesses increase their bonding capacity.

- Technical Assistance – Addition of \$350,000 in non-personnel expenditures to implement a technical assistance program for the City. This program is intended to help provide equitable access to resources and support related to contracting. Assistance could include areas such as understanding wage requirements, accounting, business certifications, bid submission, and complex regulations.

Central Stores

The Central Stores Fund has a proposed FY 2023 budget of \$7.4 million, as shown in the table above. This is a decrease of approximately \$3,000, or 0.05%, from the FY 2022 Adopted Budget. Revenue is also increased by approximately \$197,000.

The FY 2023 Proposed Budget adds 1.00 FTE position over the prior year budget, bringing the total to 21.00 FTE positions. This is for the addition of 1.00 Program Manager and \$158,000 in related personnel expenses in to help expand Central Stores services.

Publishing Services

The FY 2023 Proposed Budget for the Publishing Services Fund is \$1.7 million with approximately \$1.6 million in revenue and 8.00 FTE positions, as shown in the table on the next page. This is a decrease of \$58,000, or 3.3%, in expenditures from the FY 2022 Budget. There are no programmatic changes

Department Review: Purchasing and Contracting

SUMMARY OF PUBLISHING SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	8.00	\$ 637,007	\$ 1,128,252	\$ 1,765,259	\$ 1,640,551
Programmatic Changes					
<i>None</i>	-	-	-	-	-
Other Changes					
<i>Salary and Fringe Benefit Adjustments</i>	-	(34,226)	-	(34,226)	-
<i>Non-Discretionary Adjustment</i>	-	-	(30,267)	(30,267)	-
<i>Information Technology Adjustment</i>	-	-	6,803	6,803	-
FY 2023 Proposed Budget	8.00	\$ 602,781	\$ 1,104,788	\$ 1,707,569	\$ 1,640,551
<i>Difference from 2022 to 2023</i>	-	\$ (34,226)	\$ (23,464)	\$ (57,690)	\$ -

to the Publishing Services proposed budget for FY 2023.

Issues for Council Consideration

Departmental Vacancies

Purchasing & Contracting continues to experience a high number of vacancies and difficulties filling positions. Department officials told us recruiting to fill these vacancies is one of their biggest challenges. The Department currently has 22.00 vacancies out of 92.00 budgeted positions, or 24.0%, as shown in the table below. Officials told us the Department has not been able to fill key vacant positions primarily due to challenges competing for qualified staff given current City salaries and benefits in comparison with equivalent positions in other agencies. The Department also notes the lengthy recruitment process as a significant challenge, with candidates accepting

SUMMARY OF VACANCIES	
Job Classification	Vacancies
Account Clerk	1.00
Admin Aide	1.00
Associate Analyst	1.00
Auto Messengers	2.00
Contract Specialist	4.00
Graphic Designer	1.00
Manager	1.00
Program Manager	1.00
Senior Contract Specialist	1.00
Senior Management Analyst	5.00
Senior Offset Press Operator	1.00
Senior Procurement Contracting Officer	1.00
Storekeeper I	1.00
Supervising Management Analyst	1.00
Total	22.00

other job offers before the process is completed.

In particular, the EOC Program continues to have challenges filling vacancies, and currently has only 5.00 of 10.00, or 50.0%, total positions filled. Purchasing & Contracting has identified key reasons for the difficulty attracting and retaining staff, including:

- The positions are currently in the Management Analyst series which is related to budget and finance. Based on Department officials' review of similar groups in other agencies, the actual work that is done in the EOC Program is more related to a Contract Compliance Officer job classification. Purchasing & Contracting is working with the Personnel Department to create a new classification, but this is off cycle for Personnel, and will likely take some time.
- The level of compensation the City currently provides for the Program is also an issue. As part of the job classification assessment, the Department anticipates establishing appropriate compensation that is competitive with other similar agencies.

Filling vacancies is a significant challenge for many, various department. For more information, see the *Vacancies* section in *Key Citywide Issues* earlier in this report.

Pandemic-Related Impacts

While the City is rebounding from the immediate economic impacts of the COVID-19 pandemic, we note that we may still experience long term impacts from supply chain,

Department Review: Purchasing and Contracting

inflation, and potential interest rate increases, which are resulting in overall higher costs for projects and related contract bids. Department officials noted they are still experiencing negative impacts on several fronts.

The impacts include delays to getting materials or supplies, vendors requesting price increases above the standard amount allowable, and impacts to workforce availability. Officials noted they have experienced firsthand the effects of supply chain and inflation with publishing services' inability to obtain certain paper products or ink normally used for printing jobs.

First, regarding contracts, many potential contractors are taking exception to certain City rules, such as limiting annual cost escalation to 5.0%. Firms are subject to volatile conditions with inflation and supply chain delays increasing costs and are often unwilling to take on this risk. Officials told us the City is honoring many exemptions in cases where the contracts are critical for the City, such as for water treatment chemicals.

Publishing Services is also having significant challenges procuring needed materials, including ink cartridges, paper, and envelopes. Items are taking longer to procure and staff often are required to seek alternative qualities, styles, suppliers, etc.

Real Estate & Airport Management

The Department of Real Estate & Airport Management (DREAM) manages the City’s real estate portfolio, including the administration of leases, permits and operating agreements. 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.

DREAM has the following teams:

- 1) Acquisitions Team
- 2) Airport Operations Teams
- 3) Airport Programs/Noise Abatement Team
- 4) Dispositions Team
- 5) Financial and Records Management Team
- 6) Lease Administration Teams
- 7) Municipal Asset Services Team
- 8) Valuations Team

Impacts of Mayor’s FY 2023 Budget Proposal

The table below summarizes the entire DREAM budget. In the FY 2022 Adopted Budget, there were 54.00 FTE positions and expenditures of \$35.0 million. The FY 2023 Proposed Budget for the Department increases FTE positions by 12.00, and total expenditures across all areas by approximately \$2.0 million.

The budgets for each of the Department’s funds are discussed on the following pages.

General Fund

As shown on the table on the next page, the FY 2023 Proposed Budget for the General Fund portion of DREAM is approximately \$7.6 million with 39.00 FTE positions. This is an increase of \$1.6 million in expenditures and 11.00 FTE positions over the FY 2022 Adopted Budget. Several of the positions requested are in response to two audits from the Office of the City Auditor.

General Fund Departmental revenue in the Proposed Budget totals \$55.8 million, which is an increase of \$7.2 million from the FY 2022 Adopted Budget. Additional details on changes to revenue are further discussed in this section.

Significant Budget Additions

Lease Administration Staff and Software System

The Proposed Budget includes the addition of 5.00 FTE Property Agents (of which one is a Supervising Property Agent) and \$877,000 in related costs to assist with clearing the backlog of lease holdovers, rent reviews, and inspections in response to one of the City Auditor’s Office recommendations in its [Performance Audit of the City’s Lease Management Renewal Process](#). According to the audit, the Department has 101 active leases on holdover where the agreement term has ended but the tenant continues to occupy and use the lease premises. Many leases have been held over for over a decade. DREAM indicates that these

SUMMARY OF REAL ESTATE & AIRPORT MANAGEMENT BUDGET CHANGES						
Fund	FY 2022 FTEs	FY 2023 FTEs	Change	FY 2022 Expense	FY 2023 Expense	Change
Real Estate Assets (General Fund)	28.00	39.00	11.00	5,937,492	7,554,395	1,616,903
Airports	23.00	24.00	1.00	8,891,137	9,333,444	442,307
Councourse & Parking Garages	2.00	2.00	-	2,986,908	2,717,758	(269,150)
PETCO Park	1.00	1.00	-	17,221,884	17,403,177	181,293
Total Combined	54.00	66.00	12.00	\$ 35,037,421	\$ 37,008,774	\$ 1,971,353

Department Review: Real Estate & Airport Management

SUMMARY OF REAL ESTATE & AIRPORT MANAGEMENT GENERAL FUND CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	28.00	\$ 4,050,489	\$ 1,887,003	\$ 5,937,492	\$ 48,559,070
Programmatic Changes					
<i>Lease Administration</i>	5.00	489,455	387,500	876,955	-
<i>Acquisition and Disposition</i>	2.00	201,827	5,000	206,827	-
<i>Municipal Assets Section</i>	2.00	191,752	5,000	196,752	-
<i>Appraisal Valuation</i>	1.00	105,951	2,500	108,451	-
<i>Fiscal and Records Manager</i>	1.00	177,573	2,500	180,073	45,212
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	168,581	-	168,581	-
<i>Information Technology Adjustments</i>	-	-	31,979	31,979	-
<i>Other Adjustments</i>	-	-	(152,715)	(152,715)	-
Lease Revenue Adjustments					
<i>Mission Bay Lease Revenue Adjustment</i>	-	-	-	-	3,939,347
<i>Pueblo Lands Lease Revenue Adjustment</i>	-	-	-	-	2,054,168
<i>Revised Surf Camps Revenue</i>	-	-	-	-	262,126
<i>Open Space Revenue</i>	-	-	-	-	231,483
<i>Other Lease Revenue Adjustments</i>	-	-	-	-	704,583
FY 2023 Proposed Budget	39.00	\$ 5,385,628	\$ 2,168,767	\$ 7,554,395	\$ 55,795,989
Difference from 2022 to 2023	11.00	\$ 1,335,139	\$ 281,764	\$ 1,616,903	\$ 7,236,919

positions will address the backlog and allow each agent to manage a more reasonable number of leases.

This request also includes \$375,000 in one-time expenses to cover 75% of the costs of a lease administration software system in response to one of the recommendations by the City Auditor’s Office. The other 25% of the costs would be covered by the Airports Fund. According to staff, the cost estimate is based on a solicitation for the same services done by the Port of San Diego in 2019.

Acquisition and Disposition Section Staff

The Proposed Budget includes 2.00 FTE Property Agent positions and an associated \$207,000 in costs to support the backlog of 50 surplus property declarations.

Municipal Assets Section Staff

The Proposed Budget includes 2.00 FTE Property Agent positions and \$197,000 to support the City’s office space portfolio. Staff indicate that this addition is consistent with a recommendation by the City Auditor’s Office that DREAM lead the management of office needs of the City employees included in the [Performance Audit of the City’s Mayor Building Acquisition Process](#).

Appraisal Valuation

The Proposed Budget includes 1.00 FTE Supervising Property Specialist and \$108,000 to provide more in-house property appraisals as opposed to contracting out those services, which DREAM reports is more expensive.

Fiscal and Records Manager

The Proposed Budget includes 1.00 FTE Program Manager and \$180,000 to improve financial oversight in the department. Three-fourths of this position is funded by the General Fund and the remaining quarter is funded by the Airports Fund.

Lease Revenue

DREAM 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 \$55.8 million in lease revenue, from various sources. That amount is an increase of \$7.2 million from the FY 2022 Adopted Budget. A breakdown of this increase is shown in the “Lease Revenue Adjustments” section of the table above.

Mission Bay and Pueblo Lands lease revenue

Department Review: Real Estate & Airport Management

is largely derived from Sea World and hotel properties, with many leases requiring tenants to pay to the City a percentage of their gross revenue. Those operations have been significantly impacted by the COVID-19 pandemic, with closures and operating at reduced capacity in response to health orders. However, consistent with projections in the FY 2022 Mid-Year Budget Monitoring Report that revenues would come in over budget, there are corresponding increases in lease revenue projected in the FY 2023 Proposed Budget. Of the \$7.2 million projected increase in revenue, \$5.1 million is ongoing and \$2.1 million is one-time. The one-time revenue increase is attributed to rent deferral repayments from various leases.

Finally, it should be noted that the \$3.9 million increase in Mission Bay lease revenue will be transferred to the Mission Bay and Regional Park Improvements Funds, consistent with the City Charter.

Supplemental Positions

Our Office notes that six out of the 11 positions requested in Proposed Budget for DREAM were vacant, unbudgeted positions that were added on a supplemental basis in FY 2022 to address immediate needs. They are being requested for funding for FY 2023. Two positions are associated with lease management, two are associated with addressing the backlog of surplus property declarations, one is related to the City's office space management, and one is providing increased fiscal oversight. These positions were referenced in a larger presentation to the City Council discussing organizational changes to the Department on March 14, 2022.

Unfunded Requests

The Department submitted three requests that were not funded, including:

- \$980,000 in one-time costs for the installation of a Card Access System for various places in the Civic Center Plaza building, which was a request of

the City Attorney's Office.

- \$81,000 for 1.00 FTE Property Agent in Acquisitions and Dispositions to support the backlog of 50 surplus properties.
- \$74,810 for 1.00 FTE Information Systems Analyst to support workload associated with the increase in teleworking.

Issue for Council Consideration

101 Ash Street Building

DREAM continues to provide property management functions for the 101 Ash Street building through a third-party contract.

Airports

Airport Operations is responsible for operations and maintenance of the two City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Airport. Expenditures in the FY 2023 Proposed Budget for both airports total approximately \$9.3 million, which is an increase of \$442,000 from the FY 2022 Adopted Budget. Revenues in the Proposed Budget show an increase of \$300,000, for total revenues of \$7.1 million. FTE positions are budgeted at 24.00 which is an increase of 1.00 FTE. The Airports budget is summarized on the table on the following page.

Significant Budget Additions

Increases in the Airports budget are largely driven by the following:

- 1.00 FTE position and \$66,000 for a second Grounds Maintenance Worker II at Brown Field Municipal Airport.
- \$200,000 for property management services of three large office buildings and retail center at Montgomery-

Department Review: Real Estate & Airport Management

SUMMARY OF AIRPORTS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	23.00	\$ 2,722,496	\$ 6,168,641	\$ 8,891,137	\$ 6,848,553
Programmatic Changes					
<i>Grounds Maintenance Support</i>	1.00	65,721	-	65,721	-
<i>Commercial/Retail Repair and Maintenance</i>	-	-	1,608,400	1,608,400	-
<i>Facility Maintenance</i>	-	-	1,021,000	1,021,000	-
<i>Business Retail Property Management Agreement</i>	-	-	200,000	200,000	-
<i>New Lease Administration Software</i>	-	-	125,000	125,000	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	(50,253)	-	(50,253)	-
<i>Other Adjustments</i>	-	-	116,176	116,176	-
<i>One-Time Additions and Annualizations</i>	-	-	(2,643,737)	(2,643,737)	300,000
FY 2023 Proposed Budget	24.00	\$ 2,737,964	\$ 6,595,480	\$ 9,333,444	\$ 7,148,553
Difference from 2022 to 2023	1.00	\$ 15,468	\$ 426,839	\$ 442,307	\$ 300,000

Gibbs Executive Airport. Currently existing in-house staff are doing this work and according to staff, contracting out will allow staff to address other needs and provide more efficient customer response to tenants.

- \$125,000 in one-time expenses to cover 25% of the costs of a lease administration software system consistent with one of the recommendations by the City Auditor’s Office in its report, [Performance Audit of the City’s Lease Management Renewal Process](#). The remaining costs will be covered by the General Fund, as mentioned earlier.
- One-time expenses of approximately \$2.6 million for facility repair and maintenance.

Concourse & Parking Garages

The FY 2023 Proposed Budget for the Concourse & Parking Garages Operating Fund includes \$2.7 million in expenditures and \$2.5 million in revenues. Both figures are decreases from FY 2022, with expenditures decreasing by \$269,000 and revenues by \$460,000. Decreases are associated with less use of the Parkade and the suspension of public events at the Civic Center Complex as it currently supports a homeless shelter. The

planned expenditure overages will be covered by existing fund balance.

We note that the Homeless Strategies and Solutions Department is budgeted to reimburse the Concourse & Parking Garages Operating Fund by \$600,000 due to operation of the shelter to cover expenses related to electrical, gas, supplies, and maintenance. DREAM is responsible for items such as routine maintenance and security.

PETCO Park

The FY 2023 Proposed Budget for the PETCO Park Fund includes \$17.4 million in expenditures, an increase of approximately \$181,000 from FY 2022 Adopted Budget primarily attributed to an inflationary cost increase for contractual services related to joint ballpark operations between the City and the Padres, LP. Revenues to the Fund are also budgeted to increase by \$180,000. FTE positions for PETCO Park remain flat at 1.00.

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 oversees the City’s insurance program, flexible benefits, 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.¹ The FY 2023 amount budgeted for these fringe

benefits contributions is \$13.4 million, including \$8.9 million from the General Fund (66.1%) and \$4.5 million from non-general fund departments (33.9%).

The \$13.4 million in fringe expenditures from departments are \$732,000 lower than the \$14.1 million in revenue budgeted in the RM Administration Fund. However, budgeted expenditures in the RM Administration Fund total only \$13.2 million, which would be more than supported by the \$13.4 million in budgeted fringe benefits contributions to the Fund.

Further, if there is available fund balance at FY 2022 year-end, it could be used to pay for a portion of FY 2023 expenditures, although Risk Management does not anticipate

SUMMARY OF RISK MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	79.23	\$ 10,468,283	\$ 2,255,854	\$ 12,724,137	\$ 12,084,323
Programmatic Changes					
<i>Adjustment to Revenue (support from citywide fringe contributions to Risk Management)</i>	-	-	-	-	2,057,953
<i>Employee Benefits Division Support</i>	3.00	314,939	5,100	320,039	-
<i>Supervising Claims Representative - Public Liability and Loss Recovery Division</i>	1.00	142,567	1,700	144,267	-
<i>Supervising Claims Representative - Workers' Compensation Division</i>	1.00	126,518	1,700	128,218	-
<i>Payroll Specialist 1</i>	1.00	74,865	1,700	76,565	-
<i>Administrative Aide 2</i>	(1.00)	(73,326)	-	(73,326)	-
<i>Claims Management Licensing Cost Increase</i>	-	-	65,117	65,117	-
<i>Flexible Spending Account Contract Increase</i>	-	-	15,000	15,000	-
Other Changes					
<i>Budgeted PE Savings Increase (a budget decrease)</i>	-	(518,839)	-	(518,839)	-
<i>Pay-in-Lieu of Annual Leave Increase</i>	-	44,724	-	44,724	-
<i>Other Salaries & Wages Adjustments (incl. merit and other wage increases)</i>	-	487,324	-	487,324	-
<i>Net Other Fringe Benefits Adjustments</i>	-	(100,368)	-	(100,368)	-
<i>Net Non-Discretionary Adjustments</i>	-	-	(142,899)	(142,899)	-
<i>Other Adjustments</i>	-	-	-	-	(20,000)
FY 2023 Proposed Budget	84.23	\$ 10,966,687	\$ 2,203,272	\$ 13,169,959	\$ 14,122,276
Difference from 2022 to 2023	5.00	\$ 498,404	\$ (52,582)	\$ 445,822	\$ 2,037,953

¹ 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

significant fund balance for FY 2022 year-end. Updated projections will be provided by Risk Management as part of the Third Quarter Budget Monitoring Report.

Any budget adjustments that need to be made as part of the May Revision will be informed by the updated projections for the Fund, as well as any potential expenditure increases to the May Revision that are discussed in the “Department Requests Not Included in the FY 2023 Proposed Budget” section below.

Impacts of Mayor’s FY 2023 Budget Proposal

The table on the first page of this section presents a summary of budget changes from the FY 2022 Adopted Budget to the FY 2023 Proposed Budget. The number of FTE positions has increased by 5.00, from 79.23 in FY 2022 to 84.23 in FY 2023.

Personnel Expenditures (PE) increases include the addition of the following positions, which although not included in the FY 2022 Adopted Budget, are anticipated to be filled as supplemental positions in FY 2022:

- 3.00 FTEs to support the Employee Benefits Division, including 1.00 Employee Benefits Administrator and 2.00 Employee Benefits Specialist 2s
- 1.00 Supervising Claims Representative for the Public Liability and Loss Recovery Division
- 1.0 Supervising Claims Representative for the Workers’ Compensation Division

Other PE changes include:

- Addition of 1.00 Payroll Specialist 1 to support Department payroll operations

- Reduction of 1.00 Administrative Aide 2 in the Workers’ Compensation Division
- \$519,000 increase in Budgeted PE Savings, which is a budget decrease – This amount may be adjusted in the May Revision based on anticipated vacancy savings for FY 2023.

Note that currently for the Department overall, 12.00 of the 79.00 budgeted non-hourly positions are vacant, a vacancy rate of 15.2%.

Department Requests Not Included in the FY 2023 Proposed Budget

The Department requested 2.00 Program Coordinators (\$284,000 for wages and fringe) to support the Loss Control Team. As part of their responsibilities, these positions would utilize data analytics to identify and mitigate public liability and workers’ compensation risks. They would also provide specialized training for departments. These positions were not funded in the Proposed Budget; but the Department plans to request them in the May Revision.

Additionally, the Department requested a one-time budget increase of \$100,000 for COVID-19 testing support when an outbreak occurs within City operations, which was also not funded in the Proposed Budget. The Department plans to request this adjustment in the May Revision.

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 2023 Budget Proposal

The FY 2023 Proposed Budget for Special Promotional Programs is approximately \$116.6 million, which is an increase of \$32.3 million or 38.3% over the FY 2022 Adopted Budget. Total expenditures from the TOT

Fund include additional transfers of \$3.4 million to support Cultural Affairs and Special Events and Filming Departments, bringing total TOT Fund expenditures to \$120.0 million, as reflected on the table below.

The increases are primarily due to a 38.6% projected increase of transient occupancy tax (TOT) revenue from the FY 2022 Adopted

SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS/TOT FUND BUDGET CHANGES				
	FY 2022 ADOPTED	FY 2023 PROPOSED	CHANGE (\$)	(%)
Revenue				
<i>Transient Occupancy Tax (TOT) - (5.0 cents)</i>	\$ 85,672,705	\$ 116,772,026	\$ 31,099,321	36.3%
<i>Transfer From General Fund</i>	\$ 2,000,000	\$ -	\$ (2,000,000)	-100.0%
<i>Special Events Department</i>	\$ 40,000	\$ 75,000	\$ 35,000	87.5%
<i>Use of Fund Balance</i>	\$ -	\$ 3,200,553	\$ 3,200,553	-
Total Revenue	\$ 87,712,705	\$ 120,047,579	\$ 32,334,874	36.9%
Allocations				
Arts, Culture, and Community Festivals	\$ 9,644,790	\$ 12,728,919	\$ 3,084,129	32.0%
<i>Creative Communities San Diego</i>	942,013	1,195,628	253,615	26.9%
<i>Organizational Support</i>	6,823,965	8,570,350	1,746,385	25.6%
<i>Cultural Affairs Department (Arts & Culture)</i>	1,878,812	2,377,941	499,129	26.6%
<i>ACCF - Mayoral / Council Allocations</i>	-	500,000	500,000	-
<i>Public Art Fund</i>	-	85,000	85,000	0.0%
Capital Improvements	\$ 23,858,023	\$ 23,179,956	\$ (678,067)	-2.8%
<i>Convention Center Debt Service</i>	12,091,993	12,094,581	2,588	0.0%
<i>Mission Bay Park/Balboa Park Imps. Debt Service</i>	1,416,280	733,000	(683,280)	-48.2%
<i>PETCO Park Debt Service</i>	9,288,375	9,291,500	3,125	0.0%
<i>Trolley Extension Reserve Debt Service</i>	1,061,375	1,060,875	(500)	0.0%
Economic Development Programs	\$ 847,200	\$ 1,527,200	\$ 680,000	80.3%
<i>Economic Development Programs (CEDS & EDTS)</i>	-	500,000	500,000	-
<i>Business Expansion, Attraction, and Retention</i>	847,200	847,200	-	0.0%
<i>Other Economic Development Program Admin.</i>	-	180,000	180,000	-
Safety & Maintenance of Visitor-related Facilities	\$ 25,358,097	\$ 33,611,504	\$ 8,253,407	32.5%
<i>Mission Bay Park/Balboa Park Imps. Operations</i>	432,406	445,378	12,972	3.0%
<i>Convention Center</i>	1,235,441	3,904,395	2,668,954	216.0%
<i>PETCO Park Operations</i>	5,053,407	4,935,240	(118,167)	-2.3%
<i>Special Events & Filming Department</i>	1,502,302	1,072,086	(430,216)	-28.6%
<i>Discretionary TOT Support for General Fund Activities</i>	17,134,541	23,254,405	6,119,864	35.7%
TOTAL ALLOCATIONS	\$ 59,708,110	\$ 71,047,579	\$ 11,339,469	19.0%
Additional General Fund Reimbursements				
<i>Reimbursements for Fire-Rescue (Lifeguards)</i>	20,000,000	24,000,000	4,000,000	20.0%
<i>Reimbursements for Parks & Recreation (Tourism Sup.)</i>	8,000,000	25,000,000	17,000,000	212.5%
TOTAL ADDITIONAL GENERAL FUND REIMBURS.	\$ 28,000,000	\$ 49,000,000	\$ 21,000,000	75.0%
TOTAL	\$ 87,708,110	\$ 120,047,579	\$ 32,339,469	36.9%

Department Review: Special Promotional Programs

Budget, as was discussed in our review of Major General Fund Revenues.

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 total amount of non-General Fund TOT revenue budgeted in FY 2023 is \$116.8 million. *We note this is \$2.0 million less than what should actually be budgeted for non-General Fund TOT revenue (\$118.8 million) due to a technical error that DOF plans to correct in the May Revision.*

The expenditure budget displayed in the table on the previous page incorporates allocations that support the FY 2023 proposed operating budget for the Cultural Affairs 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 (\$2.4 million) and Special Events and Filming (\$1.1 million) are different than those indicated in those department's specific budgets (where Cultural Affairs TOT Fund expenditures show as \$2.2 million and Special Events and Filming TOT Fund expenditures show as \$1.1 million). While the combined amount of expenditures here is similar, adjustments are expected to be made in the May Revision to ensure consistency in TOT Fund.

Discretionary TOT to the General Fund

The majority of the revenue from the 1.0 cent of City Council discretionary TOT is

transferred to the General Fund. In FY 2023, this transfer is approximately \$23.3 million, a \$6.1 million increase over the FY 2022 Adopted Budget. The remaining \$500,000 is utilized in the FY 2023 Proposed Budget to restore the Mayoral and Council allocations for Arts, Culture, and Community Festivals which were not included in the FY 2022 Adopted Budget. For FY 2023, the allocation for each office is \$50,000, an increase of \$10,000 per office (\$100,000 total) compared to past practices.

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 2023 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 2023 proposed Arts and Culture funding is approximately \$12.7 million, an increase of \$3.1 million or 32.0% from the FY 2022 Adopted Budget.

Of the \$12.7 million in FY 2023 funding, \$2.4 million is directed in the Proposed Budget to support the Cultural Affairs Department. The remaining \$9.8 million will be allocated to Creative Communities San Diego (CCSD) and Organizational Support Programs (OSP), \$500,000 for Arts, Culture and Community Festivals (Mayoral and Council allocations as previously discussed), and \$85,000 for the Public Arts Fund.

We note that a majority of Councilmembers expressed support for arts and cultural programs in their Budget Priority Memoranda, with a desire to maintain and/or enhance funding for arts programs to at least pre-pandemic levels.

Department Review: Special Promotional Programs

PENNY FOR THE ARTS - BLUEPRINT GOAL: 9.52% OF TOT			
	FY 2020 (Pre-COVID)	FY 2023 PROPOSED	CHANGE
Transient Occupancy Tax Projection (10.5 cents)	\$ 260,304,063	\$ 250,959,331	\$ (9,344,732)
Total Funding for Arts and Culture (inc. Cultural Affairs Dept.)	14,244,323	12,728,919	(1,515,404)
Arts and Culture Funding as a Percent of Citywide TOT Funding	5.47%	5.07%	-0.40%
Penny for the Arts Blueprint Goal (\$, based on goal of 9.52%)	24,780,947	23,891,328	(889,618)
Variance in Budgeted Funding from the Blueprint Goal (\$)	\$ (10,536,624)	\$ (11,162,409)	\$ (625,786)

As illustrated in the table above, overall funding for arts and culture (including operations for the Cultural Affairs Department) prior to the pandemic totaled \$14.2 million in the FY 2020 Adopted Budget, which is approximately \$1.5 million more than what is included in the FY 2023 Proposed Budget. Reflected as a percent of Citywide TOT, arts and culture funding in FY 2020 was 5.47% compared to 5.07% in the Proposed Budget, which equates to a difference of 0.40%, or approximately \$890,000. Should the council wish to increase arts and culture funding up to pre-pandemic levels based on either of these metrics, sufficient TOT Fund balance should be available after DOF makes the technical correction in the May Revise that was discussed earlier. Assuming an increase of \$2.0 million, overall funding for arts and culture as a percent of Citywide TOT would increase to 5.87%.

Additionally, several Councilmembers supported phased increases of funding to arts and cultural programs so that funding would reach a level consistent with the Penny for the Arts Blueprint in four to five years. The “Penny for the Arts” goal is based on a Five-Year Blueprint that was adopted by the City Council on 2012, with a goal of restoring arts and culture funding to 2002 levels, or one cent of the City’s 10.5 cent TOT (approximately 9.52%). To reach this level of funding, an additional \$11.2 million would be required.

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 2023 with available one-time resources.

Economic Development Funding

The FY 2023 proposed funding for Economic Development Programs is approximately \$1.5 million, an increase of \$680,000 from FY 2022. The increase is result of funding restoration for both the Economic Development and Tourism Support (EDTS) and Citywide Economic Development Support (CEDS) programs in the combined amount of \$500,000 and \$180,000 for other economic Development programs.

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 2023 Proposed Budget, the Improvements Fund is budgeted to receive approximately \$445,000 from Special Promotional Programs, which is an increase of approximately \$13,000 from FY 2021.

Additional General Fund Reimbursements

The FY 2023 Proposed Budget includes a transfer of \$49.0 million to General Fund departments as reimbursement for eligible promotional related expenditures. Similar to FY 2022, the two Departments receiving TOT reimbursement are Fire-Rescue (Lifeguards) receiving \$24.0 Million (an increase of \$4.0 million) and Parks & Recreation, receiving \$25.0 million (an increase of \$17.0 million).

Department Review: Stormwater

Stormwater

Impact of the Mayor’s FY 2023 Proposed Budget

The Stormwater Department was proposed for creation in the FY 2021 Proposed Budget. Previously contained within the Transportation & Storm Water Department, Stormwater is responsible for the maintenance and upkeep of storm drains and leads efforts to protect and improve water quality in the City’s waterways and the ocean.

The Proposed Budget for the Department is \$65.8 million, which is an increase of \$14.2 million (27.6%). The total number of positions is 295.00 FTEs, which is an increase of 42.75 FTEs.

Significant Budget Adjustments

CIP Program Ramp-up for WIFIA

The largest budget adjustment is an increase of 15.00 FTEs and \$8.8 million to begin the planning and managing of the Department’s activities as it begins to ramp-up CIP projects in preparation for the new WIFIA Loan. The WIFIA action, which will result in \$733 million in financing for stormwater projects, of which \$359 million will be provided by a low-interest loan from the federal government and \$374 million from other City sources, will

require a significant amount of work in the next fiscal year to properly prepare the Department and City to fully take advantage of this financing opportunity.

The additional funding in the Proposed Budget will allow the Department to develop and finalize four new Watershed Master Plans (two have already been completed) as well as begin to identify and design specific projects to be funded by the WIFIA program. Of the added \$8.8 million, \$5.3 million is for one-time expenditures, including consulting services as well as equipment for new positions. Additionally, about \$0.5 million in revenue will come from the CIP for reimbursable work.

Pump Station Repair and Automation

Another significant increase is 20.00 FTEs and \$4.1 million in expenditures for pump station repair and automation activities. This request will more than double the amount of staff dedicated to pump station maintenance within the Department, and will ensure reliability, safer equipment operation, enhanced motor protection, advanced automated controls and energy cost savings, all while allowing for the replacement and repair of five motors or engines each year by in-house staff.

SUMMARY OF STORMWATER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	252.25	\$ 27,577,199	\$ 23,980,290	\$ 51,557,489	\$ 8,854,600
Programmatic Changes					
<i>CIP Program Ramp-up for WIFIA</i>	15.00	1,543,733	7,284,151	8,827,884	471,305
<i>Pump Station Repair and Automation</i>	20.00	1,955,879	2,180,490	4,136,369	273,568
<i>Street Sweeping Additions</i>	10.00	769,664	3,281,059	4,050,723	1,131,200
<i>Stormwater Education and Outreach</i>	1.00	157,808	1,285,922	1,443,730	-
<i>Hourly Position Adjustment</i>	(3.25)	(105,391)	-	(105,391)	-
<i>Other One-Time Expenses Removal</i>	-	-	(1,264,720)	(1,264,720)	-
<i>Budgeted Personnel Savings Adjustment</i>	-	(1,570,760)	-	(1,570,760)	-
<i>Funding Strategy Consultant Removal</i>	-	-	(2,500,000)	(2,500,000)	-
Other Changes					
<i>Other Salary and Benefit Changes</i>	-	708,324	-	708,324	-
<i>Non-Discretionary Adjustments</i>	-	-	478,101	478,101	-
FY 2023 Proposed Budget	295.00	\$ 31,036,456	\$ 34,725,293	\$ 65,761,749	\$ 10,730,673
Difference from 2022 to 2023	42.75	\$ 3,459,257	\$ 10,745,003	\$ 14,204,260	\$ 1,876,073

Department Review: Stormwater

Performance Measure	Target FY 2021	Actual FY 2021	Target FY 2022	Estimated FY 2022	Target FY 2023
Number of Failed Storm Drain Pipes	0	21	0	N/A	N/A
<i>Miles of storm drain pipe replaced</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>0.75</i>	<i>1.00</i>
Percentage of Progress Towards Achieving the Final Bacteria TMDL Wet Weather Storm Sample Compliance Threshold	86%	88%	87%	TBD	88%
Miles of Streets Swept Annually	117,000	99,879	117,000	N/A	N/A
<i>Planned miles of streets swept annually</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>61,000</i>	<i>61,000</i>
<i>Tons of debris collected from planned street sweeping</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>4,700</i>	<i>4,700</i>

Note: Italicized lines indicate new indicators begun in FY 2022

Funding of almost \$0.3 million is expected from the CIP for eligible work conducted by these in-house crews.

Street Sweeping Additions

The Department is also adding 10.00 FTEs and \$4.1 million for new street sweeping teams and activities. This funding includes enough personnel to provide 6,000 miles of additional street sweeping, sweeping of existing and new planned bike paths, and the conversion of 40 existing, non-posted street sweeping routes to posted routes. Revenue included with this addition comes from the expectation of additional citations. This action will also address findings from the FY 2021 Street Sweeping Audit, including the recommendation to add additional posted routes. It should be noted that in response to the audit, the Department has also updated its Key Performance Indicators for street sweeping, as shown in the table above.

Stormwater Education and Outreach

The Department is also adding one Program Manager position and \$1.4 million to continue and enhance the Department's education and outreach efforts through the Think Blue initiative. This position and associated funding will continue the activities that the Department conducted as part of the Funding Strategy funding measure development, including educating the public on the current backlog of critical and failing assets within the stormwater system, and the importance of properly funding the system in order to reduce flood risk and improve the environment of the City's waterways. Of this amount, \$1.0 million is for additional one-time consulting

services, with the rest of the expenditures anticipated to be ongoing.

Budget Reductions

The largest budget reductions are mainly for the removal of one-time expenditures from the FY 2022 Adopted Budget. The largest of these is \$2.5 million included for the Funding Strategy, which concluded earlier this year. More information on the Funding Strategy is included below.

Other decreases of one-time expenditures included expenditures for new personnel that were added in FY 2022 (\$515,000) as well as one-time expenditures for the Integrated Planning Framework (\$250,000) and the Alternative Compliance Program (\$300,000).

Additionally, there is a large one-time adjustment for Budgeted Personnel Savings of \$1.6 million, based on historical vacancy savings.

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 2023.

The largest request includes 31.00 FTEs and \$15.7 million in funding to establish a new levee maintenance and repair team. Based off of inspections that happened in 2015 and 2017 by various federal authorities, the City must correct hundreds of deficiencies with various levees throughout the City. If the City does not correct these deficiencies, it could lose the

Department Review: Stormwater

ability to have federal assistance through the Federal Rehabilitation Program in the event that a levee fails during an emergency and causes significant damage. Currently, the Department maintains levees in the City with current staff overtime, but without a dedicated team to address the deficiencies and maintain the levees, the City could lose out on its federal emergency coverage.

Another significant unfunded request is for 7.00 FTEs and \$2.7 million in funding for catch basin, green infrastructure, and trash capture teams. These teams would help maintain the growing number of green infrastructure assets for which the Department is responsible, and would also assist the Department in meeting State Trash Policy regulations, which are regulations that require the City to install a number of trash capture devices on a ten-year schedule until 2030. Not funding this request could eventually leave the City in noncompliance with the State Trash Policy as well as the conditions of the Municipal Stormwater Permit.

Additionally, related to the increased inventory of green infrastructure assets as well as businesses which require stormwater inspections, the Department requested 5.00 FTEs and \$1.3 million for additional inspectors to cover the increased inventory of inspections.

The Department also requested \$1.6 million to conduct investigations of polluted sediment and other discharges into the San Diego Bay in response to the San Diego Regional Water Quality Control Board (RWQCB) investigations that have identified the City as the responsible party for several failures. Not providing the funding to investigate and remediate these findings could result in the RWQCB fining the City for noncompliance in an amount of up to \$10,000 per day.

Another unfunded request is for 2.00 FTEs and \$0.2 million to conduct pollutant

discharge inspections and enforcement. The Department is currently out of compliance with the Total Maximum Daily Load (TMDL) requirements for bacteria, and similarly could face fines of up to \$10,000 per day from the RWQCB if it does not come into compliance. These positions would help the Department come into compliance by allowing the Department to conduct proactive enforcement of existing City codes, as opposed to the current situation where the Department's investigations are all 100% reactive. The Department also requested 1.00 FTE and \$0.4 million to improve compliance monitoring for the bacteria TMDL.

Finally, the last unfunded request is for 1.00 FTE and \$0.2 million for an individual that would oversee the Department's Alternative Compliance Program. This program, which is currently being developed by the Department, would assist new development and redevelopment projects in meeting their stormwater treatment requirements by allowing for treatment to occur offsite. However, without this position, the Department will not be able to implement this program even after it has been developed.

Vacancies

The Stormwater Department continues to strive to fill all of its current vacancies, including vacancies that come from the addition of new positions. As of March 31, the Department noted that they have 30 vacant positions out of a total of 252.25 FTEs, which represents about 12% of the Department's positions in FY 2022. In addition, out of the 39 FTEs added in the FY 2022 Adopted Budget, only 6 FTEs remain vacant. In total, the Department has hired 76 positions in the last year. Maintaining these efforts will be key to the success of the additions included in the FY 2023 Proposed Budget, which includes a net new 46.00 FTEs.

When it comes to impediments to hiring, the

Department Review: Stormwater

Department noted two main systemic issues that it would need to address to improve on their performance and ability to onboard new staff into both existing and new positions. First, much of the hiring and human relations work that must be done in the hiring process takes up a significant amount of staff time from the Department's upper management, which must make room within their schedules to conduct these activities in addition to all of their other duties. This inevitably slows the process of hiring for the Department.

Second, the Department also notes that it is currently running out of space to place new employees. Recent hires have been sited in trailers that were procured by Department management, but they indicate that the Chollas facility where they operate is running out of room for additional employees. The Department will need to proactively plan for additional office and workspace for these individuals, which may require the City to develop additional work yard space for the Department.

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 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

2021, 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, which leads to an estimated average funding gap of \$225.1 million per year.

Even with the additions that Stormwater is to receive as part of the FY 2023 Proposed Budget, the overall operating budget for the Department is still \$23.4 million below what was requested for this fiscal year, and the Department only requested those positions and programs that it believes it can effectively integrate within a single year, given the difficulties with hiring and siting staff. However, based on what both the WAMP and the most recent Five-Year Financial Outlook envisioned for FY 2023, the Proposed Budget is \$65.1 million below needed expenditures. The differences between what was included in the Outlook, requested by the Department, and included in the Proposed Budget are displayed in the table at the end of this section.

These deficiencies do not include the projected \$1.4 billion deficit projected in the latest Five-Year Capital Infrastructure Planning Outlook. It is worth noting that the FY 2023 Proposed Budget does contain almost \$26.5 million in General Fund contributions for the Stormwater CIP, the majority of which may be utilized as City matching funds for the WIFIA program as long as the projects receiving these funds are eligible for the federal WIFIA program. However, even with these funds and the increases in the Proposed Budget, there are still more than \$1.3 billion in unmet stormwater needs.

As is typical, Department staff continue to

Department Review: Stormwater

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.

As previously mentioned, the City is already out of compliance with the bacteria TMDL, and there are multiple other TMDLs as well as other regulatory deadlines that are constantly approaching. 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 sediment within the San Diego Bay watershed that was not funded in FY 2023. **The Department should comment on its ability to continue to meet these compliance deadlines, rectify noncompliant orders, and avoid fines.**

Storm Water Funding Strategy

As mentioned, the City currently lacks a dedicated funding source sufficient 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 issue, the Department in January 2021 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 began working on a proposed ballot measure that would create a dedicated stormwater funding mechanism. Their work included designing a measure, determining how much revenue it would generate, and seeking public feedback on the measure to see if it was viable. In February of this year, the Department presented its final analysis of a potential ballot measure, which focused on the creation of a tax on the impermeable surface area of properties within the City at a rate between 4 to 5 cents per square foot of impermeable surface area. Such a measure, which would cost the typical single-family residence between \$10 and \$14 per month, would generate between \$74 million to \$93 million per year for stormwater activities. Currently, the City's storm drain fee costs single family residences less than \$1 per month and generates approximately \$5.7 million.

Polling conducted by a consultant noted that a majority of voters would support such a measure, but that support was within the margin of error of the two thirds threshold that would be required for passage of the measure. The Department indicated that they would continue their educational efforts, which includes the budget addition previously discussed, to improve the public's perception on the importance of stormwater funding, as well as continue to pursue outside financing mechanisms.

Resolution on a funding strategy for stormwater will only become more important in future years as the debt service payments on capital financing, such as the WIFIA program, come due. Based on the estimate provided at the time that the WIFIA program was approved, Debt Management staff estimated that total annual repayments for the program could be as high as \$35 million (including WIFIA repayment as well as lease revenue bond repayment at maximum) starting in FY 2029.

Additionally, there still needs to be a

Department Review: Stormwater

determination made as to what priorities an additional funding mechanism would cover. As mentioned, the currently conceived tax measure would only generate between \$74 to \$93 million. While the operating budget for the Department in the Proposed Budget requires \$55.1 million in General Fund revenue beyond what the Department generates, this operating budget does not include at least \$23.4 million in unfunded Department requests or the up to \$35 million in debt payments that will begin by FY 2029. Additionally, even with those debt payments, significantly more financing or cash will be required in the CIP to lower that funding gap. Thus, important decisions will need to be made not only on if the City will seek dedicated funding for Stormwater activities, but also on what this future funding may be prioritized for in future years if approved.

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: Stormwater

Stormwater Additions Comparison (\$ in thousands)						
Activity	FY 2023 Outlook		FY 2023 Request		FY 2023 Proposed	
	FTE	Exp	FTE	EXP	FTE	EXP
Funding Strategy Implementation & Administration	2.00	\$3,061.5	1.00	\$2,729.7	1.00	\$2,729.7
Levee Maintenance & Repair Team	44.00	15,623.2	31.00	15,747.4	-	-
Capital Projects Program Ramp Up for WIFIA	13.00	11,753.2	15.00	8,827.9	15.00	8,827.9
		(1,554.2)		(471.3)		(471.3)
Street Sweeping Efficiency and Expansion	20.00	8,033.7	10.00	4,050.7	10.00	4,050.7
		(2,500.0)		(1,131.2)		(1,131.2)
San Diego Bay Sediment Investigative Orders	-	1,825.0	-	1,575.0	-	-
Catch Basin, Green Infrastructure & Trash Capture	25.00	6,079.8	7.00	2,698.5	-	-
Channel Cleaning and Mitigation	45.00	20,611.0	-	-	-	-
Pump Station Repairs and Automation	28.00	5,900.0	20.00	4,136.4	20.00	4,136.4
				(273.6)		(273.6)
Storm Pipe Emergency Response Team	28.00	5,882.5	-	-	-	-
		(1,998.1)		-		-
Increase Business & Green Infrastructure Inspections	6.00	1,477.6	5.00	1,352.5	-	-
		0.0		-		-
Proactive Pollutant Discharge Enforcement	2.00	203.1	2.00	198.4	-	-
		(20.0)		(20.0)		-
Dig Alert	4.00	630.4	-	-	-	-
Compliance Monitoring Program	2.00	744.0	1.00	395.8	-	-
Greenwood Cemetery Water Quality Compliance	2.00	281.0	-	-	-	-
Pollutant source control regulations development	2.00	544.2	-	-	-	-
Monitoring	-	500.0	-	-	-	-
Alternative Compliance Program Administration	1.00	231.6	1.00	223.4	-	-
Water Quality Improvement Plan Updates & Pilot Studies	1.00	674.4	-	-	-	-
Information Technology Innovation & Support	2.00	537.3	-	-	-	-
<i>Street Sweeping for Parks</i>	-	-	3.00	1,169.8	-	-
Total FTE and Expenditures	227.00	\$84,593.7	96.00	\$42,831.9	46.00	\$19,471.1
Total Revenues		(\$6,072.3)		(\$1,622.5)		(\$1,602.5)

* Negative numbers denote revenue assumptions tied to the programmatic addition

Sustainability and Mobility

Impact of Mayor’s FY 2023 Budget Proposal

The Sustainability and Mobility Department is a new department for FY 2023, following the decision to combine the formerly separate Sustainability Department and Mobility Department. This new department 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. This Department also directly oversees the entire City’s energy use and oversees discreet programs such as Americans with Disabilities Act (ADA) Compliance, Parking Meter Districts, and Shared Mobility Device regulations.

The FY 2023 Proposed Budget for the Department is approximately \$13.1 million, which is an increase of \$2.6 million (20.3%) from the

FY 2022 Adopted Budget, adjusted to include the Adopted Budget for both departments. The Department includes 60.00 FTE positions in FY 2023, which is an increase of 11.00 FTE positions from FY 2022. The operating budget for the Sustainability and Mobility Department is split between the General Fund and the Energy Conservation Program Fund, which is one of the City’s internal service funds.

General Fund

The General Fund Proposed Budget for the Sustainability and Mobility Department is \$7.3 million, which is an increase of \$1.9 million (36.5%) from the FY 2022 Adopted Budget. There are also 9.75 additional FTEs being added within the General Fund.

Significant Budget Adjustments

The largest increase in General Fund expenditures is for additional expenditures for oversight and implementation of the CAP. Within the General Fund, this includes 5.00 FTEs and \$647,000. This addition is informed by a

SUMMARY OF SUSTAINABILITY AND MOBILITY (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	23.00	\$ 3,295,090	\$ 2,020,112	\$ 5,315,202	\$ 2,677,140
Programmatic Changes					
<i>Climate Action Plan Analysis Positions</i>	5.00	496,785	150,000	646,785	-
<i>Public Power Feasibility Study FY 2023</i>	-	-	400,000	400,000	-
<i>EV Charging Stations for Jones Parkade</i>	-	-	360,000	360,000	-
<i>Mobility Master Plan</i>	-	-	350,000	350,000	-
<i>Complete Street Design Manual</i>	-	-	250,000	250,000	-
<i>Zero Emission Vehicle Strategy</i>	-	-	150,000	150,000	-
<i>Department Interns</i>	3.75	125,116	-	125,116	-
<i>Scooter Contract Increase</i>	-	-	120,000	120,000	-
<i>Community Parking District Planner</i>	1.00	118,112	-	118,112	118,445
<i>Climate Ambassadors</i>	-	-	100,000	100,000	-
<i>Budgeted Personnel Savings Adjustment</i>	-	(238,508)	-	(238,508)	-
<i>Removal of Public Power Study FY 2022</i>	-	-	(1,000,000)	(1,000,000)	-
Other Changes					
<i>Other Salary and Fringe Benefit Changes</i>	-	524,006	-	524,006	-
<i>Non-Discretionary Adjustments</i>	-	-	35,570	35,570	-
FY 2023 Proposed Budget	32.75	\$ 4,320,601	\$ 2,935,682	\$ 7,256,283	\$ 2,795,585
Difference from 2022 to 2023	9.75	\$ 1,025,511	\$ 915,570	\$ 1,941,081	\$ 118,445

Department Review: Sustainability and Mobility

staffing analysis, which was recommended by the Office of the City Auditor in their audit of the CAP. The staffing analysis recommends that nine additional staff be added to the program, with six added in FY 2023, two in FY 2024, and one in FY 2025. The Proposed Budget includes all six positions, with an additional position added to the Energy Conservation Program Fund. The General Fund addition also includes \$150,000 for contractual support for the CAP.

Many of the other additions for the Department are for non-personnel expenditures (NPE) which directly support various plans and initiatives which are overseen by the Department. The largest is an increase of \$400,000 for the Public Power Feasibility Study. This study, which was an initiative funded by the Council with their final budget actions in adopting the FY 2022 Budget, would seek to provide more information and better understand the advantages and disadvantages of the City forming municipal utilities for the provision of gas and electric services within the City, similar to how the City serves as the utility for water and wastewater services.

Notably, this study received \$1.0 million in one-time funding in FY 2022, which is removed in this budget. Most of that funding is anticipated not to be spent in FY 2022, however, as Department staff have only recently advertised an RFP for the consultant and are presently in the process of reviewing responses and choosing a provider.

However, staff *have* developed a plan that will have intermittent phases and deliverables to be regularly briefed to Council so that the City will have a completed study prior to the end of the first 10 years of the franchise agreements, at which point the City Council has an option to terminate the second 10 year period of the agreements and begin the process of forming a municipal utility. Our understanding is that the \$400,000 included in the Proposed Budget

should be enough to cover the activities that staff have planned for Phase 1 of the study, which will take place over most of FY 2023. As this amount is being added on a one-time basis, additional funding will be considered on a year by year basis to continue this plan based on each phase's outcome. **Staff should be prepared to discuss the procurement process for the Public Power Feasibility Consultant, as well as discuss the timeline and phases of the study.**

Another major increase is \$350,000 for the Mobility Master Plan, full funding of which was a FY 2023 Council Budget Priority. This plan, which received \$120,000 in FY 2022, is designed to develop mobility strategies and identify specific steps that will help the City better align CIP project prioritization with the equity, mode share, and climate goals of the CAP. This funding allotment will be enough to have the draft of the study completed by the end of FY 2023, with public discussion and formal adoption to come in early FY 2024.

Related to the Mobility Master Plan, the FY 2023 Proposed Budget also includes \$250,000 to utilize consultant services for the development of the Complete Streets Design guidelines. These guidelines are needed to ensure that City street design considers the full range of users for every roadway type and will allow for utilization of more innovative engineering solutions when designing and constructing projects in the public right-of-way.

Finally, in regard to various CAP related planning efforts, there is \$150,000 for the Department to develop the Zero Emission Vehicle Strategy. This strategy will focus on the steps necessary to transition to an all-electric vehicle (EV) infrastructure throughout the City, focusing more on public adoption of EV technologies to meet CAP goals. This is mostly in addition to EV adoption strategies and planning that are taking place with the Fleet Operations Division of the General Services Department.

Department Review: Sustainability and Mobility

Related to EVs, the Sustainability and Mobility Department Proposed Budget contains \$360,000 in one-time funds for the development of EV charging facilities at the Evan Jones Parkade located at the City Civic Center in Downtown. This funding will install off-grid solar powered charging facilities at the Parkade for City visitors and staff.

Other notable additions include:

- \$120,000 for the scooter enforcement contract to increase the service level from 9 hours per day to 12 hours per day, both seven days per week.
- \$118,000 and 1.00 FTE for an additional Senior Planner to identify, plan and create new Community Parking Districts (CPD) across the city and support the development and implementation of new CPD policies. This position is fully funded by CPD funds.
- \$100,000 for Climate Ambassadors, which is an outreach and education program focused on Communities of Concern to assist community members wanting to take advantage of climate and resiliency related programs, opportunities, and rebates, as well as help navigate government systems and processes to access funding opportunities. These ambassadors were

one of the five recommendations of the Equity Stakeholder Working Group.

Unfunded Requests

The Department did request funding for the ADA program which was left unfunded in the Proposed Budget. This included \$500,000 to conduct an ADA compliance assessment for the public right-of-way, as well as 1.00 FTE and \$120,000 for an associate engineer to support the compliance effort for the public right-of-way and to develop a remediation plan.

Energy Conservation Program Fund

The FY 2023 Proposed Budget for the Energy Conservation Program Fund (ECPF) is \$5.8 million, which is an increase of \$628,000 (12.1%) from the FY 2022 Adopted Budget. There is also an increase of 1.25 FTEs, bringing the total number of FTEs supported by the ECPF to 27.25. The ECPF is an internal service fund of the City, with revenue derived from charging other City departments based on their respective energy use. The increase in revenue is based on the increased expenditures described in more detail below.

Significant Budget Adjustments

The largest increases to the ECPF are for various NPE adjustments for numerous studies

SUMMARY OF ENERGY CONSERVATION PROGRAM FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	26.00	\$ 3,681,994	\$ 1,520,103	\$ 5,202,097	\$ 4,507,573
Programmatic Changes					
<i>Electrical Infrastructure Assessment</i>	-	-	350,000	350,000	-
<i>Climate Action Plan Analysis</i>	1.00	167,306	-	167,306	-
<i>Public Power Program Manager</i>	1.00	167,306	-	167,306	-
<i>Building Automation Development</i>	-	-	100,000	100,000	-
<i>Engineering Service Company (ESCO) Program</i>	-	-	75,000	75,000	-
<i>Intern Budget Adjustments</i>	(0.75)	53,407	-	53,407	-
<i>Energy Billing System Training</i>	-	-	1,500	1,500	-
<i>Budgeted Personnel Savings Adjustment</i>	-	(230,000)	-	(230,000)	-
<i>Revised Revenue</i>	-	-	-	-	1,136,658
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	255,730	-	255,730	-
<i>Non-Discretionary Adjustments</i>	-	-	(312,370)	(312,370)	-
FY 2023 Proposed Budget	27.25	\$ 4,095,743	\$ 1,734,233	\$ 5,829,976	\$ 5,644,231
Difference from 2022 to 2023	1.25	\$ 413,749	\$ 214,130	\$ 627,879	\$ 1,136,658

Department Review: Sustainability and Mobility

and task orders related to implementing the Municipal Energy Strategy. This includes \$350,000 for an Electrical Infrastructure Assessment, which is a joint venture with the General Services Department and will focus on various planning efforts, including fleet electric vehicle (EV) planning, municipal building retrofit planning, and public/work-space charging planning.

Additional items include \$100,000 for a Building Automation System which will support building energy management systems, as well as \$75,000 to perform technical work with assisting Engineering Service Companies (ESCO) conduct building audits which will identify efficiency improvements, costs, and savings expectations for future work. ESCO contracts, whereby a third party retrofits a building with new decarbonized energy improvements and is thereby paid back with the energy savings generated, are a primary component of the City's implementation of the Municipal Energy Strategy.

The ECPF also adds two new positions, including one for CAP analysis which was discussed in the General Fund section. The second position, at 1.00 FTE and \$167,000, is for a Program Coordinator position which will provide oversight and administrative activities related to the new gas and electric franchises with SDG&E, as well as oversee the Public Power Feasibility Study.

Department Review: Transportation

Transportation

Impact of the Mayor's FY 2023 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 Gas Tax, the

Road Maintenance and Rehabilitation Act (RMRA) Fund, and TransNet.

General Fund

The FY 2023 Proposed General Fund Budget for Transportation is \$91.3 million, which is an increase of \$8.8 million (10.7%) over the FY 2022 Adopted Budget. The total number of positions for the Department is 464.70, which is an increase of 28.00 FTEs.

Significant Budget Adjustments – Street Division

Most of the major adjustments for the Transportation Department are for services provided by the Street Division and are detailed

SUMMARY OF TRANSPORTATION GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	436.70	\$ 46,339,409	\$ 36,131,911	\$ 82,471,320	\$ 58,906,886
Programmatic Changes					
Street Division					
Traffic Cabinet Positions	3.00	253,894	1,888,900	2,142,794	-
Sidewalk Repair	6.00	637,268	625,000	1,262,268	450,472
Traffic Loop Positions	3.00	218,538	331,750	550,288	-
Street Condition Assessment	-	-	500,000	500,000	-
Weed Abatement	-	-	400,000	400,000	-
Graffiti Abatement	-	-	300,000	300,000	-
Safety Compliance Positions	2.00	192,858	104,900	297,758	-
Dispatch Support	4.00	271,506	22,000	293,506	185,000
Assistant Deputy Director	1.00	175,237	-	175,237	-
Removal of One-Time Adjustments from FY 2022	-	-	(700,000)	(700,000)	-
FY 2023 TransNet Revenue - Street	-	-	-	-	1,659,933
Administration / Right-of-Way Division					
Code Compliance Positions	3.00	231,380	61,450	292,830	75,000
Horticulturalist Positions	2.00	174,492	96,000	270,492	-
Grant Program Positions	3.00	258,338	-	258,338	257,773
Program Manager	1.00	157,992	-	157,992	-
FY 2023 TransNet Revenue - Admin	-	-	-	-	38,564
Transportation Engineering Operations					
Traffic Management Center	-	-	300,000	300,000	-
Transit Subsidy Transfer	-	-	191,311	191,311	-
User Fee Adjustment	-	-	-	-	16,514
Other Changes					
Other Salary and Benefit Adjustments	-	2,052,737	-	2,052,737	-
Budgeted Personnel Savings Adjustment	-	(392,802)	-	(392,802)	-
Non-Discretionary Adjustments	-	-	436,740	436,740	-
Qualified Energy Conservation Bond Revenue	-	-	-	-	(33,140)
FY 2023 Proposed Budget	464.70	\$ 50,570,847	\$ 40,689,962	\$ 91,260,809	\$ 61,557,002
Difference from 2022 to 2023	28.00	\$ 4,231,438	\$ 4,558,051	\$ 8,789,489	\$ 2,650,116

Department Review: Transportation

Performance Measure	Target FY 2021	Actual FY 2021	Target FY 2022	Estimated FY 2022	Target FY 2023
Miles of Streets Repaired	365	201	350	216	275
Number of Trees Trimmed	39,000	28,100	42,000	35,800	42,000
Number of Trees Planted	2,700	1,840	1,000	700	1,000
Average Number of Days to Mitigate a Reported Sidewalk Hazard	15	38	20	15	15
Square Feet of Sidewalks Replaced/Repaired	170,000	154,470	170,000	87,000	170,000
Miles of Overhead Utilities Relocated Underground	15.0	8.7	8.0	11.0	10.0

below. This section will discuss position additions first, followed by significant non-personnel expenditure (NPE) additions.

Traffic Signal Cabinet Replacement

The largest increase overall for the Department this year is 3.00 FTEs and \$1.9 million for a new team dedicated to replacing traffic signal cabinets. This team will replace approximately 160 traffic signal cabinets proactively each year, with the goal of replacing every cabinet within ten years (the City currently has approximately 1,600 traffic signals). Doing these replacements should improve the reliability of traffic signals throughout the City, as well as modernize the technology operating them. The majority of this funding, at \$1.2 million, is for the electrical materials necessary for the replacements.

Additionally, connected to traffic signals, there is another team of 3.00 FTEs and \$550,000 being added for the repair of traffic loops. These loops, which inform the traffic signal system on traffic flows in order to move traffic more efficiently, are constantly in need of repair due to errors made by contractors within the right-of-way or other accidents. This team will be able to repair approximately 250 loops per year.

Sidewalk Repair and Slicing

The next largest increase for the Department is the addition of sidewalk repair staff and additional funding for sidewalk slicing. This addition includes 6.00 FTEs and \$1.3 million in funding. These positions are mostly comprised of engineering positions and project officers which will help provide more oversight

to the CIP program for sidewalk installation and repair.

Revenue of \$450,000 associated with this addition would come from the CIP for the reimbursable work. Currently, the CIP is proposing to add \$7.0 million for sidewalk repair and reconstruction.

Additionally, this team will also oversee the sidewalk slicing contract, and will allow for an expansion of that contract, funded with an additional \$625,000, resulting in approximately 8,500 additional slicing repairs annually. In total, this addition will more than double the Department’s sidewalk repair capacity once fully operational. As noted in the Key Performance Indicators (KPIs) above, the Department has needed additional assistance in order to meet the goals set for sidewalk repair.

Administrative Positions

Finally, for Street Division position additions, there are some smaller personnel additions that provide more administrative support for the Department. This includes the 2.00 FTEs and \$298,000 for additional Safety Officer positions that will assist the Safety Compliance Program with handling additional regulations related to workplace safety, as well as the 4.00 FTEs and \$294,000 for additional Dispatch positions to provide more robust 24/7 service at the Public Works Dispatch center to respond to additional calls and Get It Done requests. These positions are partially reimbursed by the Public Utilities Department, resulting in the additional \$185,000 of revenue.

There is also the addition of 1.00 FTE for a new Assistant Deputy Director position,

Department Review: Transportation

which was added on a supplemental basis in FY 2022 to assist with long range planning and administration within the division. However, this position has yet to be filled as a change in Department management stalled the hiring process.

Street Condition Assessment

The largest of the NPE increases is \$500,000 for the street condition assessment, which was initially funded with \$700,000 in one-time funding in FY 2022 (removal of that one-time funding is only reduction from the Department's budget). However, due to delays in onboarding a contractor, the Department is only projecting to spend \$200,000 of the original appropriation. As such, the additional budget adjustment in FY 2023 is to complete the assessment. Total spending on the assessment is still projected at \$700,000.

Weed Abatement

The next large NPE increase is \$400,000 for weed abatement services. This increase will allow for more efficient response to Fire Marshal brush abatement referrals and more frequent center median weed clearance cycles, while also providing for proactive weed and brush removal on 85 acres of vegetated right-of-way areas.

Graffiti Abatement

There is also an additional \$300,000 for additional graffiti abatement on private property, particularly on properties with four residential units or less. In FY 2022, the Department will abate approximately 160,000 square feet of graffiti on these properties. However, the Department is anticipating that it will require an additional 100,000 to 150,000 square feet of capacity for this service in FY 2023. This funding will cover that increase, barring any contractor capacity limitations.

Revenues

For revenues, the largest increase overall for the Department is the additional \$1.7 million in TransNet funding for Department operations. However, this addition is based on

previous projections provided by the San Diego Association of Governments (SANDAG). The Department advises that, based on more recent SANDAG projections, there is an additional \$1.6 million in revenue that will be added in the May Revision.

Significant Budget Adjustments – Administration and Right-of-Way

For the Administration and Right-of-Way Division, most of the additions are for additional personnel to provide support for various Transportation programs.

Code Compliance Positions

The largest increase is 3.00 FTEs and \$293,000 for additional Code Compliance positions. These positions focus on construction activities within the right-of-way and will ensure greater implementation of the Street Preservation Ordinance, as well as other construction enforcement activities. Increased citation revenue is also associated with this increase.

Horticulturalist Positions

One notable increase which supports a Council Budget Priority is the addition of two new Horticulturalist positions. These positions will reduce the response time required to evaluate tree issues as well as reduce the response time for free tree requests. This could increase the number of trees trimmed by removing the leg work required before the contractor can get to a tree. There are no proposed changes to the budget for tree trimming contract work as the Department is fully funded based on the capacity of the contract. Additionally, Horticulturalists are very important for the Department's sidewalk repair efforts as many sidewalk repairs require work that is done around tree roots and mature trees. These additional positions will improve sidewalk repair efforts and ensure fewer trees are harmed by these efforts.

Grant Management Positions

Also responding to a Council Priority, there are 3.00 FTEs and \$258,000 for additional

Department Review: Transportation

positions for grant management. This will double the amount of staff working on managing grants for the Department, with grants themselves increasing by 60% in number since FY 2016 (from 25 to 40) and 362% in size (from \$39 million to \$180 million). These positions are anticipated to be mostly cost recoverable, which is why there is a corresponding increase in revenue associated with these positions.

Hiring Program Manager

Finally, there is the addition of 1.00 FTE for a Program Manager, which was added supplementally during FY 2022. This position will assist with hiring processes and other personnel matters within the Department, with the goal of improving the timing and efficiency of the hiring process. Currently, the Department indicates that significant delays in the hiring process happen due to the administrative burden placed on supervisory positions within the Department. This position is designed to potentially relieve that burden, and thus improve the Department's personnel practices. This position is currently unfilled.

Significant Budget Adjustments – Transportation Engineering Operations

The final significant budget adjustments are within the Transportation Engineering Operations Division (TEO). The one major adjustment is \$300,000 to begin the development of a new Traffic Management Center (TMC). A TMC is a center where City staff can centrally control all of the traffic signals within the City, which allows for better monitoring during emergency situations and provides more up to date information on maintenance needs. While the City has some capability to achieve these aims currently, it is severely limited. This one-time spending will allow for the relocation, design and configuration of a more robust TMC for the City, with estimated future costs for the new TMC between \$1.1 million and \$2.9 million.

The other addition for TEO is the transfer of \$191,000 from Citywide Expenditures for the Transit Subsidy program. There is a corresponding decrease in Citywide Expenditures.

Issues for Council Consideration

Unfunded Requests and Potential Service Level Impacts

The Department requested every item that was included in the most recent Five-Year Financial Outlook as part of its FY 2023 budget requests. For reference, this included a total request for 132.00 FTEs and \$51.8 million in expenditure additions. The FY 2023 Proposed Budget includes a total increase of 28.00 FTEs and \$8.8 million, which leaves many of the service level requests unfunded. However, as our Office pointed out in our analysis of the Outlook, it would have been unrealistic to fill 132.00 new positions in one year to begin with.

Further, the Proposed Budget adds expenditures and positions in many of the areas identified in the Outlook, just not at the levels that the Outlook envisioned. Sidewalk repair, graffiti and weed abatement, tree maintenance, and some traffic signal enhancements were all included in both the Proposed Budget and the Outlook. The approach that the Proposed Budget takes, however, is much more targeted and achievable than what the Outlook included, and as such we find that the Proposed Budget is much more reasonable.

There were some requests from the Department that were included in neither the Proposed Budget nor the Outlook. These include a parking lot repair team (8.00 FTEs and \$1.9 million) to respond to other General Fund department requests for parking lot repair and maintenance, as well as a crosswalk team (11.00 FTEs and \$1.7 million) to support crosswalk maintenance citywide, and particularly adjacent to schools.

Department Review: Transportation

Street Repaving Program and Other Transportation Funds

Street repaving continues to be a high priority for the Council and public. Since street repaving is an activity that spans both the CIP and operating budget (overlay within the CIP, and slurry seal within the operating budget), as well as numerous funds, our Office compiled a summary of the street repaving budget and changes between the FY 2022 Adopted Budget and the FY 2023 Proposed Budget, as displayed in the table below.

ROAD REPAVING ALLOCATIONS		
Slurry Seal	Allotment (\$ in millions)	
Funding Source	FY 2022	FY 2023
Continuing Appropriations	\$18.8	\$12.2
Gas Tax Fund	1.5	-
TransNet Fund	-	3.7
RMRA Fund	27.8	32.2
Total	\$48.1	\$48.1
Overlay/Reconstruction	Allotment (\$ in millions)	
Funding Source	FY 2022	FY 2023
Continuing Appropriations	\$31.5	\$60.0
Financing	39.5	-
Gas Tax Fund	-	7.0
TransNet Fund	0.7	8.1
Trench Cut Fund	2.0	2.0
Total	\$73.7	\$77.1

The Proposed Budget maintains the same mileage goals as past budgets, with 370 miles for slurry seal and 99 miles for overlay. These mileage goals are what the City estimates it must complete each year to achieve an average Overall Condition Index (OCI) of 70. The OCI is the measure of the condition of the street, and takes into account many factors, including pavement degradation, lifespan, and other factors. The Street Condition Assessment, previously discussed, will provide the City with new OCI scores for all of the streets once completed.

However, it is important to note that the FY 2023 Proposed Budget relies heavily on continuing appropriations to achieve these mileage goals. For slurry seal, additional FY 2023

funding covers 276 miles, while 94 miles are covered by the continuing appropriation. For overlay, only 22 new miles are covered by the FY 2023 funding, with 77 miles covered by the continuing appropriation.

Our Office also provides a summary of various transportation related funds, as well as a comparison of the programmatic activities that they support, in the table below.

TRANSPORTATION FUNDS		
Gas Tax	FY 2022	FY 2023
Fund Administration	\$66,250	\$66,250
Street Median Maintenance	876,735	1,023,454
Traffic Engineering Support	5,742,077	5,742,077
Streets Maintenance	26,016,998	26,016,998
MADs	1,461,260	1,480,831
Streets Slurry Seal	1,538,507	-
CIP - Overlay	-	6,993,631
Total	\$35,701,827	\$41,323,241
RMRA	FY 2022	FY 2023
Streets Slurry Seal	\$27,764,640	\$32,164,043
TransNet	FY 2022	FY 2023
RAMS	\$67,600	\$67,600
Fund Administration	365,380	421,270
Traffic Engineering Support	3,283,730	3,283,730
Bikes and Signals	500,000	500,000
Streets Maintenance	10,851,786	12,511,719
Bike STAT Team	1,100,000	1,350,000
Slurry Seal	-	3,700,000
CIP Projects	20,369,504	23,992,681
Total	\$36,538,000	\$45,827,000

RAMS: Regional Arterial Management System

Many of the funding adjustments within these funds remain static from year to year, and many of these funds provide important resources for General Fund services that are described in this section and are accounted for as revenues. This includes the items for Traffic Engineering Support, Streets Maintenance, Fund Administration, and some others.

Underground Surcharge Fund

Impact of the Mayor's FY 2023 Proposed Budget

The Underground Surcharge Fund collects fees that are contributed by electricity rate

Department Review: Transportation

payers within the City for the purpose of undergrounding the electric utility lines within the City. The FY 2023 Proposed Budget for the Underground Surcharge Fund includes \$93.0 million in expenditures and 22.16 FTEs. This is a minimal decrease from the FY 2022 Adopted Budget.

The large increase of \$10.7 million in franchise fee revenue is due to the same factors that are contributing to increasing Franchise Fee revenue in the General Fund. For more information, refer to the *General Fund Revenues Overview*.

The expenditure budget for the fund remains relatively unchanged as the FY 2023 proposed appropriation still matches what the Department expects to expend within the next year. As was noted in the Status of the Utilities Undergrounding Program that was presented to the Environment Committee in January, expected levels of construction should be returning during the second half of FY 2022 following the adoption of the Undergrounding Memorandum of Understanding with SDG&E. As the program ramps up, staff will propose to adjust the appropriation within the fund if more expenditure authority is required in FY 2023.

SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2022 Adopted Budget	22.16	\$ 2,954,612	\$ 90,163,046	\$ 93,117,658	\$ 68,792,378
Programmatic Changes					
<i>New Software</i>	-	-	32,150	32,150	-
<i>Revenue Adjustment Based on Franchise Fee</i>	-	-	-	-	10,747,045
Other Changes					
<i>Salary and Benefit Changes</i>	-	248,171	-	248,171	-
<i>Non-Discretionary Adjustments</i>	-	-	(356,083)	(356,083)	-
FY 2023 Proposed Budget	22.16	\$ 3,202,783	\$ 89,839,113	\$ 93,041,896	\$ 79,539,423
Difference from 2022 to 2023	-	\$ 248,171	\$ (323,933)	\$ (75,762)	\$ 10,747,045

Other Departments

Ethics Commission

The FY 2023 Proposed Budget for the Ethics Commission is approximately \$1.5 million, an increase of approximately \$182,000 from the FY 2022 Adopted Budget. The expenditure increase in Salary and Benefit Adjustments is primarily associated with the 5% Citywide increase in Personnel Expenditures for unclassified employees. The department indicated that they are in the process of being fully staffed, and a vacant Program Manager position is expected to be filled by the end of June 2022.

Office of Emergency Services

The FY 2022 Proposed Budget for the Special Events and Filming Department is approximately \$1.1 million, a decrease \$403,000 or 26.8% from the FY 2022 Adopted Budget. The increase is largely attributable to a \$341,000 increase in non-discretionary NPE and \$62,000 in salary and benefit adjustments. The Special Events and Filming Department is funded with TOT and budgeted in Special Promotional Programs.

Office of Boards and Commissions

The Office of Boards and Commissions supports the day-to-day operations for the City's boards and commissions and serves as an access point to volunteer appointees. The FY 2023 Proposed Budget for the Office includes 5.00 FTE positions and \$773,000 in expenditures, which represents respectively no change and a decrease of \$14,000 in expenditures. All changes in the Office's Proposed Budget are non-discretionary in nature.

Special Events and Filming

The FY 2023 Proposed Budget for the Office of Emergency Services (previously known as the Office of Homeland Security) is approximately \$3.6 million, an increase of \$255,000 or 7.5% from the FY 2022 Adopted Budget. The increase is primarily attributable to a \$214,000 increase in rent for office space. Budgeted revenue totaling \$1.6 million is largely unchanged.