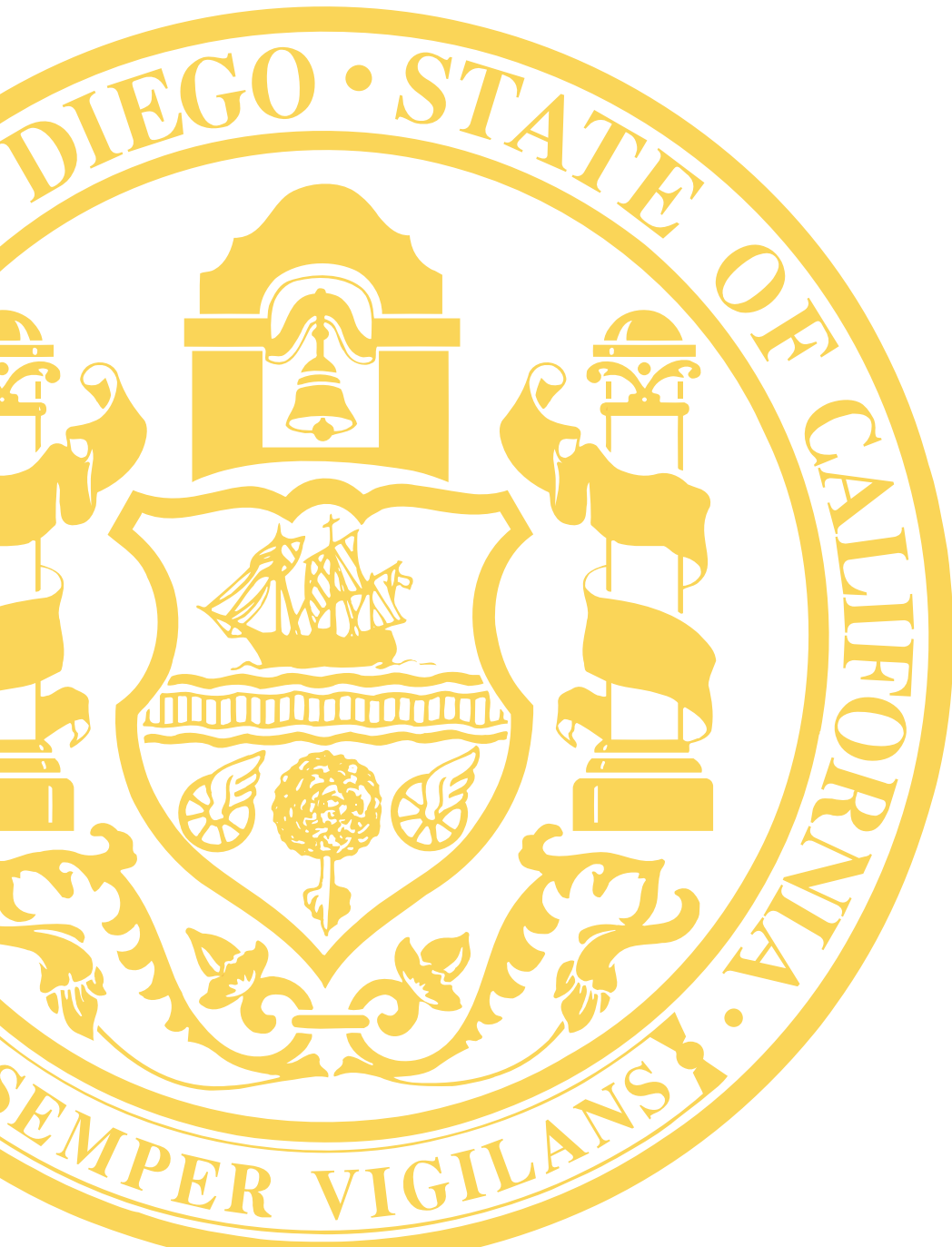


UNFUNDED BUDGET REQUESTS



Unfunded Budget Requests

This section identifies the proposed funding requests made by selective City departments and compares the corresponding funding decisions that are included in the Annual Fiscal Year 2006 budget. The goal of providing this information is to present an assessment of the various priorities as identified by the respective departments compared to a finite amount of available revenue.

As previously discussed in the Executive Summary, the cost of performing City services has continued to rise at a greater pace than increases in corresponding revenue. The majority of this increase for Fiscal Year 2006 can be attributed to the negotiated labor agreements as well as increased retirement and retiree health care expenses. As priorities are weighed against available revenue, this on-going situation has forced many departmental proposed budgets to be less than requested, including elected officials' and non-managerial department budgets. The needs identified in the following budget requests were worthy of consideration and were not rejected without discussion and analysis; however, absent new on-going revenue, the funding of these requests can only be made with additional corresponding decreases to other vital and necessary General Fund activities.

Public safety funding deservedly will continue to receive the highest priority. The budgets for the Police Department and the Fire-Rescue Department are proposed to increase by a net combined 8.40 percent in Fiscal Year 2006, while the total General Fund is proposed to increase by 5.81 percent. To illustrate the emphasis placed on public safety the table below shows that, if the public safety budgets were removed from the General Fund, the growth between Fiscal Years 2005 and 2006 would be just \$8.99 million or 2.51%.

	Fiscal Year 2005	Fiscal Year 2006	Growth over 2005	
General Fund Budget	\$817,432,989	\$864,919,912	\$47,486,923	5.81%
Public Safety	\$458,325,803	\$496,815,077	\$38,489,274	8.40%
Non-Public Safety	\$359,107,186	\$368,104,835	\$8,997,649	2.51%

The \$8.99 million illustrated above is not sufficient to fund all of the Fiscal Year 2006 annualized expense of Fiscal Year 2005 negotiated labor agreements as well as increased retirement and retiree health care expenses for non-public safety departments. Therefore, significant funding reductions are proposed and necessary throughout most of the General Fund departments to offset these increased costs of operations. The results of this situation create continued postponement of necessary preventive maintenance and may further delay funding of new facilities.

The experiences of the following departments are profiled in this new section. The charts identify the respective department's best estimate of critical needs for Fiscal Year 2006 and the resultant funding that is included in this final budget. (The respective department's commentary pages are located in Volumes II and III)

City Attorney
City Clerk
Library

Police
Park and Recreation
San Diego Fire-Rescue

As this Annual Fiscal Year 2006 Budget represents a vital component of a recovery program to assist the City in addressing fiscal concerns, the unfunded requests presented herein reinforce the need to implement every component of the recovery program including new revenues, service level adjustments and conservative multi-year labor agreements.

Unfunded Budget Requests

City Attorney

The City Attorney is directly elected by the citizens of San Diego and is thus considered a non-managerial City Department. As a non-managerial department, the City Attorney's Annual Fiscal Year 2006 Budget is typically not adjusted by the City Manager. Because of the City Charter requirement for the City Manager to provide a balanced budget to the Mayor and City Council, and because of limited revenues projected for Fiscal Year 2006, the City Manager's Annual Fiscal Year 2006 Budget reduced funding of the City Attorney's Department budget, which is consistent with funding reductions for most General Fund City departments. The funding reductions are concentrated in the personnel expense portion of the City Attorney Department's budget. The Fiscal Year 2006 funding reduction for the City Attorney's Department budget is -5% when compared to the Fiscal Year 2005 budget. Additional transfers were made out of the City Attorney budget to the Family Justice Center and the Ethics Commission during Fiscal Year 2005.

The following table compares the top priorities as requested by the City Attorney to the funding that is included in the Annual Fiscal Year 2006 Budget. The City Attorney also requested to reduce revenue projections in Fiscal Year 2006 by \$1.2 million which would require a corresponding reduction of \$1.2 million in expenditures either in the City Attorney's office or elsewhere in the General Fund in order to keep the General Fund in balance. This revenue reduction was not included in the annual budget due to insufficient fiscal impact analysis being available.

Item	FY 2006 Budget Request	FY 2006 Final Budget Addition
Salary and Fringe	\$8,013	\$3,112,778
Supplies/Services	\$250,000	\$0
Non-Discretionary	\$32,475	\$36,227
Information Technology	\$480,723	\$61,241
Finance and Disclosure Team	\$846,918	\$250,000
Communications and Government Services	\$401,462	\$0
Public Integrity Unit- Criminal Division	\$243,091	\$0
Reinstatement of reduction from FY 03-05	\$600,000	\$0
Plaintiff Litigation Program	\$0	\$894,047
Total	\$2,862,682	\$4,354,293

The City Attorney's Department budget includes increases to the retirement allocation as well as funding the annualization of negotiated salary impacts from Fiscal Year 2005. These increases are partially offset by the -5% funding reduction to the City Attorney's Department budget which is consistent with reductions throughout most General Fund departments with the exception of the Police Department and San Diego Fire-Rescue Department.

City Clerk

The City Clerk reports directly to the Mayor and City Council thus making the City Clerk's Department a non-managerial City Department. As a non-managerial department, the Clerk's annual budget is typically not adjusted by the City Manager. For the Fiscal Year 2006 Annual budget however, the City Manager has reduced funding of the City Clerk's budget which is consistent with most other General Fund City departments. This was accomplished by both continuing to reduce funding for vacant positions and making additional reductions to the Department's budget.

The following table compares the City Clerk Department's proposed budget requests to the funding that is included in the Annual Fiscal Year 2006 Budget. Funding the contractual increases for retirement

Unfunded Budget Requests

allocations as well as salary annualization impacts from Fiscal Year 2005 labor agreements were prioritized over other budget requests, in addition to balancing funding priorities throughout the General Fund.

Item	FY 2006 Budget Request	FY 2006 Final Budget Addition
Salary and Fringe		\$483,449
Supplies/Services	\$0	\$0
Non-Discretionary	\$886	\$886
Information Technology	\$0	\$0
Online filing of campaign disclosure	\$40,000	\$0
Total	\$40,886	\$484,335

Library

The following table compares the Library Department's budget requests to the corresponding funding that is included in the Annual Fiscal Year 2006 Budget.

Item	FY 2006 Budget Request	FY 2006 Final Budget Addition
Salary and Fringe		
Supplies/Services	\$298,869	\$0
Non-Discretionary	\$536,930	\$536,639
Information Technology		\$0
New Facility/Annualization	\$2,073,017	\$926,629
Public Library Fund Reduction Offset	\$822,315	\$0
Reinstatement of FY 05 reductions	\$2,606,095	\$0
Library Development Program	\$518,706	\$0
Integrated Library System and related personnel	\$846,347	\$0
Restoration of Sunday Service Hours at City Heights	\$0	\$44,700
Total	\$7,702,279	\$1,463,268

Historically, the proposed budgets as presented to the Mayor and City Council have automatically included funding for all new facilities. These facilities could include new libraries, new fire stations, or possibly new park facilities. As identified in the above chart, the Library Department's proposed budget contains funding for only the annualized cost of new facilities that were opened during Fiscal Year 2005. The funding required for new facilities scheduled to open during Fiscal Year 2006 will need to be derived by prioritizing existing funds within the Library Department's \$36.6 million final budget.

As one can assess, the impact of this funding situation is severe. This funding approach is not presented to discourage or prevent the opening of new facilities; it enforces the necessity to study alternative revenue sources or funding options for new facilities as well as existing facilities. Absent any new on-going revenues or further reductions in other areas of citywide operations, existing City facilities may suffer impacts as the result of shifting some level of funding to operate new facilities.

Typically, these new facilities are paid from restricted funds which only provide for the building and/or land expense, referred to as capital expense. These types of funds include Facilities Benefit Assessment (FBA) Fees, Development Impact Fees (DIF), and Community Development Block Grants (CDBG). The

Unfunded Budget Requests

restrictions on these fees prevent, in most cases, the funding of operating expenses, thereby requiring the General Fund to support the operations of the facility once it is open.

The \$2.0 million requested by the Library Department to fund the new facilities and new facility annualizations in Fiscal Year 2006 would deplete funding from other existing General Fund operations that already were impacted with funding reductions of over \$25 million in order to assist in balancing the General Fund. A large percentage of the required \$2.0 million will most likely have to come from prioritizing existing library resources or possibly delaying or canceling the opening of new facilities. It is ultimately up to the discretion of the Mayor and City Council to approve these alternative solutions until a permanent and stable operating funding source is identified.

Additional impacts reflected in the Annual Fiscal Year 2006 Budget include a one-year waiver of the Library Ordinance which would have required 6% of the General Fund budget to be allocated to the Library budget. Based on a proposed General Fund budget of \$857 million, an additional \$14.1 million would be budgeted in the Library Department at the consequence of reductions to other General Fund departments, quite possibly including the Police and Fire-Rescue Departments. The \$14.1 million that would be allocated to the Library Department would be in addition to the \$24 million in funding reductions that are proposed for the General Fund Departments.

The commitment of the Library Ordinance was to provide increased funding for the Library System; however the ordinance has been waived by the Mayor and City Council for the past three fiscal years due to revenue constraints and alternative priorities including public safety. On April 18, 2005, the Mayor and City Council voted to suspend the Library Ordinance for Fiscal Year 2006.

It should also be noted that the department requests discussed in this *Unfunded Budget Request* section are not necessarily requested to enhance services, but to simply keep pace with expected service levels. As stated above, the unfunded Library Department budget requests total \$7.7 million.

Park and Recreation

The Park and Recreation Department manages the largest amount of park space in the nation. The proposed budget for this Department is \$80.5 million which includes the net result of a 4.0% reduction in expenditures and the elimination of 50.64 positions.

The following table compares the Park and Recreation Department's General Fund budget requests to the funding that is included in the Annual Fiscal Year 2006 Budget. Additionally, the department has many unfunded needs that have accrued through difficult budget years that are not included in the table.

Item	FY 2006 Budget Request	FY 2006 Final Budget Addition
Salary and Fringe	\$5,135,425	
Supplies/Services	\$2,780,125	\$0
Non-Discretionary	\$586,466	\$697,894
Information Technology	\$0	(\$89,185)
Mandated Requirements	\$22,137	\$0
New Facility/Annualization	\$4,438,080	\$57,080
Tierrasanta & Bay Terraces MAD	\$12,490	\$12,490
Brush Management Program	\$3,771,952	\$0
Total	\$16,746,675	\$678,279

Unfunded Budget Requests

As reflected in the above chart, the severe General Fund revenue limitations, combined with the emphasis on public safety does not allow the funding of the annualized cost of new facilities that were opened during Fiscal Year 2005. Additionally, the funding required for new facilities scheduled to open during Fiscal Year 2006 will need to be derived by prioritizing existing funds within the Park and Recreation Department's \$80.5 million final budget. The impact of these Park and Recreation new facilities funding shortages is discussed in the *Service Level Impact* section of this same volume.

With the primary emphasis of the City Manager's proposal for the Park and Recreation Department's budget to fund the increases to the retirement allocation as well as fund the annualization of salary impacts from Fiscal Year 2005 labor agreements, little additional funding was available for other requests. Of the additional \$16.7 million requested by the department for Fiscal Year 2006, \$678K was funded.

Once again, typically new facilities are paid from restricted funds which only provide for the building and/or land expense, referred to as capital expense. These types of funds include Facilities Benefit Assessment (FBA) Fees, Development Impact Fees (DIF), State and Federal grants, and Community Development Block Grants (CDBG). The restrictions on these fees prevent, in most cases, the funding of operating expenses, thereby requiring the General Fund to support the operations of the facility once it is open. Regardless of the type or location of the facility, absent new revenue, funding must be shifted from other priorities.

Police Department

The following table compares the Police Department's proposed budget requests to the funding that is included in the Annual Fiscal Year 2006 Budget.

Item	FY 2006 Budget Request	FY 2006 Final Budget Addition
Salary and Fringe	\$12,938,300	\$28,467,452
Supplies/Services	\$0	\$0
Non-Discretionary	\$2,777,000	\$161,799
Information Technology	\$3,047,100	\$0
Annual Vehicle Replacement	\$1,500,000	\$0
Restore 39.75 positions cut in FY 04 and FY 05	\$2,355,000	\$0
Restore Equipment Outlay cut in FY 03	\$1,100,000	\$0
Restore funding cut in FY 04 for 80.00 positions	\$3,753,000	\$0
Restore supplies and services cut in FY 03 and FY 04	\$2,426,000	\$0
Total	\$29,896,400	\$28,629,251

The primary emphasis of the City Manager's proposal for the Police Department budget was to fund the increases to the retirement allocation, including retiree health care, as well as funding the annualization of salary impacts from Fiscal Year 2005 labor agreements. These increases had an impact of \$26.3 million. In addition, a total of \$2.2 million was added to the department overtime budget to bring the total department overtime budget to \$8.3 million; although the department has indicated a greater increase is necessary to fund overtime requirements. Of the \$2.2 million added to the overtime budget, \$450,000 was added to fund overtime impacts due to contractual salary adjustments. The remaining \$1.75 million was to assist funding on-going overtime requirements.

Unfunded Budget Requests

San Diego Fire-Rescue Department

The following table compares the San Diego Fire-Rescue Department's budget requests to maintain current service levels to the funding that is included in the Annual Fiscal Year 2006 Budget.

Item	FY 2006 Budget Request	FY 2006 Final Budget Addition
Salary and Fringe	\$5,116,000	\$12,629,763
Supplies/Services	\$823,000	\$0
Non-Discretionary	\$310,000	\$432,225
Information Technology	\$568,000	\$0
New Facilities	\$2,464,000	\$623,825
Lifeguard Boat Dock replacement	\$2,635,000	\$1,000,000
Deferred Maintenance	\$10,549,000	\$0
Phase in restoration of Brush Management Program	\$160,000	\$0
3 closed cab ladder truck and 2 Explosive Device Team apparatus	\$2,825,000	\$220,000
Lifeguards fleet replacement	\$199,000	\$0
CERT Program	\$0	\$50,422
Total	\$25,649,000	\$14,956,235

The primary emphasis of the City Manager's proposal for the San Diego Fire-Rescue Department budget was to fund the contractual increases to the retirement allocation as well as fund the annualization of salary impacts from Fiscal Year 2005 labor agreements. Of the combined \$25.6 million requested by the Department for Fiscal Year 2006, \$623,825 was provided to fund the new Fire Station #47 in Pacific Highlands Ranch, \$1.0 million was provided to fund for the replacement of the Lifeguard Services emergency dock, \$220,000 was provided for the Fire-Rescue apparatus lease financing program, and \$50,422 was provided to support the Community Emergency Response Team (CERT) program. The Department's increased retirement contributions, retiree healthcare costs and annualized salary impacts required an additional \$12.6 million. As with the Police Department, further reductions to other General Fund departments would need to occur in order to fund the \$25.6 million of San Diego Fire-Rescue Department budget requests.

Even with funding limitations, the two respective public safety departments will still be able to respond to emergencies. However, the requests identified by the departments reinforce the difficulty of weighing public safety priorities against those of neighborhood services such as park operations or environmental services. Public safety services will continue to receive the highest priority although the increasing cost of performing City services will continue to divert funding away from other necessary activities as demonstrated in the *Service Level Impacts* section of this same Volume.