



CITY OF SAN DIEGO

FISCAL YEAR
2007
ANNUAL
BUDGET

EXECUTIVE SUMMARY



Executive Summary

The City of San Diego's balanced budget for Fiscal Year 2007 reflects revenues and expenditures totaling \$2.556 billion, representing an increase of \$3.5 million over Fiscal Year 2006. The 2007 Budget includes 11,416.35 budgeted positions, an increase of 558.58 positions over the Fiscal Year 2006 Annual Budget. The increase in positions includes 430.31 positions not previously budgeted although these positions were filled in fiscal year 2006 with active employees providing services to the City. These previously unbudgeted positions are referred to as "supplemental positions."

Adding supplemental positions to the Fiscal Year 2007 Budget illustrates a core budget initiative for Fiscal Year 2007: transparency in budgeting. In addition, as part of the budget transparency effort, several City departments and programs became part of the General Fund in fiscal year 2007. This section outlines the transparency adjustments and the actual growth to the General Fund in new expenditures.

The total City Fiscal Year 2007 Annual Budget of \$2.556 billion is comprised of six main revenue funds: the General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Improvements Program Funds, Enterprise Funds, and Internal Service Funds.

The General Fund reflects the largest increase from the Fiscal Year 2006 Annual Budget, due to the inclusion of supplemental positions and the reorganization of City departments. The decrease in the Fiscal Year 2007 Capital Improvement budget is primarily due to the City's inability to access the public bond market.

Table 1 shows the change in funding from Fiscal Year 2006 to Fiscal Year 2007 by fund.

TABLE 1 TOTAL CITY FUND CHANGES			
FUND TYPE	FY 2006 BUDGET	FY 2007 BUDGET	CHANGE
General Fund	\$ 864,919,912	\$ 1,021,203,098	\$ 156,283,186
Debt Service Funds	\$ 11,101,202	\$ 12,136,700	\$ 1,035,498
Special Revenue Funds	\$ 308,157,337	\$ 242,930,505	\$ (65,226,832)
Enterprise Funds	\$ 832,616,481	\$ 839,812,640	\$ 7,196,159
Internal Service Funds	\$ 112,437,357	\$ 106,664,199	\$ (5,773,158)
Capital Improvements Program	\$ 389,648,808	\$ 293,671,493	\$ (95,977,315)
Other Funds	\$ 33,931,709	\$ 39,908,893	\$ 5,977,184
TOTAL	\$ 2,552,812,806	\$ 2,556,327,528	\$ 3,514,722



GENERAL FUND

Departments within the General Fund provide and maintain essential core community services such as public safety, park and recreation, library services, and refuse collection as well as vital support functions such as finance and human resources. These core services are primarily supported by major revenue sources that include Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees. The General Fund Fiscal Year 2007 Annual Budget is \$1.02 billion which represents an increase of \$156.3 million, or an 18.1% increase from the Fiscal Year 2006 Annual Budget. The increase represents a combination of

revenue growth (8.9%), restructuring and budgeting for greater transparency. These component changes are identified in **Table 2**.

ENTERPRISE FUNDS

Enterprise Funds account for specific services that are funded directly through user fees. Examples of these funds include Water, Metropolitan Wastewater, Development Services, Refuse Disposal and Recycling. Typically these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2007 Annual Budget for Enterprise Funds is \$839.8 million representing an increase of \$7.2 million, or a 0.9% increase from the Fiscal Year 2006 Annual Budget.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include TransNet, Gas Tax, and Special Promotional Programs. The Fiscal Year 2007 Annual Budget for Special Revenue Funds is \$242.9 million, representing a decrease of \$65.2 million, or a 21.2% decrease from the Fiscal Year 2006 Annual Budget. This decrease is primarily attributed to the restructure of Street Division into the General Fund.

DEBT SERVICE AND TAX FUNDS

Debt Service Funds are used to account for the payment of principal and interest on the General Obligation Public Safety Communication Bonds and for maintenance of zoological exhibits. Tax Funds account for the financing and issuance costs from the sale of Tax and Revenue Anticipation Notes (TRANS) and related interest earnings. TRANS are issued to meet the cash-flow requirements of the City prior to the receipt of property tax revenues. The total expense budgeted for these funds in Fiscal Year 2007 is \$12.1 million, an increase of \$1.0 million, or 9.3%, over Fiscal Year 2006.

CAPITAL IMPROVEMENT FUNDS

The Capital Improvements Program (CIP) Budget supports construction projects such as the development of parkland, the construction of a sewer pump plant, the installation of a traffic signal and street lighting system, or the construction or remodeling of a City facility. These monies are derived from sources such as

sewer and water fees, a half-cent local sales tax for transportation improvements (TransNet), development impact fees, State and federal grants, and/or the issuance of bonds. The Annual Fiscal Year 2007 Capital Improvements Program (CIP) Budget totals \$293.7 million, which is a decrease of \$95.9 million or a 25% reduction from the Fiscal Year 2006 Annual Budget. This decrease is primarily due to the City's inability to access in the public bond market.

INTERNAL SERVICE FUNDS

Internal Service Funds are created to finance and account for services provided by one City department to another City department or division. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The Fiscal Year 2007 Internal Service Funds Budget totals \$106.7 million, which is a decrease of \$5.8 million or a 5.1% reduction from the Fiscal Year 2006 Annual Budget.

■ **OVERVIEW OF THE GENERAL FUND BUDGETARY CHANGES**

Revenues for Fiscal Year 2007 continue to display strong growth in the City's primary revenue categories. The growth in major revenues to the City is projected to be 7.0%. The total increase in Fiscal Year 2007 General Fund revenue over the Fiscal Year 2006 revenue is \$156.3 million or 18.1%. The significant increase in revenue is due not only to economic growth in major revenue sources such as property tax, sales tax, transient occupancy tax and franchise fees, but also due to revenue restructuring related to the budget transparency initiated by the Mayor in Fiscal Year 2007. **Table 2** illustrates the components of the \$156.3 million increase in General Fund revenue.

TABLE 2 FISCAL YEAR 2007 GENERAL FUND REVENUE CHANGES		
Economic Growth	\$60.2 million	7.0%
Revenue Transparency	\$81.5 million	9.4%
Revenue Adjustments ^(1, 2)	\$14.6 million	1.7%
TOTAL GENERAL FUND REVENUE CHANGES	\$156.3 million	18.1%

⁽¹⁾ Includes the reinstatement of \$16.9 million in property tax revenue that had been shifted to the State in Fiscal Years 2005 and 2006. These monies are known as the Educational Revenue Augmentation Funds III (ERAF III).

⁽²⁾ Includes reduction of \$4.4 million in miscellaneous revenue due to restructuring and other adjustments; \$2.9 million reduction from the Service Level Agreements cancellation; and a \$620,000 payment from Centre City Development Corporation in Fiscal Year 2007. In addition, revenue adjustments include a \$4.4 million increase in departmental revenues.

Table 3 displays the overall net changes to both General Fund revenues and General Fund expenditures. The General Fund revenue is balanced with the General Fund expenditure requirements. The expenditure changes from fiscal year 2006 to fiscal year 2007 are included below.

TABLE 3	
GENERAL FUND EXPENDITURE CHANGES COMPARED TO FISCAL YEAR 2006 BUDGET	
Net expenditure adjustments	\$156.3 million
Priority additions or reductions made to department budgets such as non-personnel expenses, reclassifications and one-time expenses	\$57.5 million
Transparency budgeting of all expenses in the General Fund	\$70.0 million
Supplemental expenses not included in the Fiscal Year 2006 Annual Budget	\$33.4 million
Budget Adjustments including personnel expense adjustments, non-discretionary, and information technology budget adjustments	\$20.9 million
Net impact of final budget adjustments	\$8.8 million
Restructuring implemented to create greater efficiency within the General Fund	\$5.3 million
Establishment of a trust to begin funding the future retiree healthcare liability	\$3.3 million
Net impact of reduction to flexible benefits due to vacancy factor and an increase in retiree health	\$0.4 million
Fringe benefit adjustments to the Supplemental Pension Savings Plan (SPSP), Long Term Disability, Employee Retirement Offset, and Worker's Compensation Insurance	(\$4.5 million)
Vacancy savings associated with positions projected to remain vacant (excludes reduction to flexible benefits)	(\$38.8 million)
TOTAL EXPENDITURE ADJUSTMENTS	\$156.3 million

■ EXECUTIVE SUMMARY ■

Table 4 represents the expenditure change in the General Fund over the last three fiscal years. **Table 5** identifies the allocation of General Fund dollars to the Police and Fire-Rescue departments compared to the other General Fund departments. In Fiscal Year 2007, the General Fund increased by approximately 18.1% from Fiscal Year 2006 with the Police and Fire-Rescue departments receiving \$529.6 million, or approximately 51.9% of the total General Fund budgeted expenditures.

TABLE 4			
SUMMARY OF GENERAL FUND EXPENDITURE INCREASES FISCAL YEARS 2005 - 2007			
	FY 2005	FY 2006	FY 2007
Total General Fund Budget	\$ 817,432,989	\$ 864,919,912	\$ 1,021,203,098
Percent Change from previous year	10.02 %	5.81 %	18.07 %

TABLE 5			
GENERAL FUND EXPENDITURE ALLOCATION FISCAL YEARS 2005 - 2007			
	FY 2005	FY 2006	FY 2007
Police and Fire-Rescue Budgets	\$ 458,325,803	\$ 496,815,077	\$ 529,644,385
Percent of Total General Fund Budget	56.07 %	57.44 %	51.86 %
Other General Fund Department Budgets	\$ 359,107,186	\$ 368,104,835	\$ 491,558,713
Percent of Total General Fund Budget	43.93 %	42.56 %	48.14 %

■ **TOTAL CITY PERSONNEL**

The Fiscal Year 2007 Annual Budget includes a total of 11,416.35 positions; 7,517.62 of those positions are budgeted within the General Fund. **Table 6** presents the change in positions from fiscal year 2006 to 2007. A total for Maintenance Assessment Districts has also been included.

Significant position changes are reflected within the General Fund, Special Revenue Funds and Enterprise Funds. The position increase within the General Fund is attributed to the transfer of 317.49 positions from the General Services Department - Street Division into the General Fund. Another component of the General Fund increase is the addition of 270.51 supplemental positions (previously existing, but unbudgeted positions.) The position decrease within the Special Revenue Funds is attributed to the restructuring of the General Services Department - Street Division as a General Fund department in fiscal year 2007. The position increase within the Enterprise Funds is the result of adding approximately 106 supplemental positions to the budget.

TABLE 6 TOTAL CITY POSITION CHANGE			
FUND TYPE	FY 2006 BUDGET	FY 2007 BUDGET	CHANGE
General Fund	6,765.36	7,517.62	752.26
Special Revenue Funds	585.43	301.78	(283.65)
Enterprise Funds	2,902.82	3,009.63	106.81
Internal Service Funds	530.41	500.23	(30.18)
Maintenance Assessment Districts	23.75	25.09	1.34
Other Funds	50.00	62.00	12.00
TOTAL	10,857.77	11,416.35	558.58

Table 7 shows the position change in the General Fund over the last three fiscal years. Table 8 displays the percentage of positions in the Police and Fire-Rescue departments compared to the remaining General Fund departments. In fiscal year 2007, General Fund positions increased by 752.26, or approximately 11.1% from fiscal year 2006. The fiscal year 2007 budgets of the Police and Fire-Rescue Departments include 4,009 positions or approximately 53.3% of total General Fund positions.

TABLE 7 GENERAL FUND POSITION SUMMARY FISCAL YEARS 2005 - 2007			
	FY 2005	FY 2006	FY 2007
Total General Fund Budget	6,955.31	6,765.36	7,517.62
Percent Change from previous year	-1.24 %	-2.73 %	11.12 %

TABLE 8 GENERAL FUND POSITION ALLOCATION FISCAL YEARS 2005 - 2007			
	FY 2005	FY 2006	FY 2007
Police and Fire-Rescue Budgets	3,907.41	3,883.23	4,009.26
Percent of Total General Fund Budget	56.18 %	57.40 %	53.33 %
Other General Fund Department Budgets	3,047.90	2,882.13	3,508.36
Percent of Total General Fund Budget	43.82 %	42.60 %	46.67 %

■ NEW FACILITIES

The Fiscal Year 2007 Annual Budget includes \$4.5 million in operating funds for new facilities. This funding will support start-up costs and operations of new Fire-Rescue, Library, and Park and Recreation facilities.

Typically, new facilities are paid from restricted funds which support the construction or acquisition costs, referred to as capital expenses. These types of funds include Facilities Benefit Assessment (FBA) Fees, Development Impact Fees (DIF), and Community Development Block Grants (CDBG). In most cases these fees are restricted for capital projects only and cannot be used for operating expenses, including maintenance. As a result, the General Fund must support the operations of the facility (such as a new library, playground or an expanded grass field) once the project is completed.



PARK AND RECREATION – NEW FACILITIES

The Park and Recreation Department plans to open the following facilities in fiscal year 2007. The Fiscal Year 2007 Annual Budget includes funding for additional staff and operating support for these facilities:

- Chollas Creek Enhancement
- Edison Elementary School Joint Use
- Hilltop Community Park Expansion
- Naval Training Center Phase I
- Nobel Athletic Area and Recreation Center
- Normal Heights Elementary School Joint Use
- Open Space – 800 Acres
- Otay Valley Regional Park Phase II
- Sunshine Barardini Fields

LIBRARY – NEW FACILITIES

The following library facilities have either opened in fiscal year 2006 or are scheduled to open in fiscal year 2007. The Annual Fiscal Year 2007 Budget includes funding to operate all of these facilities.

- **College-Rolando Branch Library – New Facility**

Opened on September 9, 2005, this 15,000 square-foot library is located at 6600 Montezuma Street to serve the College and Rolando communities. The operating funding for this facility was not budgeted in Fiscal Year 2006.

- **North University Community Branch Library – New Facility**

Scheduled to open in Fiscal Year 2007, this 15,000 square foot branch library is located on a City-owned park site at Nobel Drive and Judicial Drive. The operating funding for this library was budgeted in Fiscal Year 2006.

- **Otay Mesa-Nestor Branch Library Expansion – Expanded Facility**

Opened on April 7, 2006, a 5,000 square-foot expansion was added to the existing 10,000 square-foot branch library, located at 3003 Coronado Avenue to provide more space to serve this growing community.

- **Serra Mesa-Kearny Mesa Branch Library – New Facility**

A 15,000 square-foot library on City-owned property located on the 8900 block of Aero Drive in the Serra Mesa community planning area will open in fall 2006.

SAN DIEGO FIRE-RESCUE – NEW FACILITIES

The Fiscal Year 2007 Annual Budget includes the addition of 9.73 positions and operating funding totaling \$1.3 million for the temporary Mission Valley Fire Station opened in fiscal year 2006.

SAN DIEGO POLICE – NEW FACILITIES

The Northwestern Area station is scheduled to open in Fiscal Year 2007. The Fiscal Year 2007 Annual Budget does not include funding for this facility. Resources from other areas within the Police Department will be allocated to cover the requirements of operating this new facility.

■ ADDRESSING UNFUNDED NEEDS

Unfunded operational needs remain throughout the City beyond what is presented in the Fiscal Year 2007 Annual Budget. It is anticipated that in conjunction with the components of the recovery program and following the plan set forth in the Five-Year Financial Forecast, action toward addressing these unfunded needs will begin in Fiscal Year 2008. The remaining challenges include:

- Public Safety Needs: equipment and staffing
- Basic Operating Needs: providing customer service at expected levels to the community
- Additional funding for Deferred Maintenance
- The Strategic Framework – the infrastructure needed to support the “City of Villages” concept
- National Pollution Discharge Elimination System (NPDES) Permit – funding efforts to meet storm water permit requirements
- Removal, replacement and maintenance of Underground Storage Tanks to comply with State and Local regulations
- Unfunded Actuarial Accrued Liability of Pension System
- Unfunded Actuarial Accrued Liability for other Post Employment Benefits (i.e., Retiree Health Care)

■ FISCAL YEAR 2006 GENERAL FUND BUDGET REVISIONS

During the course of a fiscal year, the City is faced with unexpected circumstances that require budget adjustments to accommodate unplanned expenditures. Those situations may include unforeseen legal settlements, audits and compliance requirements. The fiscal year 2006 General Fund adopted budget of \$864,919,912 was revised through City Council actions and experienced several expenditure increases which led to a revised Fiscal Year 2006 budget totaling \$920,581,772. The General Fund budget increased in fiscal year 2006 by approximately \$55.7 million, or a 6.4% increase from the initial Fiscal Year 2006 adopted budget. The following items detail the significant revisions (over \$1 million) made to the fiscal year 2006 adopted budget:



- The most significant increase occurred within the Citywide Department. This department received an expenditure increase of approximately \$32.9 million for public liability needs due to costs associated with the City's financial investigations and for costs connected to the right-of-way acquisition for State Route 56.
- The San Diego Fire and Rescue Department's budgeted expenditures increased by \$8.4 million. This increase was primarily attributed to costs for a temporary fire station in Mission Bay and expenses for terminal leave, overtime and special pay.
- The General Services Department Facilities Maintenance Division's budgeted expenditures increased by \$2.5 million. This increase was primarily attributed to the renovation of Plaza Hall, roof repairs to the Development Review Center, City Concourse payments, and for facilities maintenance services.
- The Community and Economic Development Department's budgeted expenditures increased by approximately \$2.2 million. This increase was attributed to balancing the "6 to 6" Program and prior year expenses deemed to be grant eligible, the return of sales tax proceeds due to a business cooperative agreement, and for services provided to other funds.
- The Metropolitan Wastewater Department Storm Water Pollution Prevention Program's budgeted expenditures increased by \$1.5 million. This increase in funding was identified for professional consultant services and project related costs to perform investigations to ensure compliance with various State water quality requirements.
- The Neighborhood Code Compliance Department's budgeted expenditures increased by \$1.1 million. This increase was primarily attributed to services provided by the department to other City agencies.

Table 9 lists all General Fund budget revisions that occurred during Fiscal Year 2006.

TABLE 9 FISCAL YEAR 2006 GENERAL FUND BUDGET REVISIONS			
	FY 2006 ADOPTED BUDGET	FY 2006 REVISED BUDGET	DIFFERENCE
PUBLIC SERVICES			
Public Safety			
Paramedics (Citywide)	\$ 2,152,184	\$ 2,123,684	\$ (28,500)
Police	336,477,474	338,250,123	1,772,649
San Diego Fire-Rescue	160,337,603	168,741,043	8,403,440
Total Public Safety	\$ 498,967,261	\$ 509,114,850	\$ 10,147,589
Office of Homeland Security	589,284	1,178,017	588,733
Park and Recreation	79,030,543	78,808,075	(222,468)
Sanitation and Health			
Animal Regulation (Citywide)	\$ 5,290,810	\$ 5,290,810	\$ -
Environmental Services	36,368,960	36,368,960	-
Mt. Hope Cemetery (Park and Recreation)	1,467,813	1,612,813	145,000
Stormwater Pollution Prevention (MWWD)	2,748,385	4,248,385	1,500,000
Total Sanitation and Health	\$ 45,875,968	\$ 47,520,968	\$ 1,645,000
Transportation (General Services)	8,167,602	9,092,802	925,200
Library	36,647,886	36,642,886	(5,000)
Neighborhood Services			
Community and Economic Development	\$ 3,792,711	\$ 5,952,980	\$ 2,160,269
Family Justice Center	556,964	614,041	57,077
Neighborhood Code Compliance	5,319,473	6,450,360	1,130,887
Planning	6,846,564	6,846,564	-
Small Business Enhancement-Citywide (Citywide)	550,004	925,238	375,234
Small Business Enhancement-Districts (Citywide)	561,007	561,007	-
Total Neighborhood Services	\$ 17,626,723	\$ 21,350,190	\$ 3,723,467
TOTAL PUBLIC SERVICES	\$ 686,905,267	\$ 703,707,788	\$ 16,802,521
OPERATIONS SUPPORT			
City Attorney	\$ 34,182,145	\$ 34,182,145	\$ -
Citywide Operations Support	39,790,435	72,675,457	32,885,022
Engineering and Capital Projects	31,771,442	32,964,474	1,193,032
General Services	14,717,974	17,195,047	2,477,073
Real Estate Assets	3,988,523	3,988,523	-
TOTAL OPERATIONS SUPPORT	\$ 124,450,519	\$ 161,005,646	\$ 36,555,127
INTERNAL SUPPORT/MANAGEMENT			
Citizens' Assistance	\$ 353,134	\$ 353,134	\$ -
City Auditor and Comptroller	10,273,502	10,269,744	(3,758)
City Clerk	3,762,362	3,739,359	(23,003)
City Council District 1	850,000	850,000	-
City Council District 2	850,000	850,000	-
City Council District 3	850,000	855,392	5,392
City Council District 4	850,000	885,652	35,652
City Council District 5	850,000	831,928	(18,072)
City Council District 6	850,000	848,140	(1,860)
City Council District 7	850,000	1,016,249	166,249
City Council District 8	850,000	850,000	-
City Manager	470,297	1,226,467	756,170
Deputy City Manager	-	-	-
City Treasurer	11,438,993	11,538,993	100,000
Council Administration	946,328	1,387,968	441,640
Equal Opportunity Contracting	2,453,858	2,453,858	-
Ethics Commission	670,426	670,426	-
Financial Management	4,369,276	4,567,455	198,179
Governmental Relations	749,479	797,879	48,400
Human Resources	1,331,687	1,540,176	208,489
Mayor	2,507,141	2,584,576	77,435
Personnel	5,908,910	6,222,209	313,299
Public and Media Affairs	215,265	215,265	-
Special Projects	1,313,468	1,313,468	-
TOTAL INTERNAL SUPPORT/MANAGEMENT	\$ 53,564,126	\$ 55,868,338	\$ 2,304,212
TOTAL GENERAL FUND	\$ 864,919,912	\$ 920,581,772	\$ 55,661,860