

# 2014

FISCAL YEAR

## ADOPTED BUDGET



### Executive Summary



City of San Diego



# Executive Summary



## Introduction

The City of San Diego remains committed to sustaining the important fiscal reforms that have restored the credibility of the City, addressing its financial obligations, and meeting its responsibility to provide essential core services to San Diego residents.

In October of 2012, the prior administration released an update to the Mayor's Fiscal Year 2014-2018 Five-Year Financial Outlook (Outlook), which projected a General Fund surplus of \$4.9 million in Fiscal Year 2014. Subsequent to this release, a revised General Fund deficit of \$38.4 million was projected as a result of the estimated increase of \$29.0 million in the City's ARC payment towards the City's retirement system for Fiscal Year 2014 primarily due to the implementation of Proposition B, and the loss of \$14.3 million in debt service support for PETCO Park and the Convention

Center Phase II Expansion due to the dissolution of the redevelopment agency. This deficit has been addressed and, in addition, modest service enhancements are included in the Fiscal Year 2014 Adopted Budget through the fiscal measures and corrective actions described in this section.

Neighborhood services is a top priority of this budget which includes \$9.4 million to address deferred capital needs related to the deferred capital backlog. This will increase deferred capital cash funding to approximately \$55.2 million in Fiscal Year 2014. A third bond issuance is also planned for early calendar year 2014 to further address the deferred capital backlog, and \$2.0 million in funding is included in the budget for debt service payments related to the bond proceeds received in July 2013 to fund \$35.0 million in capital improvement projects. In addition, the budget includes \$11.1 million (\$2.3 million in the General Fund) to conduct various condition/needs assessments of City infrastructure, \$2.4 million to upgrade the City's Traffic Control System and provide changeable message signs through the use of Service Authority for Freeway Emergencies (SAFE) program reserve funds, and \$150,000 to develop a Traffic Signal Communication Infrastructure Master Plan.

This Fiscal Year 2014 Adopted Budget also includes \$945,987 to support the newly-created Civic and Urban Initiatives Program, \$2.4 million for the new Central Library, \$852,811 for new Park & Recreation facilities scheduled to open in Fiscal Year 2014, \$1.3 million to extend the operations of the Emergency Winter Shelter, \$600,000 to extend the operations of the Veterans' Shelter, \$600,000 for tree trimming services, \$1.6 million to support the Penny for the Arts, \$831,074 in funding to continue community plan updates and special projects, \$226,000 for the replacement of public use computers at all branch libraries, \$300,000 to support the Traffic Management Plan at Balboa Park, and \$384,508 for the 2015 Balboa Park Centennial Celebration.

Public safety needs are also a top priority. This budget begins to address this priority with funding of \$3.9 million for the planned replacement of the Computer-Aided Dispatch (CAD) system. In addition, the budget includes an additional 16 Police sworn positions which will increase the four planned police academies from 30 to 34 recruits, 4.00 full-time equivalent (FTE) Police civilian positions to

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support Police Department operations, \$2.0 million for a Police retention program, \$714,005 for Police overtime expenditures from the use of AB 109 Funds, and additional funding of \$1.5 million to replace Police equipment. For the Fire-Rescue Department, funding of \$225,000 for an advanced lifeguard academy, \$447,236 for hourly lifeguards, \$500,000 for a Lifeguard cliff rescue vehicle, a \$502,700 decrease in vacancy savings, 2.00 full-time equivalent (FTE) Fire Dispatcher positions, and 3.00 FTE lifeguard positions are included in the Fiscal Year 2014 Adopted Budget. Additionally, one-time expenditures of \$1.5 million in the Police Department and \$245,000 in the Fire-Rescue Department are included in this budget through the use of SAFE funds.

Finally, the Fiscal Year 2014 Adopted Budget includes \$13.0 million in non-pensionable compensation increases (\$9.8 million in the General Fund) as a result of the five-year labor agreements with the City's six recognized employee organizations approved by the City Council on June 10, 2013. Other significant adjustments such as \$2.6 million for storm water permit compliance; \$200,000 for student bus passes; and \$1.8 million (\$1.4 million in the General Fund) to support the pay-go costs for the continued funding of the supplemental cost of living adjustment (COLA) benefit for those retirees who left City service prior to 1982 are also included in this budget. In addition, in order to address solar initiatives, the \$2.8 million estimated fund balance in the Energy Conservation Program Fund will be used as a funding source for energy efficiency projects focused on solar energy.

## City Budget Overview

The City of San Diego's Fiscal Year 2014 Adopted Budget of \$2.80 billion is comprised of six operating fund type categories (General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds) and the Capital Improvements Program (CIP). **Table 1** shows the change in expenditures for operations from Fiscal Year 2012 to Fiscal Year 2014 by fund type and for the CIP.

**Table 1: Total City Expenditure Changes Fiscal Years 2012 - 2014 by Fund Type/Program**

Fund Type	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Adopted Budget	FY 2013 - FY 2014 Change	Percent Change
General Fund <sup>1</sup>	\$ 1,136,532,533	\$ 1,163,942,747	\$ 1,225,491,199	\$ 61,548,452	5.3%
Special Revenue Funds	323,462,372	360,888,249	369,922,311	9,034,062	2.5%
Debt Service and Tax Funds	3,234,689	1,036,617	2,630,000	1,593,383	153.7%
Capital Project Funds	18,661,676	11,470,515	13,435,611	1,965,096	17.1%
Enterprise Funds	785,186,742	904,284,822	901,262,377	(3,022,445)	(0.3)%
Internal Service Funds	95,940,920	95,601,567	103,068,181	7,466,614	7.8%
Capital Improvements Program <sup>2</sup>	363,174,117	214,917,343	179,440,324	(35,477,019)	(16.5)%
<b>Total</b>	<b>\$ 2,726,193,049</b>	<b>\$ 2,752,141,860</b>	<b>\$ 2,795,250,003</b>	<b>\$ 43,108,143</b>	<b>1.6%</b>

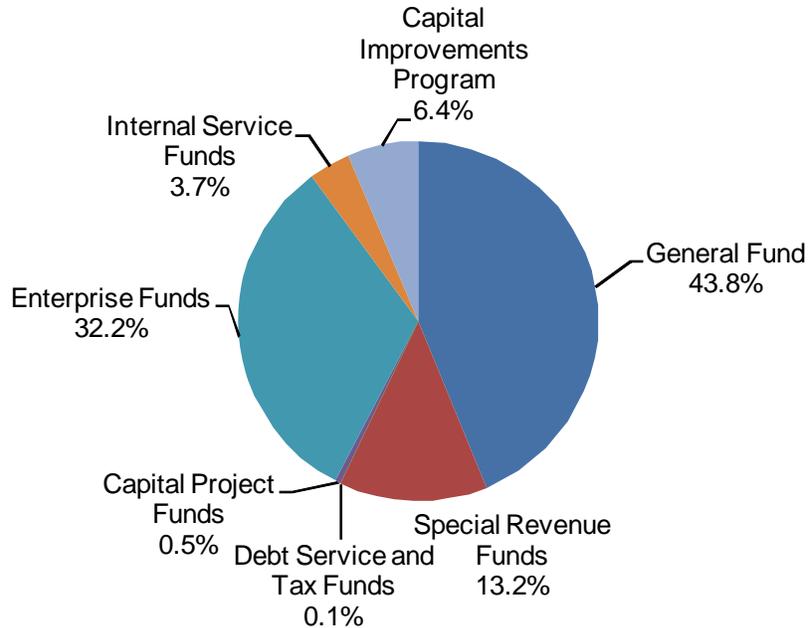
<sup>1</sup> The Fiscal Year 2014 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of fund balance for non-pensionable compensation increases, the use of the Fiscal Year 2013 budgetary surplus, the Community Projects, Programs, and Services appropriations which are budgeted in each Council District, expenditures that were budgeted in Fiscal Year 2013 but not incurred, and expenditures related to revenues received in Fiscal Year 2013.

<sup>2</sup> The decrease of \$35.5 million from the Fiscal Year 2013 Adopted Budget is primarily due to the availability of prior year continuing appropriations for capital projects.

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**Figure 1** displays the Fiscal Year 2014 Adopted Expenditure Budget by fund type or program.

**Figure 1: Fiscal Year 2014 Adopted Expenditure Budget by Fund Type**



Note: Numbers may not add to 100% due to rounding.

**Table 2** presents the changes in revenues from Fiscal Year 2012 to Fiscal Year 2014 by fund type.

**Table 2: Total City Revenue Changes Fiscal Years 2012 - 2014 by Fund Type**

Fund Type	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Adopted Budget	FY 2013 - FY 2014 Change	Percent Change
General Fund <sup>1</sup>	\$ 1,189,106,924	\$ 1,151,215,145	\$ 1,203,048,350	\$ 51,833,205	4.5%
Special Revenue Funds	340,440,087	338,168,451	348,845,047	10,676,596	3.2%
Debt Service and Tax Funds	1,032,878	500,000	2,630,000	2,130,000	426.0%
Capital Project Funds	47,379,893	27,135,229	29,179,187	2,043,958	7.5%
Enterprise Funds	1,059,262,473	990,652,247	952,558,503	(38,093,744)	(3.8)%
Internal Service Funds	106,818,162	106,570,762	107,342,941	772,179	0.7%
<b>Total<sup>2</sup></b>	<b>\$ 2,744,040,416</b>	<b>\$ 2,614,241,834</b>	<b>\$ 2,643,604,028</b>	<b>\$ 29,362,194</b>	<b>1.1%</b>

<sup>1</sup> The Fiscal Year 2014 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of fund balance for non-pensionable compensation increases, the use of the Fiscal Year 2013 budgetary surplus, the Community Projects, Programs, and Services appropriations which are budgeted in each Council District, expenditures that were budgeted in Fiscal Year 2013 but not incurred, and expenditures related to revenues received in Fiscal Year 2013.

<sup>2</sup> Non-General Fund operating revenues may be less than operating expenditures due to the use of fund balance.

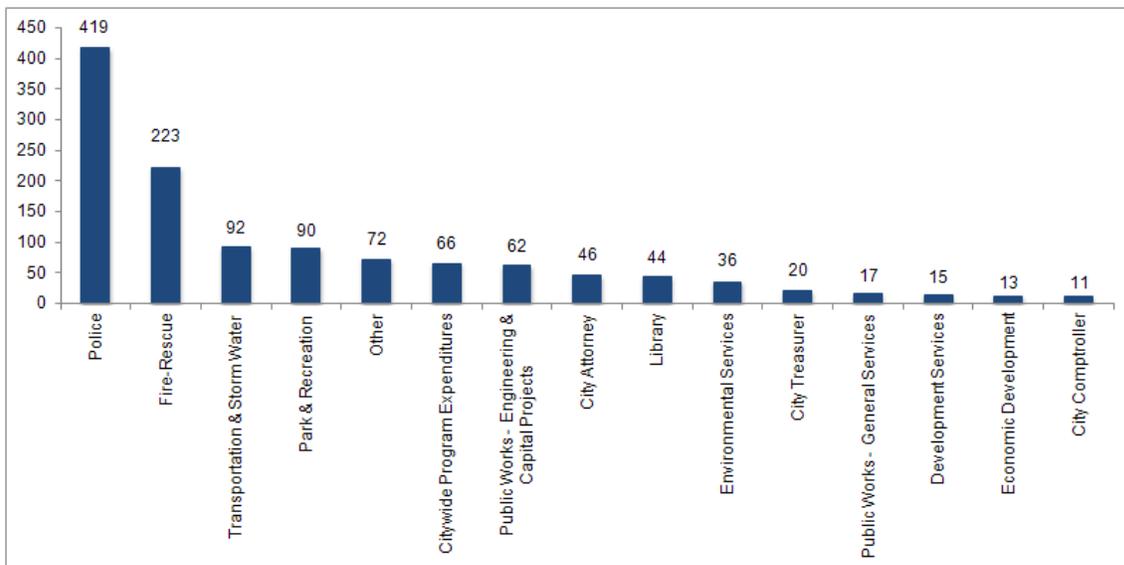
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## General Fund

Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, 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 City's Fiscal Year 2014 Adopted Budget reflects General Fund expenditures totaling \$1.2 billion, representing a net increase of \$61.5 million or 5.3 percent over the Fiscal Year 2013 Adopted Budget. The Fiscal Year 2014 Adopted General Fund Budget includes 7,267.50 budgeted full-time equivalent (FTE) positions, a net increase of 115.35 FTE positions from the Fiscal Year 2013 Adopted General Fund Budget. More detail on the total net increase in the General Fund is described in subsequent sections.

**Figure 2** summarizes the Fiscal Year 2014 Adopted General Fund budgeted expenses by department. Only those departments with a total General Fund expenditure budget of over \$10.0 million are displayed. All other General Fund departments are combined in the "Other" category. For a complete review of the expenditures by department in the General Fund, refer to the Financial Summary and Schedules section of this Volume.

**Figure 2: Fiscal Year 2014 Adopted General Fund Expenditures by Department (in Millions)**



**Note:** The Other category includes: Administration, City Auditor, City Clerk, City Council, Civic & Urban Initiatives, Debt Management, Department of Information Technology, Ethics Commission, Financial Management, General Fund Appropriated Reserve, Human Resources, Multimedia Services, Office of ADA Compliance & Accessibility, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Personnel, Public Utilities, Public Works - Contracting, Purchasing & Contracting, and Real Estate Assets.

## Debt Service and Tax Funds

The Debt Service and Tax Funds includes funding to pay for note interest and costs of issuance for the annual General Fund Tax and Revenue Anticipation Notes (TRANs) cash flow borrowing. The Fiscal Year 2014 Adopted Budget for Tax Funds totals \$2.6 million, which represents an increase of approximately \$1.6 million or 153.7 percent from the Fiscal Year 2013 Adopted Budget. This increase is due to the increased interest expense in the TRANs Fund which is offset by the note proceeds. At the time of this publication, the City is not expecting to issue TRANs in Fiscal Year 2014. Funding for the issuance is included in this budget as a contingency. However, this funding may be released for other purposes if the issuance is not needed as part of the Fiscal Year 2014 Mid-Year Budget Monitoring process.



Debt service for all other City related financings, including General Fund lease revenue bonds and water and wastewater revenue bonds, are budgeted within the departments' operating budgets.

## Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. This fiscal year's budget is comprised of the Capital Outlay Fund and TransNet Extension Funds. The Fiscal Year 2014 Adopted Budget for Capital Project Funds is \$13.4 million, which is an increase of \$2.0 million or 17.1 percent from the Fiscal Year 2013 Adopted Budget. This increase is primarily due to a \$1.3 million increase in the Capital Outlay Fund to support the debt service payments for the deferred capital bonds and a nearly \$700,000 increase in the TransNet Extension Funds as a result of an increase in projected TransNet revenue.

## Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include Transient Occupancy Tax (TOT) and Gas Tax. The Fiscal Year 2014 Adopted Operating Budget for Special Revenue Funds is \$370.0 million, representing a net increase of \$9.0 million or 2.5 percent from the Fiscal Year 2013 Adopted Budget. The net increase is primarily due to an additional \$10.3 million transfer to the PETCO Park Fund to fund the debt service previously paid with redevelopment funds.

## Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2014 Adopted Operating Budget for all Enterprise Funds is \$901.3 million, representing a net decrease of \$3.0 million or 0.3 percent from the Fiscal Year 2013 Adopted Budget. This net decrease is primarily due to the removal of prior year one-time expenditures, offset by increases in supplies and contract expenditures in the Public Utilities Department based on an analysis of prior year spending trends.

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## Internal Services Funds

The Fiscal Year 2014 Adopted Budget for Internal Service Funds totals \$103.1 million, which is an increase of \$7.5 million or 7.8 percent from the Fiscal Year 2013 Adopted Budget. The net increase of \$7.5 million is primarily due to: (1) an increase of \$3.7 million in vehicle outlay expenditures based on the Fiscal Year 2014 vehicle replacement needs in the Fleet Services Replacement Fund; (2) the increase of \$1.3 million of expenditures in the Fleet Operating Fund associated with the new citywide GPS contract for the purchase of new GPS units installed in citywide vehicles; (3) the restoration of 12.50 FTE positions and \$1.3 million in expenditures in the Fleet Operating Fund that were eliminated as part of the original fleet maintenance operations managed competition proposal but subsequently restored through the meet and confer process; and (4) the increase of \$449,445 of expenditures for the purchase of fleet vehicle tires in the Fleet Services Operating Fund.

## Capital Improvements Program

The Capital Improvements Program (CIP) budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), development impact fees, Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2014 Adopted CIP Budget totals \$179.4 million. This is a decrease of \$35.5 million, or 16.5 percent, from the Fiscal Year 2013 Adopted CIP Budget of \$214.9 million, primarily due to the availability of prior year continuing appropriations of \$614.3 million for capital projects.

The CIP budget identifies funding that is uncertain to be received in Fiscal Year 2014. This amount is reflected as Anticipated in the CIP project pages. For Fiscal Year 2014, a total of \$132.6 million in anticipated funding for CIP projects is included but was not appropriated through the Fiscal Year 2014 Adopted Budget. Anticipated funding includes a variety of funding such as donations, grants, developer funding, and Facilities Benefit Assessments, as well as a third deferred capital bond issuance anticipated to be considered by City Council in the near future. It should be noted that the \$35.0 million in bond proceeds approved by City Council in Fiscal Year 2013, but received in July 2013 for CIP projects, is included in the total anticipated funding due to the timing of the receipt of the bond proceeds.

## Summary of Major General Fund Budget Changes

This section shows the major contributors to the \$51.8 million or 4.5 percent increase in revenues and the \$61.5 million or 5.3 percent increase in expenditures in the General Fund in the Fiscal Year 2014 Adopted Budget. The Fiscal Year 2014 Adopted General Fund expenditures budget does not match the General Fund revenue budget due to the use of fund balance for non-pensionable compensation increases, the use of Fiscal Year 2013 budgetary surplus, the Community Projects, Programs, and Services appropriations which are budgeted in each Council District, expenditures that were budgeted in Fiscal Year 2013 but not incurred, and expenditures related to revenues received in Fiscal Year 2013.

## General Fund Revenues

The General Fund's four largest revenue sources - property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees - account for approximately \$812.4 million or 67.5 percent of the total General Fund revenues. In total, these four major revenues have increased \$35.7 million in the Fiscal Year 2014 Adopted Budget from the Fiscal Year 2013 Adopted Budget, while all other General Fund revenues have increased \$16.1 million.

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The Fiscal Year 2014 major revenue projections are based on Fiscal Year 2013 year-end projections and economic data through May 2013, the most recent information available at the time the adopted budget was prepared. Similar to Fiscal Year 2013 and as a result of the slowly improving local economy, preparation of the Fiscal Year 2014 Adopted Budget incorporates an improved economic outlook when compared to previous years, as is evidenced by the increases in property tax, sales tax and TOT. Despite the projected increases in the General Fund major revenues, there is some uncertainty related to the impacts of sequestration and the across-the-board federal spending cuts that might affect San Diego's economy. The impacts to the region's economy might be seen in a few economic sectors such as consumer spending and job growth but at the time of the publication of the adopted budget the direct impacts to the City are uncertain. The City will continue to monitor the impacts of sequestration and its impacts to the City's General Fund budget.

For Fiscal Year 2014, property tax is budgeted at \$408.0 million, an increase of \$20.9 million or 5.4 percent from the Fiscal Year 2013 Adopted Budget. The Fiscal Year 2014 Adopted Budget for property tax revenue is based upon the assumption that the improvement local real estate market experienced in calendar year 2012 will continue. Based on this improvement in the local real estate market, the Fiscal Year 2014 adopted property tax budget assumes that the City will experience 2.2 percent growth in the assessed valuation. This projected increase in property tax is accompanied by forecasted increases in sales and transient occupancy taxes while being partially offset by a projected decrease in franchise fees. Sales tax is budgeted at \$248.1 million, which represents an increase of \$11.9 million or 5.0 percent from the Fiscal Year 2013 Adopted Budget. This projected growth is due to continued increases in sales tax receipts experienced throughout Fiscal Year 2013 and these increases are anticipated to continue into Fiscal Year 2014. Transient Occupancy Tax (TOT) is budgeted at \$87.9 million, an increase of \$6.1 million or 7.5 percent from the Fiscal Year 2013 Adopted Budget due to increases in local tourism and business travel. Franchise Fees are budgeted at \$68.4 million, a decrease of \$3.2 million or 4.5 percent from the Fiscal Year 2013 Adopted Budget primarily due to projected decreases in San Diego Gas & Electric (SDG&E) franchise fee payments to the City as a result of reduced natural gas prices.

In addition to the projected increases in the General Fund major revenues, the Fiscal Year 2014 Adopted Budget for all other General Fund revenues has increased \$16.1 million from the Fiscal Year 2013 Adopted Budget. As reflected below in **Table 3: General Fund Revenue Adjustment Over Fiscal Year 2013 Adopted Budget**, the increases in the General Fund's four largest revenue sources are partially offset by decreases within the fines, forfeitures and penalties, licenses and permits, and interest earnings categories. In the Fiscal Year 2014 Adopted Budget, fines, forfeitures, and penalties are budgeted at \$29.3 million, a decrease of \$2.1 million or 6.5 percent from the Fiscal Year 2013 Adopted Budget. The decrease in fines, forfeitures, and penalties is primarily due to the elimination of the red light photo enforcement program during Fiscal Year 2013. Licenses and permits are budgeted at \$31.8 million, a decrease of \$0.1 million or 0.2 percent from the Fiscal Year 2013 Adopted Budget. This decrease is primarily due to a reduction in fire false alarm penalties and police alarm permit fees. Interest earnings are budgeted at \$0.9 million, a decrease of \$0.5 million or 36.5 percent from the Fiscal Year 2013 Adopted Budget. This decrease in interest earnings is based on the assumption that interest rates will remain near all time lows throughout Fiscal Year 2014. General Fund revenues will continue to be monitored throughout Fiscal Year 2014 and, if necessary, the budget will be modified.

**Table 3** displays the major changes in General Fund revenues from the Fiscal Year 2013 Adopted Budget to the Fiscal Year 2014 Adopted Budget.

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**Table 3: General Fund Revenue Adjustment Over Fiscal Year 2013 Adopted Budget**

Major Revenue Categories	(in millions)
Property Tax	\$ 20.9
Sales Tax	11.9
Transient Occupancy Tax	6.1
Property Transfer Tax	0.7
Franchise Fees	(3.2)
Fines, Forfeitures, & Penalties	(2.1)
Licenses & Permits	(0.1)
Interest Earnings	(0.5)
Other Revenue Adjustments	18.1
<b>TOTAL REVENUE Adjustments<sup>1</sup></b>	<b>\$ 51.8</b>

<sup>1</sup> Refer to General Fund Revenue section of this document for more detailed information regarding General Fund revenue adjustments.

## General Fund Expenditures

The net increase in the Fiscal Year 2014 Adopted General Fund Expenditures Budget is primarily due to the following: an increase of \$33.0 million in the ARC payment to the City's retirement system; \$9.8 million in non-pensionable compensation increases; \$4.1 million for the use of SAFE funds; \$4.1 million for pass-through payments to the Redevelopment and Housing Successor Agencies; \$3.9 million increase in non-discretionary expenditures; \$3.2 million in deferred capital cash funding; an increase of \$2.6 million in the General Fund transfer to the Mission Bay and Regional Park Improvements Funds; a \$1.7 million increase in the Workers' Compensation pay-go reserve contribution; \$2.4 million increase in expenditures related to the new Central Library; \$2.3 million for various condition/needs assessments of city infrastructure; \$2.2 million in increased funding for the storm water permit and total maximum daily load compliance; an increase of \$2.1 million for computer replacement due to the Windows 7 upgrade; \$2.0 million in expenditures for a Police retention program which is budgeted in the General Fund Appropriated Reserve; \$2.0 million increase in debt service to fund \$35.0 million in CIP projects; \$1.5 million in police equipment; \$1.4 million for the supplemental cost of living adjustment (COLA); \$1.3 million for full-year funding of the Emergency Winter Shelter; \$1.2 million in expenditures for police sworn positions as part of the five-year staffing plan; \$1.0 million in increased fuel expenditures for Fire-Rescue; \$1.0 million to support the Civic and Urban Initiatives Program; \$0.9 million for new Park and Recreation facilities scheduled to open in Fiscal Year 2014; and \$0.8 million in funding to continue community plan updates and special projects. Partially offsetting these increases are: the removal of \$8.3 million in one-time deferred capital cash funding in Fiscal Year 2013; a \$6.6 million reduction in General Fund contribution to the Public Liability Fund; a \$4.9 million reduction in Information Technology expenditures; and the removal of \$3.9 million in one-time General Fund Appropriated Reserve expenditures in Fiscal Year 2013.

**Table 4** displays the major changes to General Fund expenditures from the Fiscal Year 2013 Adopted Budget to the Fiscal Year 2014 Adopted Budget.

**Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2013 Adopted Budget**

Major Expenditure Adjustments	(in millions)
ARC Payment to the City's Retirement System	\$ 33.0
Non-Pensionable Compensation Increases	9.8
SAFE Program Reserve Funds	4.1

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**Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2013 Adopted Budget (Cont'd)**

Major Expenditure Adjustments	(in millions)
Civic San Diego Pass-through Payment	4.1
Non-Discretionary Adjustments	3.9
Deferred Capital Cash Funding	3.2
Mission Bay & Regional Park Improvement Funds Transfer	2.6
New Central Library	2.4
Condition/Needs Assessments of City Infrastructure	2.3
Storm Water Permit Compliance	2.2
PC Replacement	2.1
CIP Bond Debt Service	2.0
Police Retention Program	2.0
Workers' Compensation Contribution	1.7
Other Expenditure Adjustments	1.6
Police Equipment Replacement	1.5
Supplemental Cost of Living Adjustment (COLA)	1.4
Emergency Winter Shelter	1.3
Police Sworn Positions (Over Four Academies)	1.2
Fire-Rescue Fuel Expenses	1.0
Civic and Urban Initiatives Program Support	1.0
New Park & Recreation Facilities	0.9
Community Plan Updates and Special Projects	0.8
Police Overtime Funded by AB 109 Funds	0.7
Veterans' Shelter	0.6
Catch Basin Inspection and Cleaning	0.6
Palm/Shade Tree Trimming	0.6
Lifeguard Cliff Rescue Vehicle	0.5
Fire Vacancy Savings Adjustment	0.5
Human Resources Support	0.5
Lifeguard Hourly Support	0.4
Lifeguard Positions	0.4
Engineering Positions for Storm Water Compliance	0.4
Balboa Park Centennial Celebration 2015	0.4
Police Civilian Positions	0.4
Support for Fire Dispatch Contract	0.3
Facilities Division Vacancy Adjustment	0.3
Balboa Park Traffic Management Plan	0.3
San Dieguito Regional Park Joint Powers Authority	0.3
Police Property Room Relocation	0.3
Purchasing & Contracting Support	0.3
Advanced Lifeguard Academy	0.2
Library Public Use Computers	0.2
MTS Bus Passes for Students	0.2
Traffic Signal Communications Infrastructure Master Plan & Pedestrian Safety Study	0.2
One-Time Deferred Capital O&M Funding Removal	(8.3)
Public Liability Contribution	(6.6)
Information Technology Expenditures	(4.9)
General Fund Appropriated Reserve Removal	(3.9)
Storm Water CIP Contribution Reduction	(2.9)

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**Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2013 Adopted Budget (Cont'd)**

Major Expenditure Adjustments	(in millions)
Rent Savings	(1.6)
Transfer to Police Decentralization Fund	(1.4)
Property Tax Administration fees	(1.3)
Red Light Photo Enforcement	(0.7)
Streets and Sidewalk Maintenance Managed Competition Savings <sup>1</sup>	(0.6)
Risk Management Administration Contribution	(0.5)
Office of the City Attorney Reduction	(0.5)
<b>Total Expenditure Adjustments</b>	<b>\$ 61.5</b>

<sup>1</sup> Subject to the City's obligations under Meyers-Milias-Brown Act (MMBA) and City Council Policy 300-06.

**Table 5** represents the expenditure change in the General Fund from the Fiscal Year 2012 Actual to the Fiscal Year 2014 Adopted Budget.

**Table 5: General Fund Expenditure Summary Fiscal Years 2012 - 2014**

	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Adopted Budget
Total General Fund Budget	1,128,388,274	1,163,942,747	1,225,491,199
Percent Change from Previous Year	2.9%	3.2%	5.3%

**Table 6** identifies the allocation of General Fund dollars to the Police and Fire-Rescue Departments compared to the other General Fund departments. In Fiscal Year 2014, the General Fund Adopted Budget increased by approximately \$61.5 million or 5.3 percent from Fiscal Year 2013, with the Police and Fire-Rescue Departments receiving approximately 52.3 percent of the total General Fund expenditures and other General Fund departments receiving 47.7 percent of the total General Fund expenditures.

**Table 6: General Fund Expenditure Summary Fiscal Years 2012 - 2014 by Category**

	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Adopted Budget
Police and Fire-Rescue Budgets	\$ 591,674,302	\$ 608,091,758	\$ 641,222,218
Percent of Total General Fund Budget	52.4%	52.2%	52.3%
Other General Fund Department Budgets	\$ 536,713,972	\$ 555,850,989	\$ 584,268,981
Percent of Total General Fund Budget	47.6%	47.8%	47.7%

## Total City Personnel

The Fiscal Year 2014 Adopted Budget includes a total of 10,226.87 FTE positions with 7,267.50 or 71.1 percent of these positions budgeted within the General Fund. **Table 7** presents the change in positions from Fiscal Year 2013 to Fiscal Year 2014.

**Table 7: Total City FTE Position Changes Fiscal Year 2013 - 2014**

Fund Type	FY 2013 Adopted Budget	Additions	Reductions	Reorganizations	FY 2014 Adopted Budget	FY 2013 - FY 2014 Change	Percent Change
General Fund	7,152.15	141.74	(29.64)	3.25	7,267.50	115.35	1.6%

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**Table 7: Total City FTE Position Changes Fiscal Year 2013 - 2014 (Cont'd)**

Fund Type	FY 2013 Adopted Budget	Additions	Reductions	Reorganizations	FY 2014 Adopted Budget	FY 2013 - FY 2014 Change	Percent Change
Special Revenue Funds <sup>1</sup>	232.64	5.26	(4.54)	-	233.36	0.72	0.3%
Enterprise Funds	2,375.99	37.23	(43.88)	(2.65)	2,366.69	(9.30)	(0.4)%
Internal Service Funds	296.64	27.85	(28.57)	(0.60)	295.32	(1.32)	(0.4)%
Other Funds	62.00	2.00	-	-	64.00	2.00	3.2%
<b>TOTAL</b>	<b>10,119.42</b>	<b>214.08</b>	<b>(106.63)</b>	<b>(0.00)</b>	<b>10,226.87</b>	<b>107.45</b>	<b>1.1%</b>

<sup>1</sup> Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

The Fiscal Year 2014 Adopted Budget represents a net increase in the City's budget of 107.45 FTE positions from the Fiscal Year 2013 Adopted Budget. The net increase is a result of the addition of 214.08 FTE positions combined with the elimination of 106.63 FTE filled and vacant positions. The eliminated positions are positions that are no longer funded in the City's budget and represent a real reduction in labor costs. The net increase is primarily due to the addition of Transportation and Storm Water Department positions to perform required catch basin and cleaning services, addition of Police sworn positions over four academies as part of the five-year staffing plan, the addition of hourly Lifeguard support positions, staffing needed to maintain new Park & Recreation facilities, additional positions to manage and maintain the new Central Library, added positions to address deferred capital maintenance, additional positions to support the Civic and Urban Initiatives Program, the addition of Fire dispatch positions associated with new dispatch contract with National City, additional staffing to support the Balboa Park Centennial Celebration, and the addition of positions for storm water permit compliance. The reductions are primarily related to position reductions resulting from the City's successful bids from the Landfill Operations and Street and Sidewalk Maintenance Managed Competitions.<sup>1</sup>

As shown in **Table 7**, of the 115.35 net FTE position change to the General Fund, a net 2.65 FTE positions were transferred from the Enterprise Funds and a net 0.60 FTE position was transferred from the Internal Service Funds, 141.74 FTE positions are new, and 29.64 FTE positions have been reduced. The 0.72 FTE position net change to the Special Revenue Funds is the result of 5.26 new FTE positions and 4.54 FTE positions being reduced. Of the 9.30 net FTE change in positions in the Enterprise Funds, a net 2.65 FTE positions were transferred to the General Fund, 37.23 FTE positions were added, and 43.88 FTE positions were reduced. In the Internal Service Funds, a net 0.60 FTE positions were transferred to the General Fund, 27.85 FTE positions have been added, and 28.57 FTE positions have been reduced. The 2.00 FTE position change to the Other Funds is the result of 2.00 new FTE positions in the City Employee's Retirement System Fund.

**Table 8** further illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type. A total of \$684.3 million has been budgeted for salaries and wages, and \$490.2 million budgeted for fringe expenditures resulting in a total budget of \$1.17 billion in personnel expenditures citywide.

<sup>1</sup> Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA) and City Council Policy 300-06.

# Executive Summary

**Table 8: Fiscal Year 2014 Adopted Personnel Expenditures Budget**

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,267.50	\$ 515,853,033	\$ 370,532,713	\$ 886,385,746
Special Revenue Funds	233.36	17,333,824	11,796,135	29,129,959
Enterprise Funds	2,366.69	130,317,901	92,196,359	222,514,260
Internal Service Funds	295.32	16,124,192	12,268,630	28,392,822
Other Funds	64.00	4,624,298	3,421,115	8,045,413
<b>Total</b>	<b>10,226.87</b>	<b>\$ 684,253,248</b>	<b>\$ 490,214,952</b>	<b>\$ 1,174,468,200</b>

**Table 9** shows the change in the number of budgeted positions in the General Fund over the last three fiscal years. In Fiscal Year 2014, General Fund positions increased by a net 115.35 FTE positions or approximately 1.6 percent from the Fiscal Year 2013 Adopted Budget. This net increase in positions is discussed on the previous page.

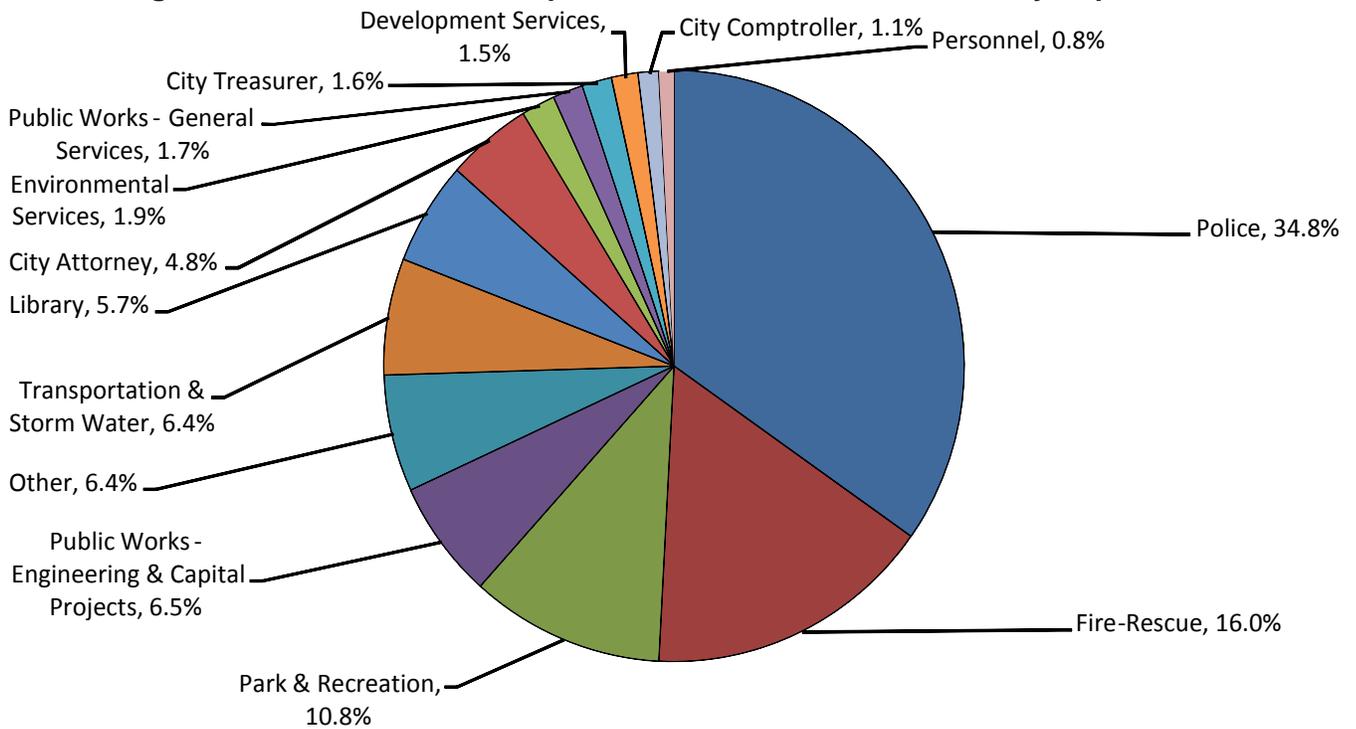
**Table 9: General Fund FTE Position Summary Fiscal Years 2012 - 2014**

	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Adopted Budget
Total General Fund Budgeted FTE Positions	7,036.61	7,152.15	7,267.50
Percent Change from Previous Year	(0.4)%	1.6%	1.6%

**Figure 3** summarizes the Fiscal Year 2014 Adopted General Fund FTE positions by department. Only those departments with over 50 General Fund budgeted FTE positions are displayed. All other General Fund departments are combined under the "Other" category. For a detailed look at the budgeted FTE positions in the General Fund refer to the Financial Summary and Schedules section of this Volume.

# Executive Summary

**Figure 3: Fiscal Year 2014 Adopted General Fund FTE Positions by Department**



**Note:** The Other category includes: Administration, City Auditor, City Clerk, City Council, Civic & Urban Initiatives, Debt Management, Office of ADA Compliance & Accessibility, Economic Development, Ethics Commission, Financial Management, Human Resources, Multimedia Services, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Public Works - Contracting, Purchasing & Contracting, and Real Estate Assets.

**Table 10** represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, Municipal Employees Association (MEA), represents 37.7 percent of General Fund positions and 43.4 percent of all City positions.

**Table 10: Fiscal Year 2014 Adopted FTE Positions by Labor Group**

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
MEA	2,741.73	77.00	1,451.08	133.03	39.00	<b>4,441.84</b>
IAFF LOCAL 145	886.00	25.00	-	-	-	<b>911.00</b>
AFSCME LOCAL 127	865.15	60.76	787.89	138.00	-	<b>1,851.80</b>
POA	1,972.02	-	-	-	-	<b>1,972.02</b>
Teamsters Local 911	154.52	-	-	-	-	<b>154.52</b>
DCAA	136.55	-	-	-	-	<b>136.55</b>
Classified / Unrepresented	140.84	31.35	68.31	19.09	6.00	<b>265.59</b>
Unclassified / Unrepresented	359.69	39.25	59.41	5.20	19.00	<b>482.55</b>
Elected Officials	11.00	-	-	-	-	<b>11.00</b>
<b>Fund Total</b>	<b>7,267.50</b>	<b>233.36</b>	<b>2,366.69</b>	<b>295.32</b>	<b>64.00</b>	<b>10,226.87</b>

# Executive Summary

**Table 11** displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2014 Adopted Budgets for the Police and Fire-Rescue Departments include 3,694.31 FTE positions or approximately 50.8 percent of total General Fund FTE positions. The budgeted positions in the Police Department increased from 2,515.35 FTE positions in Fiscal Year 2013 to 2,528.79 FTE positions in the Fiscal Year 2014 Adopted Budget primarily due to the addition of Police sworn positions over four academies as part of the five-year staffing plan and police civilian positions to support Police Department operations. In the Fire-Rescue Department, the number of FTE positions increased from 1,146.40 FTE positions to 1,165.52 FTE positions primarily due the addition of hourly seasonal and permanent lifeguard positions and positions needed to handle increased call volume and radio traffic related to the newly acquired dispatch contract for National City.

**Table 11: General Fund FTE Position Summary Fiscal Years 2012 - 2014 by Category**

	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Adopted Budget
Police and Fire-Rescue Budgets	3,663.74	3,661.75	3,694.31
Percent of Total General Fund Budget	52.1%	51.2%	50.8%
Other General Fund Department Budgets	3,372.87	3,490.40	3,573.19
Percent of Total General Fund Budget	47.9%	48.8%	49.2%

## Total Budgeted Fringe Allocations

Total budgeted fringe allocations represent personnel costs that are non-wage related. A significant portion of the total budgeted fringe allocations are considered fixed fringe costs. Fixed fringe costs are expenditures that meet specific obligations established through agreements with the labor unions, City ordinances, or the City's Reserve Policy, regardless of current FTE count or salary amounts. Fixed fringe costs include the San Diego City Employees' Retirement System's (SDCERS) Annual Required Contribution (ARC), and contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$377.3 million or 77.0 percent of budgeted fringe in Fiscal Year 2014. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

**Table 12** displays the citywide fringe allocation which totals \$490.2 million for Fiscal Year 2014 of which \$370.5 million or 75.6 percent is budgeted in the General Fund.

**Table 12: Fiscal Year 2014 Adopted Budgeted Fringe by Fund Type**

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Retirement ARC	\$ 212,701,113	\$ 6,553,921	\$ 47,881,616	\$ 6,293,091	\$ 1,970,926	<b>\$ 275,400,667</b>
Supplemental Pension Savings Plan	11,570,201	656,988	6,449,178	762,521	229,586	<b>19,668,474</b>
Retirement DROP	1,734,496	43,573	416,653	52,227	4,546	<b>2,251,495</b>
Employee Offset Savings	9,494,909	295,538	1,039,856	123,432	102,492	<b>11,056,227</b>

# Executive Summary

**Table 12: Fiscal Year 2014 Adopted Budgeted Fringe by Fund Type (Cont'd)**

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Workers' Compensation	24,775,840	510,660	4,447,296	604,844	98,066	<b>30,436,706</b>
Flexible Benefits	53,133,625	1,755,698	14,222,501	2,001,797	482,878	<b>71,596,499</b>
Risk Management Administration	6,241,310	211,894	1,986,557	275,663	55,873	<b>8,771,297</b>
Long-Term Disability	2,374,145	85,790	643,909	82,003	24,753	<b>3,210,600</b>
Unemployment Insurance	1,260,631	45,546	342,027	43,479	13,145	<b>1,704,828</b>
Medicare	5,847,677	212,395	1,588,278	203,438	65,657	<b>7,917,445</b>
Other Post-Employment Benefits	41,125,534	1,396,424	13,092,532	1,816,755	368,219	<b>57,799,464</b>
Retirement 401 Plan	215,519	21,959	68,258	7,504	3,979	<b>317,219</b>
Retiree Medical Trust	57,713	5,749	17,698	1,876	995	<b>84,031</b>
<b>Fund Type Totals</b>	<b>\$ 370,532,713</b>	<b>\$ 11,796,135</b>	<b>\$ 92,196,359</b>	<b>\$ 12,268,630</b>	<b>\$ 3,421,115</b>	<b>\$ 490,214,952</b>

## City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2014 is budgeted at \$278.9 million and is described below:

- The SDCERS ARC for Fiscal Year 2014 is \$275.4 million, representing an increase of \$44.3 million from the Fiscal Year 2013 Adopted Budget. Due to the passage of Proposition B, effective July 20, 2012, SDCERS is a closed system, except for the Police plan, which remains open. For the non-Police portion, the existing Unfunded Actuarial Accrued Liability (UAAL) layers have been collapsed into a single amount that will be amortized with level dollar amounts rather than as a level percent of pay over 15 years, in compliance with current GASB standards. The portion of the UAAL associated with the open Police plan will continue to be amortized with the existing layers as a level percentage of pay. As a result of the effects of the Proposition B plan closure and the level dollar amortization, the ARC increased by \$27.0 million. Other factors that contributed to the increase in the ARC are investment experience less than expected of \$8.3 million, liability experience loss of \$4.7 million, and other changes totaling \$4.3 million. Approximately \$212.7 million or 77.2 percent of the ARC is budgeted in the General Fund.
- The Retirement Offset Contribution (ROC) which represented the amount of City employees' retirement contributions that the City pays as an offset for the employees was eliminated in Fiscal Year 2014 for MEA and Teamsters Local 911 employees as a result of the five-year labor agreements. The ROC reduction to these labor groups was offset by an increase in non-pensionable compensation. Therefore, this reduction does not represent an additional expenditure savings. With this reduction, the ROC has now been eliminated for all labor groups.
- In addition, \$1.7 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits.

## Executive Summary

- Finally, \$1.8 million has been budgeted citywide (\$1.4 million in the General Fund) to support the pay-go costs for the continued funding of the supplemental cost of living adjustment (COLA) benefit. The supplemental COLA benefit was added to the City's defined benefit pension plan by San Diego Ordinance O-18608, adopted on January 11, 1999, in order to increase the monthly retirement allotment for retirees who retired before July 1, 1982 with at least ten years of service credit, whose benefits had fallen below 75 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from the previous fiscal year to fund this benefit. However, SDCERS has informed the City that the reserve will be depleted in October 2013. In order to continue this benefit once the funds are depleted, Ordinance O-20282 was adopted on July 23, 2013 in order for the City to fund the supplemental COLA benefit on an annual pay-as-you-go basis.

The Retiree Health or Other Post Employment Benefits (OPEB) UAAL as of June 30, 2012 is approximately \$449.1 million and the ARC was determined to be \$35.3 million. This valuation assumes a 7.06 percent discount rate.

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its labor organizations and provided the same terms to unrepresented employees, regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements, which



cannot be changed until Fiscal Year 2015 at the earliest, set the City's OPEB contribution at \$57.8 million for Fiscal Years 2013 through 2015, with annual increases of up to 2.5 percent after 2015. The City has budgeted \$57.8 million in Fiscal Year 2014 for retiree health care benefits. From the \$57.8 million, the retiree health defined contribution and pay-as-you-go payments are paid out first, with any remaining balance going to the CalPERS Employer Retiree Benefit Trust (CERBT) to pre-fund expenses related to post-employment healthcare benefits.

Under the agreements, health-eligible retirees may elect to receive certain retiree health benefits. City employees retiring after March 31, 2012, who were eligible for the prior Retiree Health Benefit, were given a choice between a reduced defined benefit and a defined contribution-style post-employment health plan. Based upon the employee benefit election results, when compared to the 2011 OPEB Valuation, the UAAL dropped from \$1.13 billion to \$449.1 million and the ARC dropped from \$94.4 million to \$35.3 million for the fiscal year valuation ending June 30, 2012.

### Employee Offset Savings (EOS)

The Fiscal Year 2014 Adopted Budget includes Employee Offset Savings of \$11.1 million, which is budgeted as an expense to all City departments and revenue to the respective funds. Of this amount, \$10.1 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

## Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2014 Adopted Budget for Retirement DROP is \$2.3 million.

## Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related accidents or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2014 Adopted Budget is \$30.4 million. The increase of approximately \$2.5 million over the Fiscal Year 2013 Adopted Budget is due to additional pay-go contributions attributable to steadily increasing claim costs during the past two years, as well as new State Workers' Compensation legislation effective on January 1, 2013 and January 1, 2014.

## Long-Term Disability

The Long-Term Disability (LTD) contribution in the Fiscal Year 2014 Adopted Budget is \$3.2 million. This contribution includes funding of \$1.9 million toward the Long-Term Disability Fund Reserve to meet the targeted level in Fiscal Year 2014 as stated in the City's Reserve Policy. While this target is anticipated to be met in Fiscal Year 2014, revisions to the Policy are currently underway to reflect a new target based on the current value of the outstanding liability.

## Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2014 Adopted Budget for Flexible Benefits is \$71.6 million. The increase of approximately \$16.7 million over the Fiscal Year 2013 Adopted Budget is primarily due to the Fiscal Year 2014 budgetary impact from the five-year labor agreements.

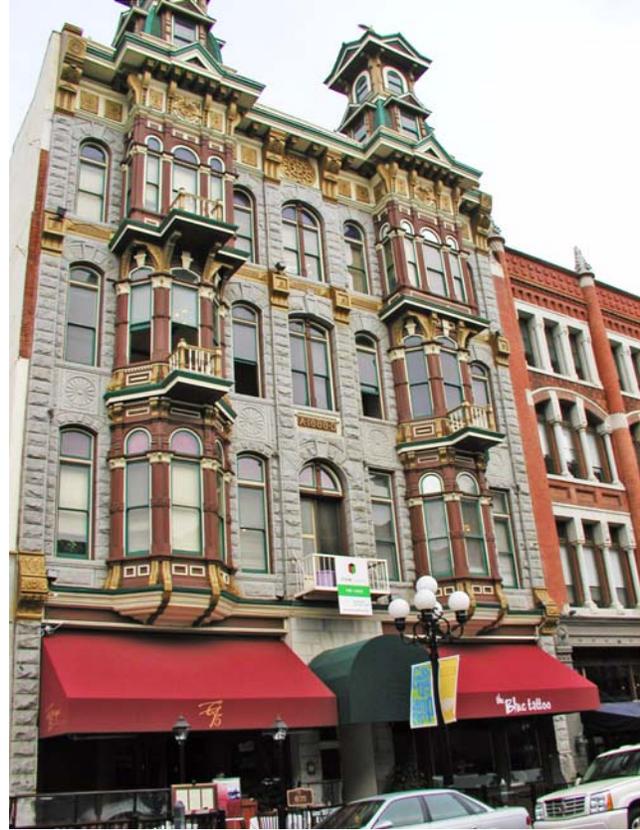
## Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In January 1982 the City established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to their savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must pay a mandatory 3 percent. In addition, employees hired on or before July 1, 1986 can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2014 Adopted Budget for SPSP is \$19.7 million. This reflects an increase of \$0.6 million over the Fiscal Year 2013 Adopted Budget.

General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll and a retiree medical trust with a mandatory employee contribution of 0.25 percent of payroll. These amounts are deducted from employees' paychecks and placed into the employees' accounts. The City matches these contributions. The Fiscal Year 2014 Adopted Budget for the City's contribution match is \$317,219 and is based on a count of 559 general members as of October 2012.

# Executive Summary

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter. As a result, all employees hired on or after July 20, 2012, other than sworn police officers, are no longer eligible to participate in the City's defined benefit plan and are only eligible to participate in a defined contribution plan. New hires with offers of employment made on or after July 20, 2012, with no prior City service, are placed in the SPSP-H Plan which is being used as an Interim Defined Contribution Retirement Plan for benefited employees. Eligible new hires who are non-safety employees will be required to contribute 9.2 percent of their compensation to the plan, which will be matched by a 9.2 percent employer contribution. For safety employees, the mandatory employee and matching employer contributions will be 11 percent of compensation. The Fiscal Year 2014 Adopted Budget for the SPSP-H Plan is \$196,696.



## Risk Management Administration

The Risk Management Administration (RMA) rate is established to support the appropriated expenditures that fund all of the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Safety and Environmental Health Services, Employee Benefits, Savings Plans, Long-Term Disability, and Employee Assistance programs. The Fiscal Year 2014 Adopted Budget for Risk Management Administration is \$8.8 million.

## Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime and other employee special pays. The Fiscal Year 2014 Adopted Budget for Medicare is \$7.9 million.

## Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2014 Adopted Budget for Unemployment Insurance is \$1.7 million.

## Funding of Annual Leave

The Fiscal Year 2014 Adopted Budget includes \$6.0 million citywide and is based on anticipated retirements from the Deferred Retirement Option Plan (DROP) within the fiscal year and the projected value of the accrued annual leave balance.

## Vacancy Savings

As part of the development of the Fiscal Year 2014 Adopted Budget, the City is estimating an amount of personnel savings or vacancy savings by department that is attributable to: vacancies, attrition, extended leaves of absence, savings related to under-filled positions, and newly hired employees that may start at a lower salary than the salary of the vacated position. The development of estimated vacancy savings in the budget incorporated input from departments regarding current and anticipated staffing levels as well as information on vacant reimbursable



positions. Savings from vacant reimbursable positions have been excluded from the estimated vacancy savings as the City does not realize savings due to offsetting revenue for these unfilled positions. These estimates of vacancy savings will require that departments appropriately manage their Fiscal Year 2014 personnel expenditures to their available allocated appropriations. The Fiscal Year 2014 vacancy savings is \$31.5 million, representing a decrease of \$1.2 million or 3.6 percent from the Fiscal Year 2013 vacancy savings.

**Table 13** displays the changes in budgeted vacancy savings from Fiscal Year 2012 to Fiscal Year 2014.

**Table 13: Budgeted Vacancy Savings Fiscal Years 2012 - 2014**

Department/Fund	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Adopted Budget
Administration	\$ 59,363	\$ 59,363	\$ 59,363
City Attorney	742,777	737,240	752,959
City Clerk	43,618	54,059	37,835
City Comptroller	185,494	162,177	159,245
City Treasurer	174,844	172,412	172,119
Council Administration	42,791	-	-
Council District 2	-	-	121,472
Council District 3	-	-	121,472
Council District 5	-	60,736	-
Council District 7	60,736	-	60,736
Debt Management	29,931	54,059	54,059
Development Services	105,373	187,481	186,649
Economic Development	107,932	66,768	80,454
Environmental Services	142,584	221,162	236,915
Ethics Commission	130,000	-	-

# Executive Summary

**Table 13: Budgeted Vacancy Savings Fiscal Years 2012 - 2014 (Cont'd)**

Department/Fund (Cont'd)	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Adopted Budget
Financial Management	73,445	65,291	65,291
Fire-Rescue	3,352,885	4,864,820	4,362,120
Library	197,059	645,753	536,587
Multimedia Services	-	58,157	-
Office of Homeland Security	-	66,768	42,578
Office of the Assistant COO	-	-	54,059
Park & Recreation	762,859	931,673	954,762
Personnel	31,491	59,114	59,114
Police	8,803,882	8,810,215	8,718,131
Public Works - Engineering & Capital Projects	1,094,124	1,011,444	1,057,413
Public Works - General Services	597,544	514,800	189,738
Public Works- Contracting	-	-	57,866
Purchasing & Contracting	120,681	49,109	49,109
Real Estate Assets	59,363	54,059	54,059
Transportation & Storm Water	674,480	815,820	733,615
<b>Total General Fund</b>	<b>\$ 17,593,256</b>	<b>\$ 19,722,480</b>	<b>\$ 18,977,720</b>
Airports Fund	54,059	59,363	38,376
Central Stores Fund	36,067	116,688	34,611
City Employee's Retirement System Fund	345,052	343,897	271,523
Development Services Fund	7,297,648	7,546,230	7,581,521
Energy Conservation Program Fund	-	59,363	4,728
ERP Fund	65,416	65,416	-
Facilities Financing Fund	59,363	42,578	42,578
Fire/Emergency Medical Services Transport Program Fund	52,520	-	-
Fleet Services Operating Fund	349,105	44,366	-
Golf Course Fund	136,272	123,843	134,242
Information Technology Fund	34,611	109,855	90,126
Local Enforcement Agency Fund	60,674	60,674	60,674
Maintenance Assessment District (MAD) Management Fund	54,059	42,578	-
Publishing Services Fund	28,870	-	-
QUALCOMM Stadium Operations Fund	74,297	62,005	47,091
Recycling Fund	186,868	157,874	182,650
Redevelopment Fund	86,788	-	-
Refuse Disposal Fund	311,543	294,666	249,825

# Executive Summary

**Table 13: Budgeted Vacancy Savings Fiscal Years 2012 - 2014 (Cont'd)**

Department/Fund (Cont'd)	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Adopted Budget
Risk Management Administration Fund	132,185	68,453	96,491
Sewer Funds	1,917,881	2,022,723	1,946,741
Water Utility Operating Fund	1,659,710	1,665,969	1,651,702
Wireless Communications Technology Fund	119,205	66,685	94,162
<b>Total Non- General Fund</b>	<b>\$ 13,062,193</b>	<b>\$ 12,953,225</b>	<b>\$ 12,527,041</b>
<b>Total</b>	<b>\$ 30,655,449</b>	<b>\$ 32,675,705</b>	<b>\$ 31,504,761</b>

## Labor Contract Negotiations

From January 2013 through June 2013, the City engaged in contract negotiations with all six recognized employee organizations over wages, hours, and terms and conditions of employment. On June 10, 2013, the City Council approved the tentative agreements with the International Association of Fire Fighters Local 145 (IAFF Local 145), the San Diego Municipal Employees Association (MEA), the Deputy City Attorneys Association (DCAA), the San Diego Police Officers Association (POA), the American Federation of State, County, and Municipal Employees Local 127 (AFSCME Local 127) and the California Teamsters (Teamsters Local 911).

Each agreement on a successor Memorandum of Understanding (MOU) is for a five-year term to include non-pensionable compensation increases consistent with the passage of Proposition B, which amended the San Diego City Charter on July 20, 2012. All agreements provide re-opener terms to meet and confer regarding increases to non-pensionable compensation for Fiscal Years 2017 and 2018.

The non-pensionable compensation increase percentages for each of the employee organizations for Fiscal Year 2014-2018 are detailed in **Table 14**. The total citywide non-pensionable compensation increase included in the Fiscal Year 2014 Adopted Budget is \$12.9 million (\$9.8 million in the General Fund). The non-pensionable compensation increases for Fiscal Year 2014 will be funded from the reserves/fund balance from each of the respective funds.

**Table 14: Non-Pensionable Compensation Increases Fiscal Years 2014 - 2018**

Labor Group	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Teamsters Local 911	2.25%	1.25%	1.75%	-	-
IAFF Local 145	2.25%	1.25%	1.75%	-	-
POA	2.00%	1.00%	2.00%	1.00%	1.00%
AFSCME Local 127	1.75%	1.75%	1.75%	-	-
MEA	1.75%	1.75%	1.75%	-	-
DCAA	1.75%	1.75%	1.75%	-	-

## Citywide Reorganization/Restructuring

The Fiscal Year 2014 Adopted Budget reflects the restructuring of several departments as a result of executive management and department-initiated reorganizations. Reorganizations include restructuring of departments and major divisions within a department and is intended to increase the

# Executive Summary

overall efficiencies and effectiveness of City operations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2014 Adopted Budget.

## **Business Office Department**

The Business Office Department has become a section within the Office of the Assistant Chief Operating Officer.

## **Equal Opportunity Contracting (EOC) Program**

The Equal Opportunity Contracting program was transferred from the Administration Department to the Purchasing & Contracting department as a newly created division.

## **Multimedia Services Department**

The Multimedia Services Department will now report directly to the Office of the Mayor. This department will provide audio/video services and multimedia support to City departments and elected officials.

## **Graffiti Removal**

The Graffiti Removal Team was transferred from the Neighborhood Code & Compliance Division of the Development Services Department to the Streets Division in the Transportation & Storm Water Department.

## **Water and Sewer Plans Review**

The Water and Sewer Plans review function in the Public Utilities Department was transferred to the Development Services Department.

## **Public Works - Contracting**

The Public Works Contracting Division of Public Works - Engineering & Capital Projects Department has become a new department called Public Works - Contracting.

## **Procurement Card Program**

The Procurement Card Program was transferred from the Purchasing and Contracting Department to the City Comptroller Department.

## **Public Utilities**

An Environmental Monitoring and Technology Services (EMTS) Division was created within the Public Utilities Department, and the EMTS divisions within the Muni and Metropolitan Wastewater departments were inactivated. Additionally, new divisions, Water operations construction and maintenance and Water operations - system safety operations were created in the Water department.

## **Disability Services Department**

The Disability Services Department was re-titled to the Office of ADA Compliance & Accessibility.

## **Fiscal Actions in the Fiscal Year 2014 Adopted Budget**

The Fiscal Year 2014 Adopted Budget contains funding for the full payment of the pension ARC, funding for retiree health benefits, funding for storm water obligations, and funding for deferred capital. This budget also includes funding for additional service enhancements and other adjustments, which are described in more detail in the following sections.

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## Funding the Pension Plan

The Fiscal Year 2014 Adopted Budget includes full funding for the City's annual pension contribution, which is a critical component of the City's long-term fiscal health and stability. For Fiscal Year 2014, the SDCERS ARC was determined by the SDCERS' actuarial valuation to be \$275.4 million as of June 30, 2012. This is an increase of \$44.3 million from the Fiscal Year 2013 Adopted Budget, \$27.0 million of which is due to the effects of Proposition B.

## Maintaining Reserves

Healthy reserves help insulate City services against costs of emergencies such as natural disasters. In addition, the City's reserves are one of several factors considered by rating agencies and a strong reserve balance is an important credit feature. The City currently maintains several reserves for its operations, including the Emergency Reserve for the General Fund (established to fund unanticipated liabilities for natural disasters, catastrophic occurrences, and judgments), Development Services Reserve funds, Risk Management Reserve funds, and Public Utilities Reserves, among others.

The City's Reserve Policy calls for: a) the maintenance of adequate reserve levels for all of its reserves including the Emergency Reserve and the Appropriated Reserve in the General Fund; b) enhanced operating reserves for Enterprise Funds such as Water and Wastewater; c) a capital reserve; and d) other types of reserves. The City's Reserve Policy currently defines a goal of having a minimum of 8.0 percent of General Fund revenues held in reserves by Fiscal Year 2012. For Fiscal Year 2014, the General Fund Reserve is projected to be \$145.9 million or 12.1 percent of General Fund Revenues, which exceeds the reserve target of 8.0 percent. The General Fund Reserve, however, could be impacted by the "claw-back provision", which gives the State Controller's Office authority to require that the City return certain payments that were previously made by the Former Redevelopment Agency or the Successor Agency to the City in 2011 or later that were subsequently invalidated by the State Department of Finance. If the State Controller's Office exercises this option, cumulative payments of up to \$28.0 million would be required from the General Fund Reserve. **Table 15** displays a summary of projected General Fund Reserves for Fiscal Year 2014.

**Table 15: FY 2014 Projected General Fund Reserves**

	Amount	Percent of Revenue <sup>1</sup>
<b>FY 2013 Adopted Budget Ending Fund Balance</b>	<b>\$152,984,031</b>	<b>13.0%</b>
FY 2013 Projected Budgetary Surplus	16,972,664	
FY 2013 General Fund Loan to Successor Agency	(1,638,792)	
<b>FY 2013 Projected Ending Fund Balance</b>	<b>\$168,317,903</b>	<b>14.5%</b>
Council Community Projects, Programs, and Services (CPPS)	(1,370,658)	
Community Plan Updates	(500,000)	
Police Equipment	(1,100,000)	
Lifeguard Cliff Rescue Vehicle	(500,000)	
Balboa Park Traffic Management Plan	(300,000)	
MTS Student Bus Passes	(200,000)	
SAFE Expenditures	(4,140,959)	
AB 109 Police Overtime	(714,005)	
Kinder Morgan Litigation	(700,000)	
Additional Use of Surplus	(3,122,785)	

# Executive Summary

**Table 15: FY 2014 Projected General Fund Reserves (Cont'd)**

	Amount	Percent of Revenue <sup>1</sup>
FY 2014 General Fund Non-Pensionable Compensation Increases	(9,800,000)	
<b>FY 2014 Adopted Budget Ending Fund Balance</b>	<b>\$145,869,496</b>	<b>12.1%</b>

<sup>1</sup> The reserve percentage is calculated based on revenues in the corresponding fiscal year.

The Fiscal Year 2014 Adopted Budget includes a Workers' Compensation contribution of \$30.4 million, which includes funding of \$5.9 million in contribution to the Workers' Compensation Reserves achieving the targeted level in Fiscal Year 2014 in accordance with the Reserve Policy.

In addition, the Fiscal Year 2014 Adopted Budget includes a \$101,700 contribution to the Public Liability Fund Reserve, which is a reduction of \$6.0 million from the Fiscal Year 2013 Adopted Budget of \$6.1 million. An additional \$4.7 million will be contributed to the reserve from fund balance for a total reserve contribution of \$4.8 million. With this contribution, the projected Public Liability Reserve balance in Fiscal Year 2014 is \$38.6 million. Based on the annual actuarial valuation, this reserve level would be 13 percent above the 24 percent of outstanding claims goal for the Public Liability Reserve in Fiscal Year 2014. In addition, the reserve contribution for Fiscal Year 2015 through Fiscal Year 2019 is now projected to be \$2.6 million annually instead of \$6.1 million as stated in the City Reserve Policy. Revisions to the City Reserve Policy are currently underway to reflect the updated targeted contributions.

In Fiscal Year 2012, \$27.0 million related to the wildfire settlement with SDG&E was deposited into the Public Liability Fund Reserve. Of this amount, \$12.9 million will be transferred back to the General Fund to mitigate the \$38.4 million deficit and \$3.4 million to Enterprise Funds in Fiscal Year 2014.

## Retiree Health Care Costs

As noted earlier, the City's contribution for retiree health care benefits is budgeted at \$57.8 million for Fiscal Year 2014. From the \$57.8 million, the retiree health defined contribution and pay-as-you-go payments are paid out first, with any remaining balance going to the CalPERS Employer Retiree Benefit Trust (CERBT) to pre-fund expenses related to post-employment healthcare benefits.

## Municipal Storm Water Permit Compliance

Compliance with the Municipal Storm Water Permit required by the California Regional Water Quality Control Board significantly impacts the City's budget. The Fiscal Year 2014 Adopted Budget includes \$36.5 million to fund programs to comply with permit requirements. This includes the addition of 2.00 FTE positions, associated personnel expenditures of \$240,033, and \$2.0 million in contractual funding for Fiscal Year 2014 for storm water pollution prevention, street sweeping, and storm drain maintenance. In addition, 13.00 FTE positions and associated expenditures of \$511,209 are included in the budget to perform required annual inspections and maintenance of catch-basins, cleanouts, and inlets.

## Deferred Capital

Based on information available in 2011, the City's backlog is estimated at \$898.0 million for deferred capital/maintenance projects for streets, building, and storm drain infrastructure funded by the General Fund. This backlog was identified by conducting extensive condition assessments. Of the \$898.0 million, \$478.0 million is related to streets, \$185.0 million is attributed to facilities, and \$235.0 million is related to storm drains. On March 20, 2012, the City Council approved a funding option which provides for bond funding totaling \$415.4 million over the five-year period, and increasing

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annual cash funding from \$45.8 million in Fiscal Year 2013 to a level of \$73.8 million by Fiscal Year 2017.

The Fiscal Year 2014 Adopted Budget includes \$9.4 million in deferred capital cash funding, increasing the budgeted level to \$55.2 million in Fiscal Year 2014 to address deferred capital needs. This amount exceeds the \$50.0 million outlined in the Enhanced Option B funding plan by \$5.2 million for Fiscal Year 2014. In addition, a third bond issuance is planned for early calendar year 2014 to further address the deferred capital backlog. Note that the debt service payments related to this bond issuance will begin in Fiscal Year 2015 and not in Fiscal Year 2014 as anticipated in the Outlook due to the time of the issuance.

## Service Enhancements and Other Adjustments

The Fiscal Year 2014 Adopted Budget contains funding for service enhancements and other adjustments, which are described in detail below.

### Neighborhood Services

#### *Deferred Capital Cash Funding*

In order to address deferred capital needs, the Fiscal Year 2014 General Fund Adopted Budget includes the addition of 9.00 FTE positions and \$878,882 in expenditures in the Facilities Division of the Public Works - General Services Department, \$1.6 million in the Streets Division, and \$769,516 in the Storm Water Division of the Transportation & Storm Water Department.

In addition, appropriations of \$2.2 million for slurry seal and \$2.0 million in Capital Improvements Program (CIP) projects comprised of \$1.5 million for concrete streets and \$500,000 for sidewalk repairs and reconstruction have been added in the Transportation & Storm Water Department to address deferred capital needs. These expenditures are funded by the addition of \$4.2 million in estimated Proposition 42 Replacement revenue for Fiscal Year 2014, based on a 3.5 cent increase in the gasoline excise tax from 18 cents per gallon to 21.5 cents per gallon effective July 1, 2013.

This budget also includes \$2.0 million in appropriations for resurfacing, repair, and reconstruction of City streets, which are funded by Street Damage/Excavation Fees that are collected by the City to recover costs that are attributable to the impact of excavations within the public right-of-way.

#### ***\$35.0 Million CIP Bond Issuance***

In July 2013, the City received \$35.0 million in lease revenue bond proceeds to fund capital improvement projects, such as the repair and reconstruction of concrete streets, updates to a fire station, construction of branch libraries, streets resurfacing, and watershed capital projects.

#### ***Condition/Needs Assessments***

The Fiscal Year 2014 Adopted Budget includes \$11.1 million in funding to conduct various condition/needs assessments of City infrastructure. Of this amount, a total of \$2.3 million is included in the



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General Fund to conduct the following condition/needs assessments: \$1.0 million for City facilities/buildings; \$1.0 million for sidewalks; and \$263,909 to begin a condition/needs assessment of park assets. In addition, \$8.8 million in appropriations is included in the Public Utilities Department to conduct the following condition/needs assessments: \$4.5 million for water pipeline and operation optimization; \$3.7 million for wastewater pipeline and operation optimization; and \$600,000 for a facilities conditions/needs assessment.

## ***New Central Library***

The Fiscal Year 2014 Adopted Budget includes the addition of 4.50 FTE positions and \$2.4 million in expenditures to support the new Central Library, which will be offset by \$2.3 million in donations revenue from the San Diego Public Library Foundation and \$123,150 in revenue from the San Diego City School District for reimbursement of shared utility costs.

## ***Penny for the Arts***

Penny for the Arts presents a plan proposed by the Commission for Arts and Culture Department to restore the arts, culture, and community festivals over a five-year period from Fiscal Year 2013 through Fiscal Year 2017 from the Transient Occupancy Tax (TOT) allocations. This plan was approved by City Council on October 22, 2012. The Fiscal Year 2014 Adopted Budget includes \$1.6 million in funding to support Penny for the Arts.

## ***Emergency Winter Shelter***

Included in the Fiscal Year 2014 Adopted Budget is \$1.3 million to extend the operations of the Emergency Winter Shelter.

## ***Civic and Urban Initiatives Program***

The Fiscal Year 2014 Adopted Budget includes the addition of 6.00 FTE positions, \$609,225 in associated personnel expenditures, and \$336,762 in non-personnel expenditures to coordinate and link fragmented urban and civic policies, research, and projects on both sides of the border in order to produce new platforms of collaboration between local governments, institutions, and neighborhood organizations. Over the next fiscal year, these positions will facilitate the establishment of and staff various working groups, internships, incubators, and a Council on Civic Imagination and Urban Initiatives.

## ***New Park & Recreation Facilities and Acreage***

The Fiscal Year 2014 Adopted Budget includes the addition of a 0.04 FTE position and \$2,604 in expenditures to support the new 0.25 acre facility at West Maple Canyon Mini-Park; 5.00 FTE positions and \$628,468 in expenditures for maintenance and operational support of an additional 1,092 acres at North Mission Trails Regional Park; and 2.00 FTE positions, \$221,739 in expenditures, and \$49,700 in revenue to support an additional 217 open space acres.

## ***Community Plan Updates***

The Fiscal Year 2014 Adopted Budget includes an additional \$831,074 to continue work on Community Plan Updates (CPU) and special projects for a total of \$1.8 million. In Fiscal Year 2014, work will continue or conclude for the following CPUs: Mission Valley, Otay Mesa, Southeastern, Uptown, North Park, and Golden Hill.

## ***Tree Trimming***

The addition of \$600,000 in expenditures is incorporated in the Fiscal Year 2014 Adopted Budget for planned tree trimming of both palm and shade trees.

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## ***Veterans' Shelter***

The Fiscal Year 2014 Adopted Budget includes \$600,000 to extend the operations of the Veterans' Shelter. This funding will be in addition to \$349,200 in CDBG and Emergency Shelter Grant (ESG) funding proposed for Fiscal Year 2014.

## ***2015 Centennial Celebration in Balboa Park***

The Fiscal Year 2014 Adopted Budget includes 3.00 FTE positions on a limited basis through Fiscal Year 2016 and \$385,508 in expenditures to support the 2015 Centennial Celebration in Balboa Park.

## ***Balboa Park Traffic Management Plan***

The Fiscal Year 2014 Adopted Budget includes \$300,000 to support the Traffic Management Plan in Balboa Park for temporary improvements, which may include the following: remove wheel stops and parking signage in the Plaza de Panama; perform necessary grading and apply a temporary topping in the Plaza de Panama; purchase and install removable bollards in the Plaza de Panama consistent with the Central Mesa Precise Plan; install detectable warning tiles and truncated domes to comply with the Americans with Disabilities Act (ADA); relocate accessible parking spaces in the Alcazar Parking Lot; modify traffic flow on park roads as needed; purchase and install new directional signage; and perform vehicle counts: 1) prior to bridge closing, 2) within fifteen days of closure, and 3) prior to bridge re-opening by the California Department of Transportation (CalTrans).

## ***Library Public Use Computers***

The Fiscal Year 2014 Adopted Budget includes the addition of \$226,000 in funding to replace the public use computers at all branch libraries. Additional funding of \$250,000 is projected from savings in the Library Department's Fiscal Year 2013 budget and \$250,000 from the Library Trust Fund.

## ***Traffic Signal Communications Infrastructure Master Plan***

The Fiscal Year 2014 Adopted Budget includes \$150,000 in one-time non-personnel expenditures to develop a Traffic Signal Communications Infrastructure Master Plan to identify and map existing and deficient traffic communication systems, facilities, and other infrastructure.

## ***Citywide Bike Program***

The addition of 1.00 FTE position and \$119,962 in expenditures is incorporated in the Fiscal Year 2014 Adopted Budget to provide support and oversight of the City's Bike Program which promotes biking as an alternative transportation option for residents.

## ***Brush Management***

Included in the Fiscal Year 2014 Adopted Budget is the addition of 1.00 FTE position and \$110,710 in associated personnel expenditures to oversee the work of a new contractor for brush management.

## ***Street Lighting CIP Projects***

Included in the Fiscal Year 2014 Adopted Budget is \$100,000 in one-time expenditures for street lighting CIP projects in City Heights, Southcrest, Mount Hope, and Mountain View.

## ***Property Value Protection Ordinance***

The Fiscal Year 2014 Adopted Budget includes the addition of 1.00 FTE position and \$75,588 in expenditures to support the administration of the Property Value Protection Ordinance, which requires lenders to register defaulted and foreclosed residential properties. These expenditures are fully offset by revenues generated from the implementation of the \$76 user registration fee.

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## ***Check-in Center***

Included in the Fiscal Year 2014 Adopted Budget is \$50,000 to sustain the Homeless Check-in Center.

## ***Downtown Port-a-Potties & Portland Loos Maintenance***

The Fiscal Year 2014 Adopted Budget includes \$50,000 in non-personnel expenditures to install and maintain Port-a-Potties in the downtown area and also maintain the downtown public restrooms (Portland Loos) once installed.

## ***Restoration of Winter Restroom Closures***

The Fiscal Year 2014 Adopted Budget includes hourly funding of \$6,974 to reinstate restroom service during the winter months from November 1 through March 30 for half of the restrooms at South Kellogg and the North Mission Beach restroom at the Lifeguard Tower.

## **Public Safety**

### ***Police Retention Program***

The Fiscal Year 2014 Adopted Budget includes \$2.0 million for a Police retention program. The budget is placed in the General Fund Appropriated Reserve until such time that the program is approved by the City Council.

### ***Police Academy Recruits***

The Fiscal Year 2014 Adopted Budget includes the addition of 16.00 Police sworn positions (8.67 FTE positions) over four police academies, \$1.1 million in associated personnel expenditures, and \$108,500 in non-personnel expenditures as part of the five-year staffing plan. The four academies will take place in August, November, February and May of Fiscal Year 2014. Each academy will increase from 30 to 34 Police recruit positions, thereby adding 4.00 Police recruit positions per academy.

### ***Police Equipment***

The Fiscal Year 2014 Adopted Budget includes \$1.1 million to purchase replacement equipment, including gas masks, helmets, shields, shotguns and body armor vests.

### ***Police Overtime***

The Fiscal Year 2014 Adopted Budget includes a one-time increase of \$714,005 in overtime for sworn personnel based on the use of AB 109 funds for the monitoring of non-violent offenders post-release.

### ***Fire Vacancy Savings***

The Fiscal Year 2014 Adopted Budget includes a decrease of \$502,700 in vacancy savings in the Fire-Rescue Department to bring the personnel expenditures budget in line with historic actuals.

### ***Lifeguard Cliff Rescue Vehicle***

The Fiscal Year 2014 Adopted Budget includes \$500,000 to fund the replacement of a cliff rescue vehicle.

### ***Lifeguard Hourly Staff Support***

Included in the Fiscal Year 2014 Adopted Budget is the addition of 12.00 FTE positions and \$442,897 in expenditures for hourly funding for seasonal lifeguards.

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## ***Parking Enforcement Equipment***

The Fiscal Year 2014 Adopted Budget includes \$400,000 in non-personnel expenditures for the one-time replacement of handheld equipment used by parking enforcement staff to issue parking citations.

## ***Police Civilian Positions***

Included in the Fiscal Year 2014 Adopted Budget is the addition of 4.00 FTE positions and \$346,915 in associated personnel expenditures to support the Police Department operations.

## ***Lifeguard Positions***

The Fiscal Year 2014 Adopted Budget includes the restoration of 1.00 Marine Safety Captain and \$163,145 in personnel expenditures in the Lifeguard Division to assist in supervising operational readiness and in properly managing its wide range of responsibilities. The budget also includes the restoration of 1.00 Lifeguard Scheduling Sergeant and \$115,919 in personnel expenditures to manage and supervise complex scheduling needs, ensure constant staffing requirements and minimum staffing levels are met on a daily basis, provide for advanced planning and organization, and assist in scheduling for emergency deployments.

The Fiscal Year 2014 Adopted Budget also includes the addition of 1.00 Lifeguard Sergeant and \$115,919 in associated one-time personnel expenditures and revenue to fill the role of Regional Maritime Preparedness Manager. This position will be tasked with planning, coordinating, and developing operational response plans for a wide variety of water-related disasters or emergencies for the San Diego region. In addition, the position will organize and develop training and drills for water-related emergencies. This position is cost recoverable through the Urban Area Security Initiative (UASI) grant.

## ***Advanced Lifeguard Academy***

The Fiscal Year 2014 Adopted Budget includes \$225,000 in one-time non-personnel expenditures for an advanced lifeguard academy to provide the necessary training in order to promote seven open positions and an eighth open position anticipated in early Fiscal Year 2014. Additionally, a recent review of the Advanced Lifeguard Academy curriculum resulted in recommendations to broaden and improve the scope and duration of the training, expanding it from five weeks to ten weeks.

## ***Fire Dispatching***

Included in the Fiscal Year 2014 Adopted Budget is the addition of 3.00 FTE positions, \$273,492 in expenditures and offsetting revenue related to the newly acquired dispatching contract with National City.

## **Other Significant Adjustments**

### ***SAFE Funds***

The Fiscal Year 2014 Adopted Budget includes \$1.5 million in one-time expenditures in the Police Department for the use of SAFE program reserve funds. These funds will be used for fuel costs, one gyro-stabilized camera system, four mounts and mapping systems for the Police helicopters, 500 reflective safety vests, 100 kits of turbo and electric road flares, four mobile generator powered LED programmable traffic information signs, and two enclosed trailers with 500 traffic cones and 50 stop signs.

In addition, \$245,000 in one-time expenditures is included in the Fire-Rescue Department for the use of SAFE program reserve funds for an attachment for the tail boom of Copter 1 for increased payload

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and greater flight safety, battery-powered heavy-duty tools to dismantle vehicles in emergencies, and thirteen sets of heavy-duty strut systems to stabilize vehicles following a collision.

Finally, \$2.4 million is included in one-time expenditures in the Transportation & Storm Water Department for the use of SAFE program reserve funds. Of this amount, \$2.0 million will be used to upgrade the City's Traffic Control System, including installing a new interconnect system between traffic signals, traffic monitoring video systems, an Adaptive Traffic Control system, and upgraded signal controllers, and coordinating or retiming traffic signals citywide. The remaining amount of \$383,459 will be used to partially fund changeable message signs.

## ***Supplemental Cost of Living Adjustment***

The Fiscal Year 2014 Adopted Budget includes \$1.8 million (\$1.4 million in the General Fund) to support the pay-go costs for the continued funding of the supplemental cost of living adjustment (COLA) benefit.

## ***Storm Water Compliance***

The Fiscal Year 2014 Adopted Budget includes the addition of 4.00 FTE positions, \$447,931 in expenditures, and \$590,748 in offsetting revenue in the Public Works - Engineering & Capital Projects Department to maintain storm water compliance on all construction projects.

Additions within the Transportation & Storm Water Department are related to Indicator Bacteria Total Maximum Daily Load (TMDL) mandates released by the Regional Water Quality Control Board. These mandates have the potential to add significant costs for compliance, and while alternatives are currently being reviewed for cost-effective ways to comply with new mandates, some additional costs have been incorporated in the Fiscal Year 2014 Adopted Budget.

The two major cost components included in this budget to fund the compliance efforts related to TMDLs are additional positions and increased contract funding. This budget includes the addition of 2.00 FTE positions and \$239,441 in expenditures. Additionally, an increase of \$2.0 million in contract funding is included in order to implement the storm water pollution prevention controls necessary to comply with the Indicator Bacteria TMDL regulations.

The Fiscal Year 2014 Adopted Budget also includes the addition of 13.00 FTE positions, and \$519,836 in expenditures in the Transportation & Storm Water Department to perform required inspection and cleaning of approximately 24,000 catch basins, inlets, and cleanouts citywide in right-of-way areas, drain easements, and City facilities in accordance with storm water regulatory requirements.

## ***Facilities Vacancy Savings***

The Fiscal Year 2014 Adopted Budget includes a decrease of \$325,062 in vacancy savings in the Facilities Division of the Public Works - General Services Department. This will allow the department to hire an additional 8.00 FTE positions that are currently held vacant to work on Facilities related projects.

## ***MTS Bus Passes for Students***

The Fiscal Year 2014 Adopted Budget includes \$200,000 in funding to provide bus passes for low-income students. This program is administered by the San Diego Metropolitan Transit System (MTS).

## ***Operations for Seal Cam***

The Fiscal Year 2014 Adopted Budget includes the addition of \$50,000 in non-personnel expenditures related to the operation of the Seal Cam. The Coastal Development Permit as

issued by the California Coastal Commission for the year-round rope placement allows for remote monitoring of the Children's Pool via surveillance camera.

## **Measures Incorporated in the Fiscal Year 2014 General Fund Adopted Budget to Address the Projected \$38.4 Million Deficit and to Fund Service Enhancements and Other Adjustments**

In October of 2012, the prior administration released an update to the Mayor's Fiscal Year 2014-2018 Five-Year Financial Outlook (Outlook), which projected a General Fund surplus of \$4.9 million in Fiscal Year 2014. Subsequent to this release, a revised General Fund deficit of \$38.4 million was projected. The following are the corrective actions that are included in the Fiscal Year 2014 General Fund Adopted Budget to mitigate the projected deficit and fund service enhancements and other adjustments.

### **Major Revenues**

Based upon the most current revenue projections for Property Tax (excluding Redevelopment Property Tax Trust Fund revenues), Sales Tax, Transient Occupancy Tax, and Franchise Fees for Fiscal Year 2014, the Fiscal Year 2014 Adopted Budget includes \$801.2 million for these revenue sources. This is an increase of \$3.5 million over the Outlook's projection of \$797.7 million for these revenues in Fiscal Year 2014. More detailed information related to Major General Fund Revenues can be found in the General Fund Revenues section of this Volume.

### **Deferred Capital Debt Service**

In addition to the two outstanding bond issuances in Fiscal Years 2009 and 2013, to further address deferred capital project needs, the City previously projected in the Outlook an additional bond issuance of \$80.0 million to occur in Fiscal Year 2013. The debt service for this proposed issuance was estimated at \$5.6 million to begin in Fiscal Year 2014. This bond issuance is now expected to occur in early calendar year 2014 with the debt service requirement to start in Fiscal Year 2015 instead of the previously assumed start date of Fiscal Year 2014.

### **Deferred Capital Cash Funding**

The Outlook projected an additional \$4.2 million in deferred capital cash funding in Fiscal Year 2014 to address the deferred capital backlog. The Fiscal Year 2014 Adopted Budget includes an additional \$3.2 million in General Fund cash funding, which is \$1.0 million less than projected in the Outlook. However, \$6.2 million in cash funding is included in the Prop 42 Replacement Fund and the CIP for a total of \$55.2 million in Fiscal Year 2014 to address deferred capital needs.

### **SDG&E Settlement**

In Fiscal Year 2012, \$27.0 million related to the wildfire settlement with SDG&E was deposited into the Public Liability Fund. Of this amount, a one-time use of \$12.9 million will be transferred back to the General Fund to mitigate the \$38.4 million deficit and \$3.4 million to Enterprise Funds in Fiscal Year 2014.

### **Reserve for Redevelopment Agency Impacts**

The Transient Occupancy Tax (TOT) Fund Balance is projected to be \$11.9 million at the end of Fiscal Year 2013. Of this amount, a one-time use of \$5.3 million and an on-going use of \$2.3 million over the next three years beginning in Fiscal Year 2014 will be used to address the General Fund impact related to the dissolution of the redevelopment agency. This will result in a total use of \$7.6 million in Fiscal Year 2014 to address the loss of debt service support for PETCO Park and the Convention Center Phase II expansion. The remaining \$4.3 million in TOT fund balance is projected

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to be used in Fiscal Years 2015 and 2016. This fund balance is separate from the General Fund Reserve.

### **Redevelopment Property Tax Trust Fund (RPTTF)**

The Redevelopment Property Tax Trust Fund (RPTTF) is a County-administered fund that holds property taxes that would have been allocated to redevelopment agencies prior to the dissolution of redevelopment. The County disburses money from the RPTTF to the Successor to the Redevelopment Agency on a semi-annual basis to pay for items on the Recognized Obligation Payment Schedule (ROPS). The City can also receive an administrative cost allowance of up to three percent of the amount disbursed. Additional RPTTF revenue of \$6.4 million from the Outlook is included in the Fiscal Year 2014 Adopted Budget.

### **Property Tax Administration Fee**

The Fiscal Year 2014 Adopted Budget includes a reduction of \$1.3 million in property tax administration fees charged by the County, which were not projected in the Outlook.

### **City Attorney Office Reductions**

A reduction of \$508,228 in personnel expenditures in the Office of the City Attorney is included in the Fiscal Year 2014 Adopted Budget. The personnel expenditure reductions in the City Attorney's Office reflect service level reductions experienced by other City departments over the last five years. Since 2009, total City positions (excluding the City Attorney's Office) decreased by a net 674.99 FTE positions, or 6.50 percent. During the same time period, the City Attorney's Office positions increased by a net 7.77 FTE positions, or 2.29 percent.

### **Balboa Avenue Land Proceeds**

On January 23, 2013, the 1.33-acre property on 8110 Balboa Avenue was sold by the City of San Diego to G&M Oil Company, Inc. for a net \$3.6 million. The property's original 50-year ground lease between the City of San Diego and Sandy, Inc. was due to expire in November 2014. G&M Oil Company, Inc. entered into a sublease in 1996 and opted to purchase the building when it became available for sale in 2012. The net proceeds of \$3.6 million from the sale of this property was deposited into the Capital Outlay Fund in Fiscal Year 2013. Of this amount, \$1.2 million will be budgeted on an on-going basis for the next three years beginning in Fiscal Year 2014 to offset the principal portion of the deferred capital debt service payments. The remaining \$2.4 million is projected to be used in Fiscal Years 2015 and 2016.

### **World Trade Center Proceeds**

Of the \$7.6 million in net proceeds received from the sale of the World Trade Center in Fiscal Year 2012, \$6.5 million was supposed to be expended by the end of Fiscal Year 2014. It is proposed that the remaining balance in the Capital Outlay Fund of \$1.6 million is used on an on-going basis over the next three years beginning in Fiscal Year 2014 to offset the principal debt service portion of the deferred capital bonds. The remaining \$1.1 million is projected to be used in Fiscal Years 2015 and 2016.

### **Emergency Medical Services (EMS) Fund Balance Transfer**

The \$3.0 million in estimated Emergency Medical Services (EMS) fund balance is projected to be used over the next three years beginning in Fiscal Year 2014. The Fiscal Year 2014 Adopted Budget includes a transfer to the General Fund in the amount of \$1.0 million. The remaining \$2.0 million is projected to be used in Fiscal Years 2015 and 2016.

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## Public Liability Reserve

Included in the Fiscal Year 2014 Adopted Budget is a General Fund contribution of \$101,700 to the Public Liability Fund reserve. An additional \$4.7 million will be contributed to the reserve from the Public Liability Fund balance for a total contribution of \$4.8 million. With this contribution, the reserve level will exceed the target of 24.0 percent of outstanding claims in Fiscal Year 2014 as stated in the Reserve Policy based on the most recent actuarial valuation.

The Outlook included a reduction of \$4.5 million in the General Fund contribution to the Public Liability Reserve as a result of

depositing \$27.0 million from the SDG&E wildfire settlement at the end of Fiscal Year 2012 into the Public Liability Fund. However, the Fiscal Year 2014 budget assumes that \$12.9 million will be transferred back to the General Fund and \$3.4 million transferred to Enterprise Funds.

The Fiscal Year 2014 Adopted Budget also includes a General Fund reduction of \$600,000 for Public Liability pay-go expenses which was not anticipated in the Outlook.

## Police Decentralization Fund Balance Transfer

The City of San Diego pays annual "booking fees" to the County of San Diego, which are fees that the City's Police Department incurs for "booking" individuals into the County's jail system. Since Fiscal Year 2010, the State of California has paid the County of San Diego \$2.0 million for these expenses, partially offsetting the City's obligation. As a result, the Police Decentralization Fund has accumulated an estimated \$4.1 million in fund balance from Fiscal Years 2012 and 2013. Of this amount, \$1.4 million will be used on an on-going basis over three years to reduce the General Fund transfer to the Police Decentralization Fund beginning in Fiscal Year 2014. The remaining \$2.7 million is projected to be used in Fiscal Years 2015 and 2016.

## Use of Fiscal Year 2013 Surplus

A budgetary surplus of \$17.0 million in the General Fund is projected at the end of Fiscal Year 2013 of which \$12.6 million is budgeted in Fiscal Year 2014 as follows: rebudgeting of \$1.4 million for City Council Community Projects, Programs, and Services, and \$500,000 for community plan updates; \$1.1 million for the replacement of Police equipment (e.g. gas masks, helmets, shields, shotguns and body armor vests); \$500,000 for the replacement of a Lifeguard cliff rescue vehicle; \$300,000 to support the Balboa Traffic Management Plan; \$200,000 for MTS student bus passes; SAFE expenditures of \$2.4 million in the Transportation & Storm Water Department to upgrade the City's Traffic Control System and provide partial funding for changeable message signs, \$1.5 million in the Police Department for helicopter fuel, a gyro-stabilized camera system for the helicopters, and various traffic related equipment, and \$245,000 in the Fire-Rescue Department for helicopter equipment and various equipment for Fire engines; \$714,005 for Police overtime from the use of AB 109 funds; \$700,000 for the Kinder Morgan litigation; and \$3.1 million for the additional use of the Fiscal Year 2013 surplus.

# Executive Summary

## Storm Water CIP General Fund Contribution

The \$35.0 million in deferred capital bonds expected to be issued in June 2013 includes \$5.0 million to fund the design and construction of Storm Water's watershed capital projects. Including the \$5.0 million in the bond issuance frees up \$2.9 million in General Fund contributions to CIP in Fiscal Year 2014.

## One-Time Resources and Uses

The Fiscal Year 2014 Adopted Budget includes \$48.0 million in one-time resources as displayed in **Table 16: Fiscal Year 2014 One-Time Resources**.

**Table 16: Fiscal Year 2014 One-Time Resources**

One-Time Resources	Amount
Proceeds from SDG&E Settlement	\$12,928,850
Use of General Fund Fund Balance for Non-Pensionable Compensation Increases	9,800,000
Use of Transient Occupancy Tax (TOT) Fund Balance	5,300,000
Use of Fiscal Year 2013 Surplus	3,122,785
Use of Service Authority for Freeway Emergencies (SAFE) Funds	4,140,959
Tobacco Settlement Revenue	3,760,000
Reduction in Storm Water CIP Contribution	2,850,000
Release of Police CAD Funding	3,000,000
Reimbursement of Appropriated Reserve Used in Fiscal Year 2013 for Convention Center Phase III Expansion	1,000,000
Use of Public Safety Realignment Act (AB 109) Funds	714,005
Use of Risk Management Administration Fund Balance	701,672
Re-budget of the Kinder Morgan Litigation	700,000
<b>Total</b>	<b>\$48,018,271</b>

This compares to approximately \$19.4 million in one-time uses as displayed in **Table 17: Fiscal Year 2014 One-Time Uses**.

**Table 17: Fiscal Year 2014 One-Time Uses**

One-Time Uses	Amount
Use of SAFE Funds	\$4,140,959
Information Technology Discretionary Expenditures	3,953,099
Police Retention Program	2,000,000
Community, Projects, Programs, and Services	1,370,658
Replacement of Police Equipment	1,500,000
Facilities Conditions/Needs Assessment	1,000,000
Sidewalks Conditions/Needs Assessment	1,000,000
Police Overtime Expenditures	714,005
Kinder Morgan Litigation Expenditures	700,000
Community Plan Updates and Special Projects	500,000
Lifeguard Cliff Rescue Vehicle	500,000
Relocation of Police Property Room	300,000
Balboa Park Traffic Management Plan	300,000
Park Systems Conditions/Needs Assessment	263,909
Advanced Lifeguard Academy	225,000
Traffic Signal Communication Infrastructure Master Plan/Pedestrian Safety Study	200,000
MTS Student Bus Passes	200,000
Support for New Open Space and Park Acreage	165,000

# Executive Summary

**Table 17: Fiscal Year 2014 One-Time Uses (Cont'd)**

<b>One-Time Uses</b>	<b>Amount</b>
Tree Trimming Services	100,000
Installation of City-owned street lights	100,000
Tubman-Chavez Community Center	50,000
Portable Pool Program	44,000
Children's Pool Permit Processing	25,000
<b>Total</b>	<b>\$19,351,630</b>

<b>Net Use of One-Time Resources</b>	<b>\$28,666,641</b>
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The information shown in the tables above reflect that approximately \$28.7 million in one-time resources were used to balance the Fiscal Year 2014 Adopted General Fund Budget. This approach can be undertaken with the assumption that the economy continues to show improvement.



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