



The City of San Diego

April 18, 2011

Fiscal Year

2012

PROPOSED BUDGET

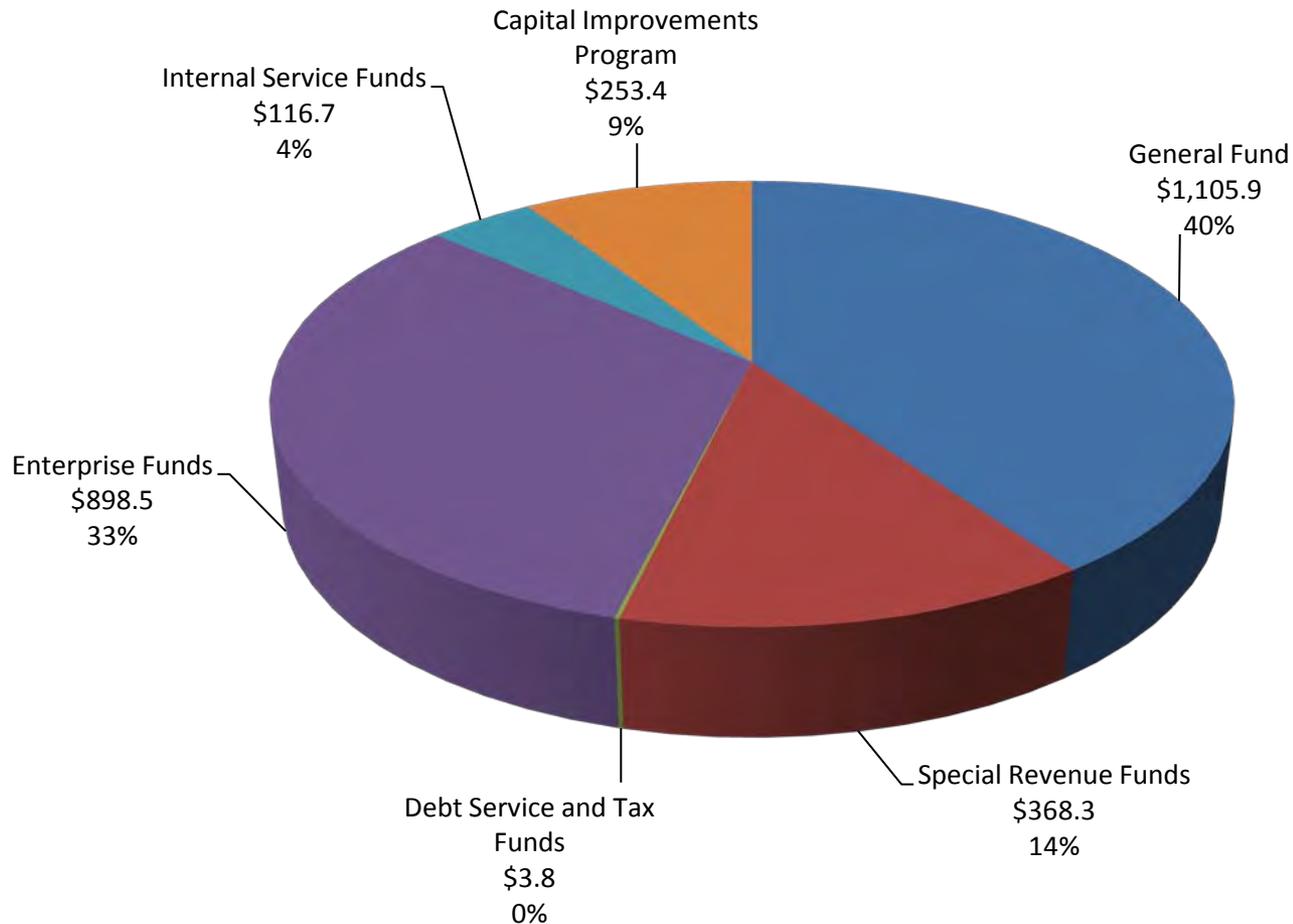


Fiscal Year 2012 Proposed Budget

- Fully funds the City's annual pension payment;
- Preserves current reserve balances;
- Continues to address the backlog of deferred capital/maintenance projects;
- Restores Fire-Rescue Rolling Brown-Outs implemented in Fiscal Year 2010;
- Closes a projected General Fund budget deficit of \$56.7 million;
- Contains service reductions, including public safety;
- Progresses toward resolution of structural budget deficit; and
- Continues progress on fiscal reforms



Citywide Proposed Budget - \$2.75 Billion (in millions)





Total City Expenditure Changes Fiscal Years 2011 - 2012 by Fund Type/Program

Fund Type/Program	FY 2011 Adopted Budget	FY 2012 Proposed Budget	Change	Percent Change
General Fund	1,096,228,151	1,105,855,852	9,627,701	0.9%
Special Revenue Funds	362,677,490	368,283,866	5,606,376	1.5%
Debt Service and Tax Funds	5,964,097	3,759,273	(2,204,824)	(37.0)%
Enterprise Funds	884,026,175	898,492,392	14,466,217	1.6%
Internal Service Funds	107,756,485	116,651,693	8,895,208	8.3%
Capital Improvements Program	299,619,898	253,435,628	(46,184,270)	(15.4)%
Total	2,756,272,296	2,746,478,704	(9,793,592)	(0.4)%



Reductions to City Staff

	FY 2011 Adopted Budget	FY 2012 Proposed Budget	Change	Percent Change
Total FTEs	10,222.09	9,973.33	(248.76)	(2.4)%

- Total reduction of 1,671 FTE positions since Fiscal Year 2007



Fiscal Year 2012 General Fund Proposed Budget

FY 2011 Adopted Budget	FY 2012 Proposed Budget	Change	Percent Change
\$ 1,096,228,151	\$ 1,105,855,852	\$ 9,627,701	0.9%
7,067.98 FTE	6,879.95 FTE	(188.03)	(2.7)%



FY 2012 General Fund Budget

FY12 Projected Deficit	\$ 56.7M
Brown-out Restorations	8.7M
Vacancy Savings Adjustment	5.4M
Other Adjustments	<u>2.4M</u>
Total	\$ 73.2M
One-Time Solutions	\$(35.1)M
On-Going Solutions	<u>(38.1)M</u>
Total Solutions	\$(73.2)M
Balanced Budget	\$ 0.0



Budget Balancing Approach

Projected Deficit	\$ 56.7 M
Adjustments	<u>7.8 M</u>
	\$64.5 M

Balancing Steps

Revenues (Ongoing and One-time)	(30.4 M)
Management Reductions	(3.3 M)
Supplies/Contracts Reductions	(9.0 M)
Reserve Suspension	(14.1 M)
Department Reductions	
Library Hours; Park & Rec hours and services	<u>(7.7 M)</u>
	\$ 0.0

Restoration of Brownouts	8.7 M
Department Reductions	
Library Hours; Park & Rec hours; Police Officers	<u>(8.7 M)</u>
	\$ 0.0



FY12 Budget Solutions

- **One-Time Expenditure Reductions/Revenue Increases**
 - Fiscal Year 2012 Reserves Suspension \$14.1M
 - Transfer of Emergency Medical Services Fund Balance \$4.1M
 - Use of Police Decentralization Fund Balance for Booking Fees \$4.0M
 - TransNet ARRA Revenue to support Streets O&M \$6.1M
 - Disaster Recovery and Unclaimed Funds \$5.0M
 - One-time use of Qualcomm, PETCO, and Sick Leave Fund Balances \$1.8M

Sub-Total One-Time Solutions: \$35.1M



FY12 Budget Solutions (*cont.*)

- **On-Going Expenditure Reductions/Revenue Increases**
 - Departmental reductions net impact of \$28.7M
 - Includes 10% reduction to Contracts and Supplies Budgets of \$9.0M
 - User Fee Revenue \$5.3M
 - Fire - Air medical transport fee, false alarm fee, increased allocation of medical aid response costs \$5.0M
 - Police entertainment permitting fees \$0.3M
 - Parking Meter Utilization Program net impact of \$1.1M
 - Reimbursement for Convention Center Debt \$2.0M
 - EMS Revenue Transfer to Fire \$1.0M

Sub-Total On-Going Solutions: \$38.1M



Police Department's Proposed Reductions

FTE	PE	NPE	Total Expenditures	Revenue
(27.50)	\$ (3,390,718)	\$ (2,090,310)	\$ (5,481,028)	\$ 323,451

- Reduction of 20 vacant sworn officers
- Reduction in uniform allowance for vacant sworn personnel
- Partial reduction of vehicle abatement unit
- Reduction of 3.5 FTE civilian staff
- Information Technology efficiencies
- Reductions to contracts and supplies
- User fee revenue



Fire Department's Proposed Budget Reductions/Additions

FTE	PE	NPE	Total Expenditures	Revenue
0.00	\$ 8,654,718	\$ (643,198)	\$ 8,011,520	\$ 4,963,625

- Reductions to contracts and supplies
- User fee revenue
- Restoration of Brown-outs:
 - Four restored July 1, 2011
 - Four restored January 1, 2012



Park & Recreation Department's Proposed Reductions

FTE	PE	NPE	Total Expenditures	Revenue
(77.20)	\$ (4,278,841)	\$ (2,202,171)	\$ (6,481,012)	\$ (446,745)

- Reduction of recreation center hours from 40 to 20 hours/week, eff. 9/6/11
- Reduction in pool operations to core hours, and elimination of swim team and water polo programs during non-summer months
- Elimination of After School Programs at 5 recreation centers
- Elimination of Fire Ring Program
- Reduction in brush thinning services
- Conversion of Kumeyaay campground to day use, eff. 9/6/11
- Reduction in trail and turf maintenance
- Reductions to contracts and supplies
- Reduction of additional 6.0 FTE positions



Library Department's Proposed Reductions

FTE	PE	NPE	Total Expenditures	Revenue
(77.02)	\$ (6,886,608)	\$ (520,732)	\$ (7,407,340)	\$ (139,500)

- Pairing of branch libraries - 77.02 positions
 - Reduction of 36 hours per week to an average of 18.5
 - Each branch will be open two days per week and alternate Saturdays
- Reductions to contracts and supplies



Environmental Services Department's Proposed Reductions

FTE	PE	NPE	Total Expenditures	Revenue
(9.05)	\$ (776,897)	\$ (1,278,731)	\$ (2,055,628)	\$ 268,710

- Elimination of refuse collection from approximately 14,200 customers (Hold Harmless Agreements)
- Elimination of refuse collection from approximately 4,500 business customers



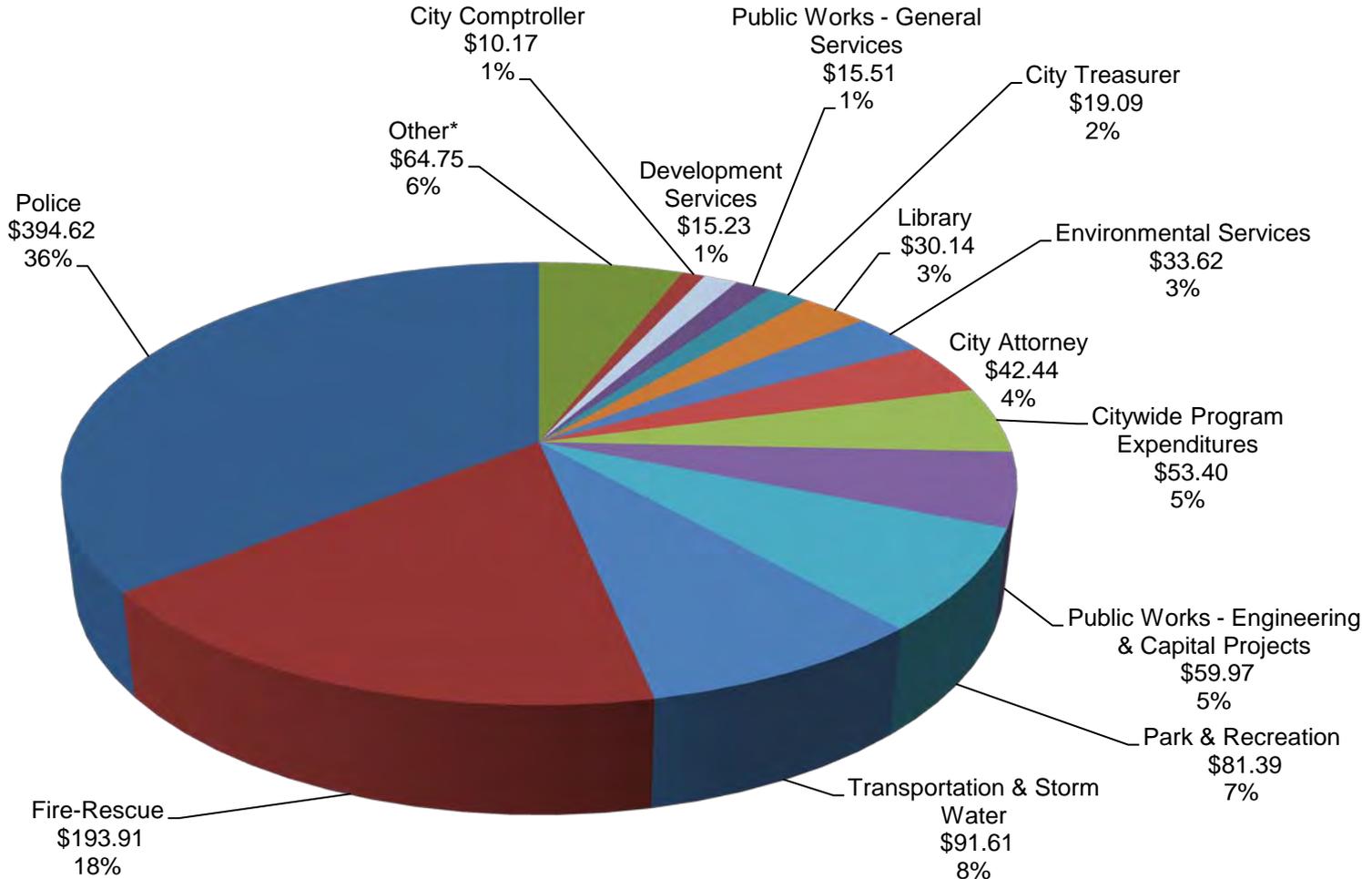
Other Reductions

(by Business Center)

- City Planning & Development - \$1.8M
- Public Works - \$3.1M
 - Includes Transportation & Storm Water - \$1.8M
- Non-Mayoral - \$630,000
- Office of the CFO - \$391,000
- Office of the Assistant COO - \$797,000

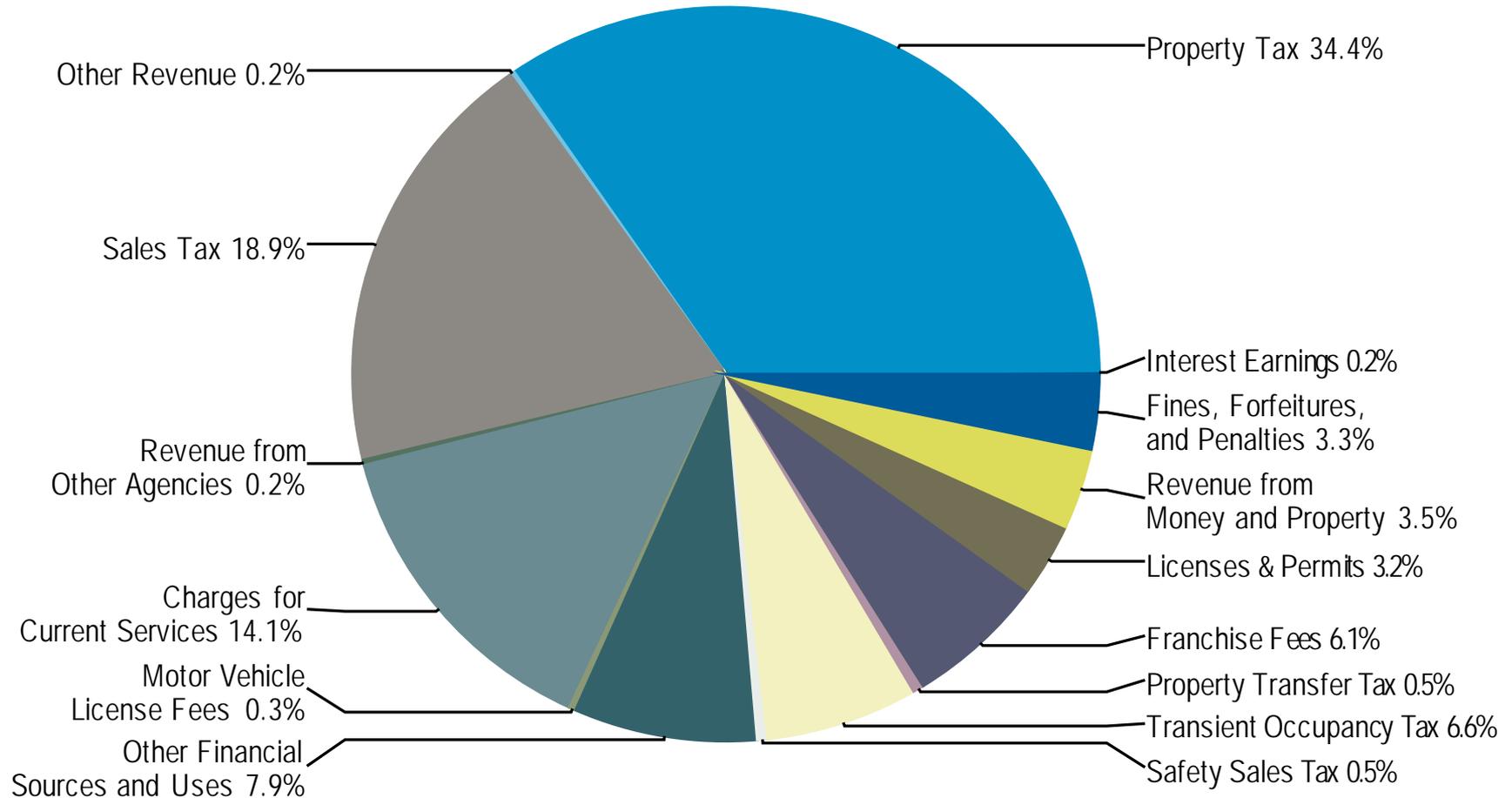


General Fund Expenditures - \$1.11 Billion (in millions)





General Fund Revenues - \$1.11 Billion

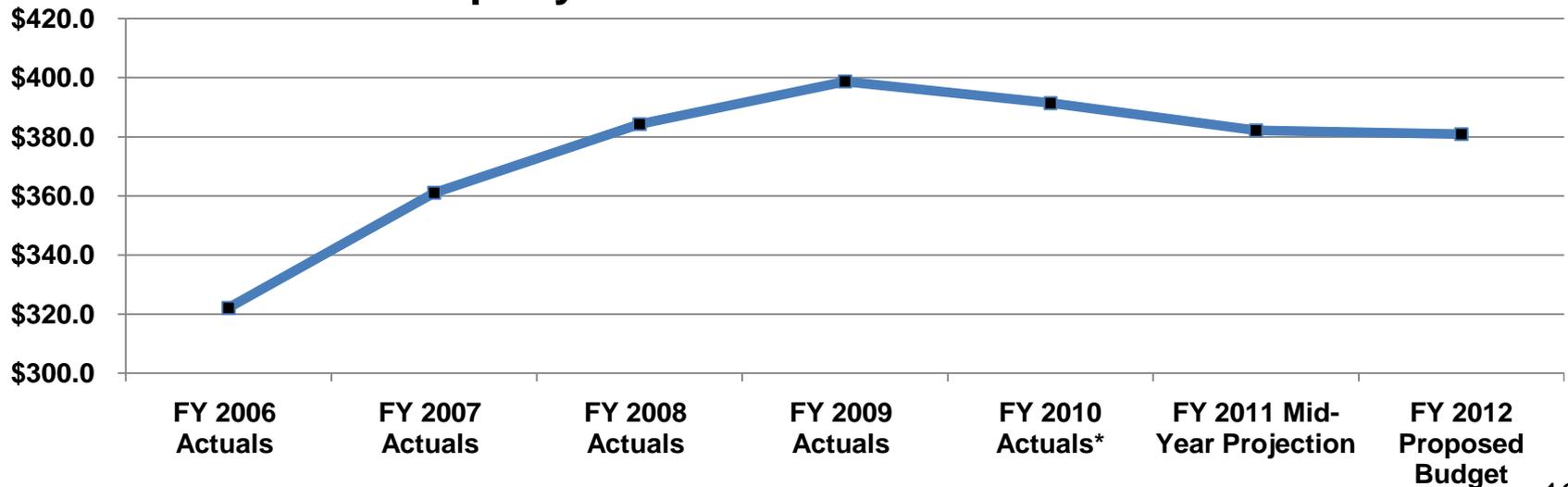




Property Tax Revenue

- Proposed Budget: \$380.9 million
- Budgeted growth rate: 0.0 percent
- Economic factors
 - Stabilization in residential properties (price and sales); continued decline in commercial property assessed value
 - Revenue lags economic recovery

Property Tax Revenue FY 2006-2012



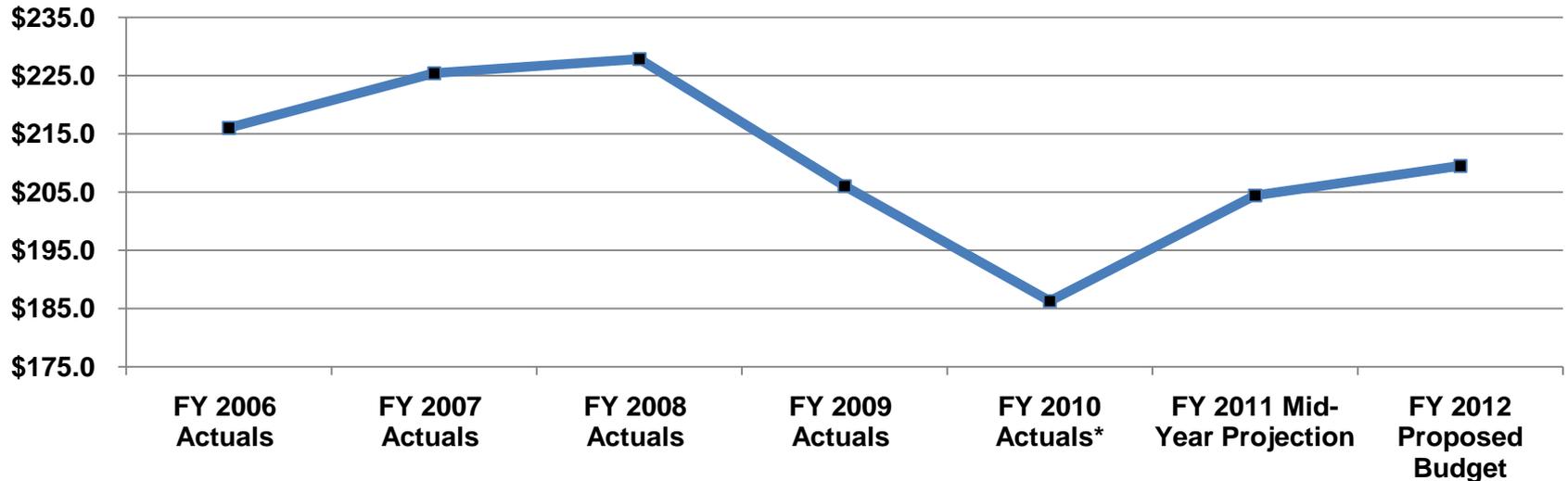
* Unaudited



Sales Tax Revenue

- Proposed Budget: \$209.5 million
- Budgeted growth rate: 3.0 percent growth in taxable sales
- Economic Factors:
 - Improved consumer confidence; marginal increase in employment
 - Increases in consumer spending in FY 2011 and increased growth rate in FY 2012

Sales Tax Revenue FY 2006-2012



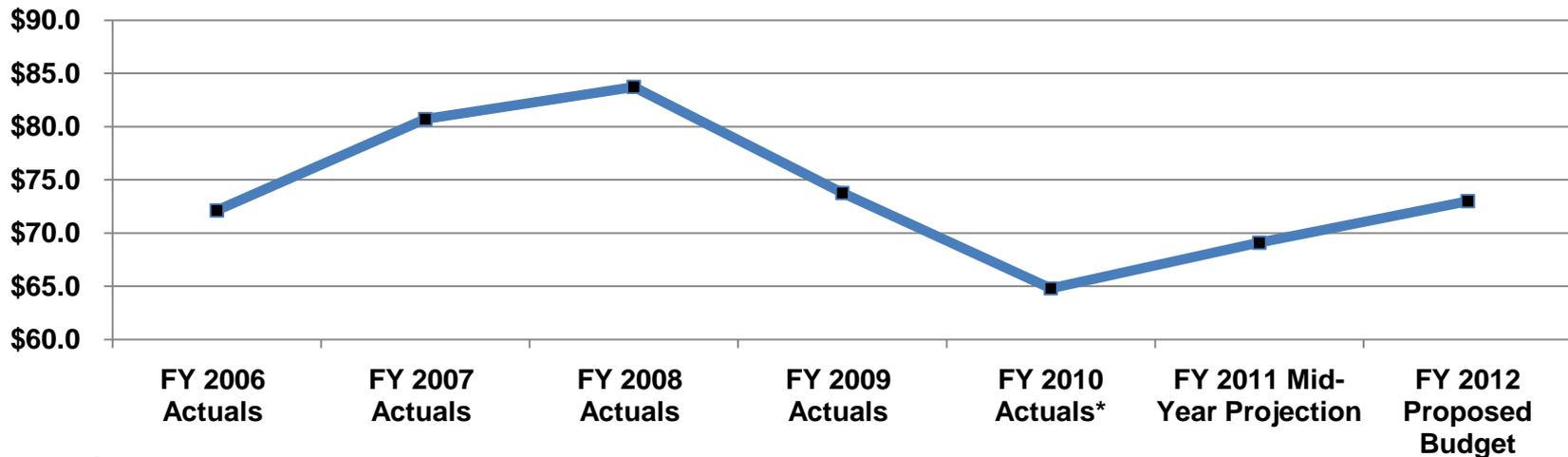
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Transient Occupancy Tax Revenue

- Proposed Budget : \$73.0 million (General Fund 5.5 cent)
- Budgeted growth rate: 3.0 percent
- Economic Assumptions:
 - Projected increase in the average daily rate and hotel occupancy in calendar year 2011
 - Increase in both leisure and business travel to region

TOT Revenue FY 2006-2012



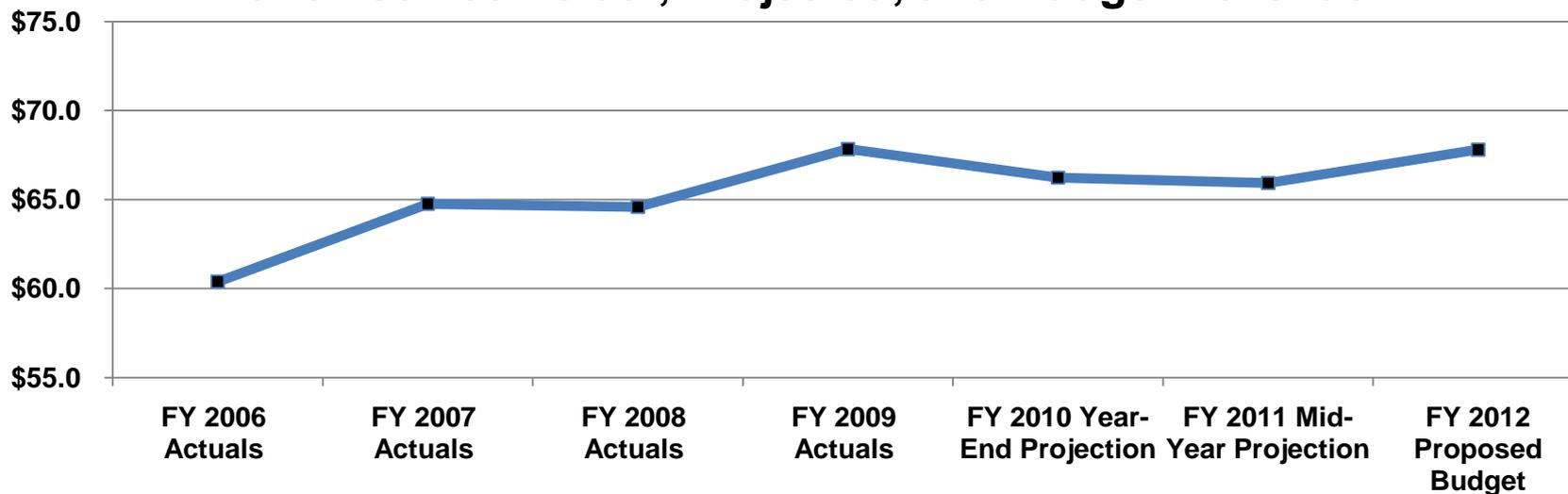
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Franchise Fee Revenue

- Proposed Budget : \$67.8 million (General Fund)
- Budgeted growth rate: 2.9 percent
- Economic Assumptions:
 - Projected increase in SDG&E, refuse tonnage, and cable television
 - Changes in electricity and natural gas prices may affect projection

Franchise Fee Actual, Projected, and Budget Revenue



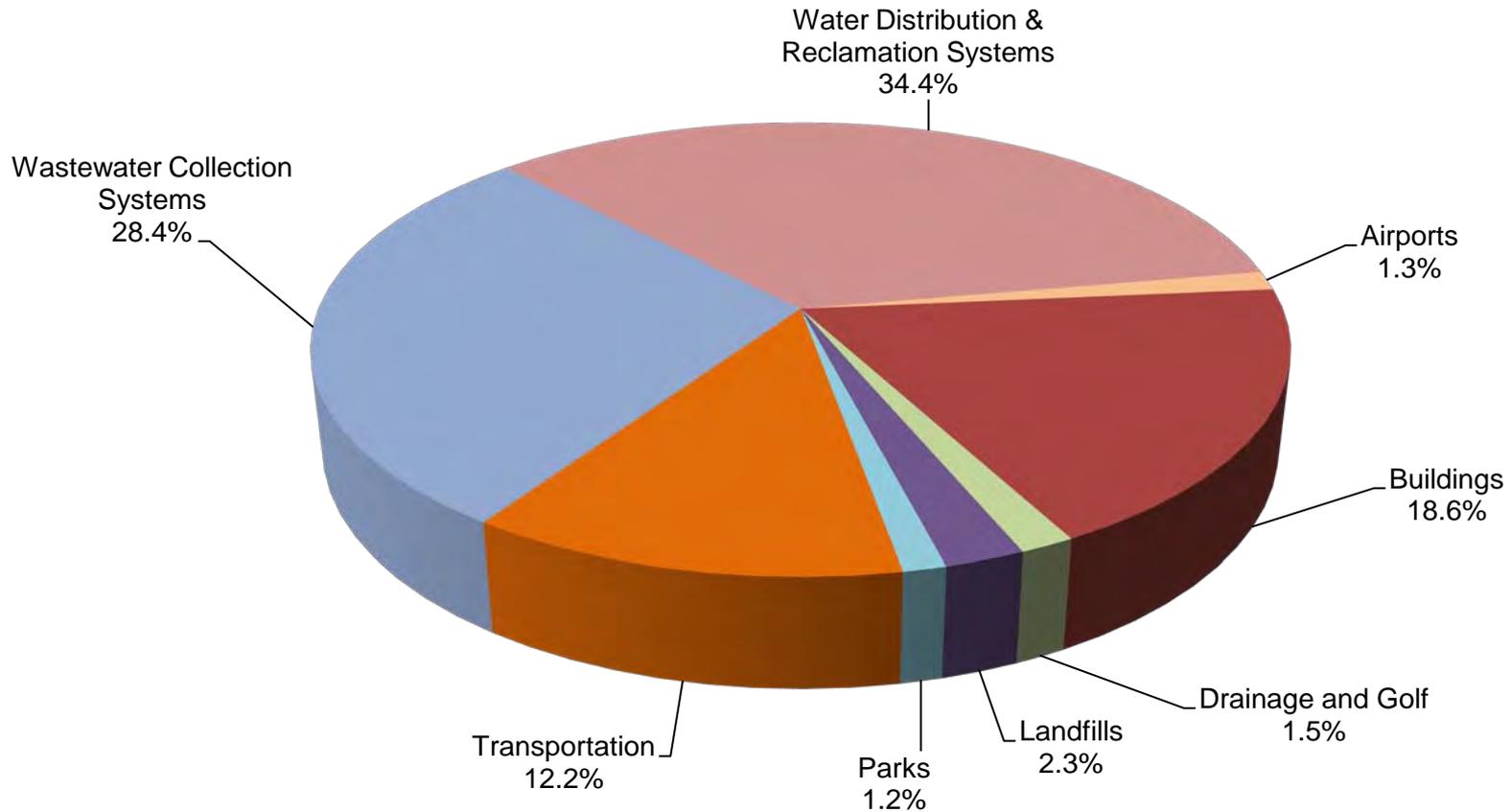


Fiscal Year 2012 General Fund Revenue (in millions)

General Fund Revenues	FY 2011 Adopted Budget	FY 2012 Proposed Budget	\$ Change	% Change
Property Tax	\$ 390.1	\$ 380.9	\$ (9.2)	-2.3%
Sales Tax	187.5	209.5	22.1	11.8%
Transient Occupancy Tax	66.1	73.0	6.9	10.4%
Franchise Fees	67.2	67.8	0.6	0.9%
Other Revenues	385.4	374.6	(10.8)	-2.8%
TOTAL	\$ 1,096.2	\$ 1,105.9	\$ 9.6	0.9%



Capital Improvements Program - \$253.4 Million





Deferred Capital/Maintenance

- FY12 Proposed Budget includes debt service for initial bond issuance of approx. \$100M
- New bond totaling \$100M expected to be issued in FY12
 - Debt service payments to begin in FY13



Fiscal Reforms

1. Eliminate employee retirement offsets for elected officials and unrepresented City employees. **Status:** Completed.
2. Adopt a managed competition guide for various City services. **Status:** Guide completed, six managed competition processes underway.
3. Complete a DROP cost neutrality study. **Status:** Completed.
4. Solicit requests for qualifications to assume operations of the Miramar Landfill. **Status:** City will utilize the Managed Competition process related to landfill operations.
5. Eliminate terminal leave for all City employees. **Status:** Anticipated effective date of July 1, 2011. Tentative agreements reached with all bargaining units. Presented to City Council on April 11, 2011.



Fiscal Reforms (*cont.*)

6. Reduce retirement offset costs for represented City employees. **Status:** Anticipated effective date of July 1, 2011. Tentative agreements reached with all bargaining units. Presented to City Council on April 11, 2011.
7. Reduce retiree healthcare liability. **Status:** Anticipated effective date of July 1, 2011; subject to meet and confer.
8. Solicit proposals to provide City information technology services. **Status:** RFP released week of April 11, 2011.
9. Establish a second tier pension plan for new firefighters. **Status:** Anticipated effective date of July 1, 2011. Approved by City Council April 11, 2011.
10. Adopt an ordinance for a voluntary defined contribution pension plan for City employees. **Status:** Subject to meet and confer - ongoing.



FY 2011-12 State Budget Potential Impacts

- Redevelopment Agencies
- Booking Fees
- Citizens' Options for Public Safety (COPS) funding
- Proposition 42 replacement
- Highway Users Tax Account (HUTA)



Remaining Steps to Eliminate the Structural Budget Deficit

- No budget add-ons in FY12
- Make \$41M in permanent budgetary reductions in FY13
 - Managed competition savings
 - Other expenditure saving actions
 - Budget cuts



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