

Executive Summary



Introduction

The Fiscal Year 2012 Proposed Budget continues the corrective fiscal actions that began in Fiscal Year 2007 and continued through Fiscal Years 2008, 2009, 2010, and 2011. In February 2011, the Mayor released an update to his Five-Year Financial Outlook, which projected a General Fund shortfall of \$56.7 million in Fiscal Year 2012. This deficit has been addressed in the Fiscal Year 2012 Proposed Budget through the fiscal measures and corrective actions described in this section.

City Budget Overview

The City of San Diego's Fiscal Year 2012 Proposed Budget of \$2.75 billion is comprised of five operating fund type categories (General Fund, Special Revenue Funds, Debt Service and Tax Funds, Enterprise Funds, and Internal Service Funds) and the Capital Improvements Program (CIP). **Table 1** shows the change in budgeted expenditures for operations from Fiscal Year 2011 to Fiscal Year 2012 by fund type and for the CIP.

Table 1: 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 ¹	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)%

¹ Other debt service obligations of the City related to the financing and issuance of bonds are budgeted within the departments' operating budgets.

Figure 1 displays the Fiscal Year 2012 Proposed Expenditure Budget by fund type or program.

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Figure 1: Fiscal Year 2012 Proposed Expenditure Budget by Fund Type or Program

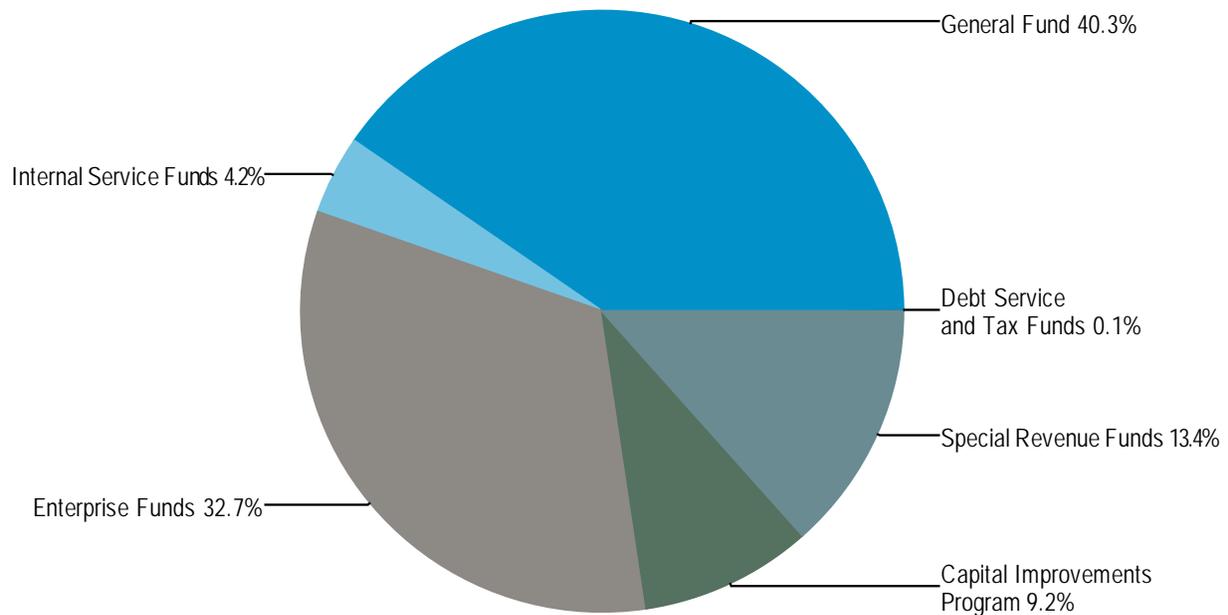


Table 2 presents the changes in budgeted revenues from Fiscal Year 2011 to Fiscal Year 2012 by fund type.

Table 2: Total City Revenue Changes Fiscal Years 2011 - 2012 by Fund Type

Fund Type	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	331,287,761	350,239,685	18,951,924	5.7%
Debt Service and Tax Funds	5,564,460	1,558,150	(4,006,310)	(72.0)%
Enterprise Funds	1,138,724,611	1,096,700,611	(42,024,000)	(3.7)%
Internal Service Funds	109,258,944	123,922,171	14,663,227	13.4%
Total¹	\$ 2,681,063,927	\$ 2,678,276,469	\$ (2,787,458)	(0.1)%

¹ Non-General Fund operating revenues may be less than operating expenditures due to the use of fund balance.

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.

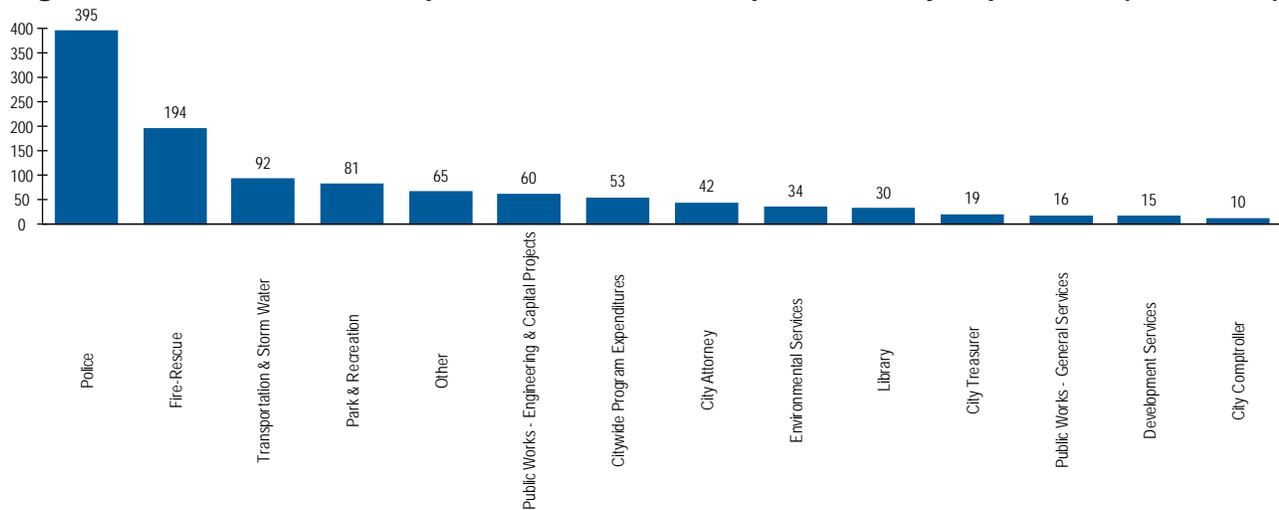


The City's Fiscal Year 2012 Proposed Budget reflects General Fund revenues and expenditures totaling \$1.11 billion, representing an increase of \$9.6 million or a 0.9 percent over the Fiscal Year 2011 Adopted Budget. The Fiscal Year 2012 Proposed General Fund Budget includes 6,879.95 budgeted full-time equivalent (FTE) positions, a decrease of 188.03 FTE positions from the Fiscal Year 2011 Adopted General Fund Budget. The net decrease in General Fund positions is primarily due to the reduction of 211.77 FTE positions resulting from various departmental reductions, including the pairing of all branch libraries, the reduction of recreation center hours, the elimination of 20 vacant sworn Police personnel, and other miscellaneous reductions. In addition, included in the Fiscal Year 2012 Proposed General Fund Budget is the addition of positions related to the restructure of the Community Development Block Grant (CDBG) administration from the Housing and Urban Development (HUD) Programs Administration Fund to the General Fund, for the Parking Meter Utilization Improvement Program approved by City Council, and for lifeguards at Black's Beach funded through an agreement with the University of California San Diego (UCSD).

Figure 2 summarizes the Fiscal Year 2012 Proposed 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.

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Figure 2: Fiscal Year 2012 Proposed General Fund Expenditures by Department (in Millions)



Note: The Other category includes: Administration, Business Office, City Auditor, City Clerk, City Council, Debt Management, Department of Information Technology, Disability Services, Economic Development, Ethics Commission, Financial Management, Human Resources, 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, Purchasing & Contracting, and Real Estate Assets.

Debt Service and Tax Funds

Debt Service Funds are used for the payment of principal and interest on the General Obligation Bonds for Public Safety Communication Projects. The Tax Fund contains monies to pay for interest costs and costs of issuance for the annual General Fund Tax and Revenue Anticipation Notes (TRANS) cash flow borrowing. The Fiscal Year 2012 Proposed Budget for Debt Service and Tax Funds totals \$3.8 million, which represents a decrease of approximately \$2.2 million or 37 percent from the Fiscal Year 2011 Adopted Budget. The \$2.2 million decrease is attributable to the TRANS budget. The Fiscal Year 2011 TRANS budget includes \$2.2 million of Original Issue Premium (OIP). OIP is a note feature for a public offering and generates revenue from TRANS proceeds which is budgeted by the City to offset the higher interest expense that also results from OIP. It is currently expected that the City will issue Fiscal Year 2012 TRANS as a private offering. As a result, no OIP is assumed and, therefore, there is a \$2.2 million budget decrease.

Other debt service obligations of the City related to the financing and issuance of bonds are budgeted within the departments' operating budgets.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include TransNet Extension, Gas Tax, and Transient Occupancy Tax (TOT). The Fiscal Year 2012 Proposed Operating Budget for Special Revenue Funds is \$368.3 million, representing an increase of \$5.6 million or 1.5 percent from the Fiscal Year 2011 Adopted Budget. The net increase of \$5.6 million is due to (1) the increase in expenditures in the Fire/Emergency Medical Services Transport Program Fund associated with the transfer of the Emergency Medical Services profit to the Fire-Rescue Department and (2) the increase in expenditures in the TOT Fund related to the reimbursement of the General Fund for expenditures associated with the safety and maintenance of visitor-related facilities.

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 2012 Proposed Budget for all Enterprise Funds is \$898.5 million, representing an increase of \$14.5 million or 1.6 percent from the Fiscal Year 2011 Adopted Budget. This increase is primarily the result of the following changes:

- The Public Utilities budget includes a net increase of approximately \$10.6 million primarily due to an increase in costs related to water purchases and increases in supplies and contracts expenditures based on an analysis of prior year spending trends.
- Other Enterprise Fund departments increased by \$3.8 million.

Internal Service Funds

Internal Service Funds are created to finance and account for services provided by one City department to another City department. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The Fiscal Year 2012 Proposed Budget for Internal Service Funds totals \$116.7 million, which is an increase of \$8.9 million or 8.3 percent from the Fiscal Year 2011 Adopted Budget. The net increase of \$8.9 million is primarily due to an increase in the Fleet Services Replacement Fund. In Fiscal Year 2011, a one-time reduction was made to the fleet replacement budget. The Fiscal Year 2012 Proposed Budget for the Fleet Services Replacement Fund reflects the costs needed to adequately fund the replacement of vehicles that are financed or cash-funded in Fiscal Year 2012.

Capital Improvements Program

The Capital Improvements Program (CIP) budget allocates existing funds and anticipated revenues 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 2012 Proposed CIP Budget totals \$253.4 million. This is a reduction of \$46.2 million or 15.4 percent from the \$299.6 million added to the multi-year CIP in the Fiscal Year 2011 Adopted CIP Budget. This reduction is primarily due to Public Utilities' assessment of project spending and execution rates, which led to a reprioritization of projects for Fiscal Year 2012.

The CIP budget identifies and separates funding that was uncertain to be received at the time the budget was proposed. This funding may be appropriated during the fiscal year when the funding is received and is reflected as Anticipated in the CIP project pages. For Fiscal Year 2012, an additional \$200.4 million of funding for CIP projects is anticipated but not appropriated through this budget. Fiscal Year 2012 Anticipated funding includes approximately \$100.0 million of bond financing that is anticipated to come before Council in late Fiscal Year 2012 to support deferred capital projects.

Summary of Major General Fund Budget Changes

This section shows the major contributors to the \$9.6 million or 0.9 percent increase in revenues and expenditures in the General Fund in the Fiscal Year 2012 Proposed Budget.

General Fund Revenues

The four largest revenue sources in major General Fund revenues – property tax, sales tax, transient occupancy tax (TOT), and franchise fees – account for approximately \$731.2 million or 66.1 percent of the total General Fund revenues. These four major revenues have increased \$20.4 million in the

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Fiscal Year 2012 Proposed Budget from the Fiscal Year 2011 Adopted Budget, while all other General Fund revenues have declined \$10.8 million.

In Fiscal Year 2012 property tax is budgeted at \$380.9 million, a decrease of \$9.2 million or 2.3 percent from the Fiscal Year 2011 Adopted Budget. The Fiscal Year 2012 Proposed Budget for property tax revenue is based upon the assumption of continuing negative trends experienced in revenue during Fiscal Year 2011 due to declines in assessed value and increases in refunds from both commercial and residential properties. This revenue decline is offset by forecasted increases in the other three major revenues. Sales tax is budgeted at \$209.5 million, which represents an increase of \$22.1 million or 11.8 percent from the Fiscal Year 2011 Adopted Budget. This growth is due to increases in sales tax revenue that have been experienced in the first three quarters of Fiscal Year 2011 from Fiscal Year 2010 revenue amounts, in addition to the forecasted growth in sales tax revenue projected in Fiscal Year 2012. The Fiscal Year 2011 Adopted Budget for sales tax revenue had been revised upwards by \$17.0 million in the Fiscal Year 2011 Mid-Year Report. Transient Occupancy Tax (TOT) is budgeted at \$73.0 million, an increase of \$6.9 million or 10.4 percent from the Fiscal Year 2011 Adopted Budget due to increases in local tourism and business travel. This growth in TOT, like sales tax, is due to an upward revision in the Fiscal Year 2011 revenue projection due to actual receipts exceeding budgeted amounts, in addition to the projected growth in Fiscal Year 2012 revenue. The Fiscal Year 2011 Adopted Budget for TOT revenue had been revised upwards by \$3.0 million in the Fiscal Year 2011 Mid-Year Report. Franchise Fees are budgeted at \$67.8 million, an increase of \$0.6 million or 0.9 percent from the Fiscal Year 2011 Adopted Budget due mainly to an increase in cable television franchise fee payments to the City.

The increases in the four major General Fund revenues in the Fiscal Year 2012 Proposed Budget are offset mainly by the elimination of \$45.3 million in one-time revenues that were included in the Fiscal Year 2011 Adopted Budget.

Table 3 displays the major changes to General Fund revenues from the Fiscal Year 2011 Adopted Budget to the Fiscal Year 2012 Proposed Budget.

Table 3: General Fund Revenue Adjustment Over Fiscal Year 2011 Adopted Budget

Major Revenue Adjustments	(in millions)
Property Tax	\$ (9.2)
Sales Tax	22.1
Safety Sales Tax	(1.3)
Transient Occupancy Tax	6.9
Property Transfer Tax	0.5
Franchise Fees	0.6
Interest Earnings	0.1
Motor Vehicle License Fees	0.1
Other Revenue Adjustments	(10.2)
Total Revenue Adjustments¹	\$ 9.6

¹ Refer to General Fund Revenue section of this document for more detailed information regarding General Fund revenue increase.

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General Fund Expenditures

The net increase in the Fiscal Year 2012 Proposed General Fund Expenditures Budget is primarily due to the \$8.7 million restoration of the Fire-Rescue Rolling Brown-outs implemented in Fiscal Year 2010 (four will be restored in July 2011 and the remaining four will be restored January 2012), the \$8.0 million debt obligation related to the financing of the McGuigan Settlement, the \$6.7 million restoration of Fleet usage and assignments fees charged to General Fund departments due to the use of fund balance in Fiscal Year 2011, and the restructure of the CDBG administration from the HUD Programs Administration Fund to the General Fund. Also, projected vacancy savings for Fiscal Year 2012 was reduced by \$7.4 million, resulting in a budgetary increase in personnel expenditures. Partially offsetting these increases are various departmental reductions totaling \$27.2 million (value excludes fixed fringe), including the reduction of branch libraries from 36 hours per week to an average of 18.5 hours per week through library pairing, the reduction of recreation center hours from 40 to 20 hours per week, the elimination of 20 vacant sworn Police personnel, the reduction of the General Fund transfer to the Police Decentralization Fund due to sufficient fund balance to cover booking costs, and additional reductions to contracts and supplies budgets to achieve a total General Fund reduction of 10 percent in these categories. The General Fund departmental reductions also included a reduction of 211.77 full-time equivalent (FTE) positions.

Table 4 displays the major changes to General Fund expenditures from the Fiscal Year 2011 Adopted Budget to the Fiscal Year 2012 Proposed Budget.

Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2011 Adopted Budget

Major Expenditure Adjustments	(in millions)
FY 2012 Departmental Reductions ¹	\$ (23.2)
General Fund Appropriated Reserve	(4.1)
Booking Fees - Transfer to Police Decentralization	(4.0)
Other Expenditure Adjustments	(0.4)
Restoration of Brown-Outs	8.7
McGuigan Settlement Payment	8.0
Vacancy Savings Adjustment	7.4
Fleet Usage and Assignments Fees	6.7
Election Cost	2.7
Litigation and Outside Legal Cost	2.5
CDBG Administration Restructure ²	2.0
Non-Discretionary (insurance, energy, debt service, etc)	1.7
Parking Meter Utilization Program	0.5
Black's Beach Lifeguards	0.4
Property Tax Administration Fee	0.4
Animal Services Contract	0.3
Total Expenditure Adjustments	\$ 9.6

¹ Amount excludes \$5.7 million in fixed fringe.

² Staff and reimbursable revenue that was budgeted in the Special Revenue Fund are now budgeted in the General Fund, resulting in a net zero effect on the City's overall budget.

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Table 5 represents the expenditure change in the General Fund from the Fiscal Year 2011 Adopted Budget to the Fiscal Year 2012 Proposed Budget.

Table 5: General Fund Expenditure Summary Fiscal Years 2011 - 2012

	FY 2011 Adopted Budget	FY 2012 Proposed Budget
Total General Fund Budget	1,096,228,151	1,105,855,852
Percent Change from Previous Year	(3.0)%	0.9%

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 2012, the General Fund proposed budget increased by approximately \$9.6 million or 0.9 percent from Fiscal Year 2011, with the Police and Fire-Rescue Departments receiving approximately 53.2 percent of the total General Fund expenditures and other General Fund departments receiving 46.8 percent of the total General Fund expenditures.

Table 6: General Fund Expenditure Summary Fiscal Years 2011 - 2012 by Category

	FY 2011 Adopted Budget	FY 2012 Proposed Budget
Police and Fire-Rescue Budgets	\$ 566,746,272	\$ 588,530,626
Percent of Total General Fund Budget	51.7%	53.2%
Other General Fund Department Budgets	\$ 529,481,879	\$ 517,325,226
Percent of Total General Fund Budget	48.3%	46.8%

Total City Personnel

The Fiscal Year 2012 Proposed Budget includes a total of 9,973.33 FTE positions with 6,879.95 or 69.0 percent of these positions budgeted within the General Fund. **Table 7** presents the change in positions from Fiscal Year 2011 to Fiscal Year 2012.

Table 7: Total City FTE Position Changes Fiscal Years 2011 - 2012

Fund Type	FY 2011 Adopted Budget	Additions	Reductions	Reorganizations	FY 2012 Proposed Budget	Change	Percent Change
General Fund	7,067.98	15.39	(216.78) ¹	13.36	6,879.95	(188.03)	(2.7)%
Special Revenue Funds	272.58	5.00	(4.97)	(14.50)	258.11	(14.47)	(5.3)%
Enterprise Funds	2,427.93	0.50	(45.59)	1.14	2,383.98	(43.95)	(1.8)%
Internal Service Funds	391.36	0.75	(2.82)	-	389.29	(2.07)	(0.5)%
Other Funds	62.24	-	(0.24)	-	62.00	(0.24)	(0.4)%
Total	10,222.09	21.64	(270.40)	(0.00)	9,973.33	(248.76)	(2.4)%

¹ Includes the elimination of 211.77 FTE positions due to the departmental reductions implemented to mitigate the projected General Fund shortfall of \$56.7 million identified in the Five-Year Financial Outlook for Fiscal Year 2012.

The Fiscal Year 2012 Proposed Budget represents a net reduction in the City's budget of 248.76 FTE positions from the Fiscal Year 2011 Adopted Budget. The net reduction is a result of eliminating

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approximately 270 filled and vacant positions and the addition of approximately 22 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 position additions are primarily due to increases for the Parking Meter Utilization Program, Black's Beach Lifeguards, and Information Technology support.

As shown in **Table 7**, of the nearly 188 position net change to the General Fund, approximately 13 positions were transferred from the Special Revenue Funds, 15 positions are new, and 217 positions have been reduced (for a detailed look at the reductions in the General Fund, please refer to Corrective Actions portion of this section). Of the 14 positions that were reduced from the Special Revenue Funds, approximately 15 positions were transferred to the General Fund, 5 positions are new, and 5 positions have been reduced. Of nearly 44 positions that were reduced from the Enterprise Funds, approximately 1 position was transferred from the General Fund, 1 position is new, and 46 positions have been reduced. In the Internal Service Funds, approximately 1 position is new and 3 positions have been reduced.

Table 8 further illustrates the proposed budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type. A total of \$663.0 million has been budgeted for salaries and wages, and \$423.1 million budgeted for fringe expenditures resulting in a total budget of \$1.09 billion in personnel expenditures citywide.

Table 8: Fiscal Year 2012 Proposed Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	6,879.95	\$ 491,469,406	\$ 312,482,892	\$ 803,952,298
Special Revenue Funds	258.11	17,492,571	11,010,609	28,503,180
Enterprise Funds	2,383.98	129,069,749	83,177,618	212,247,367
Internal Service Funds	389.29	20,611,521	13,721,250	34,332,771
Other Funds	62.00	4,347,303	2,700,801	7,048,104
Total	9,973.33	\$ 662,990,550	\$ 423,093,170	\$ 1,086,083,720

Table 9 shows the change in the number of budgeted positions in the General Fund over the last two fiscal years. In Fiscal Year 2012, General Fund positions decreased by 188.03 FTE positions or approximately 2.7 percent from the Fiscal Year 2011 Adopted Budget. This net decrease is primarily due to departmental reductions in support of mitigating the projected Fiscal Year 2012 budget deficit and additions related to the CDBG Administration restructure and the Parking Meter Utilization Program.

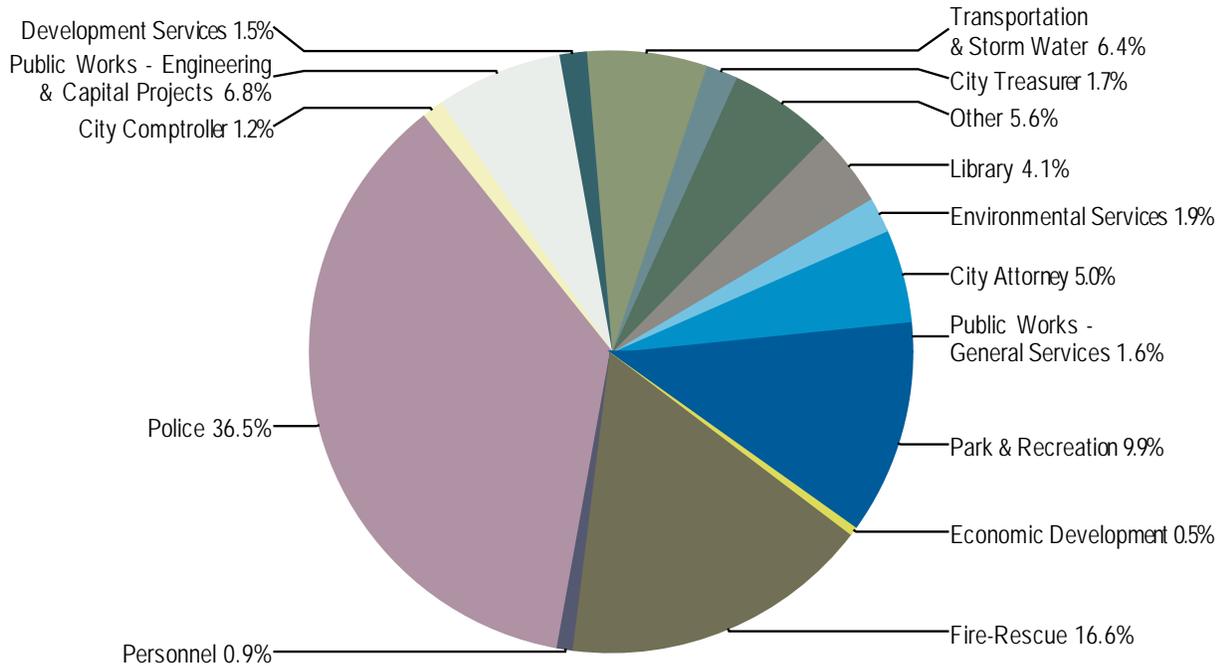
Table 9: General Fund FTE Position Summary Fiscal Years 2011 - 2012

	FY 2011 Adopted Budget	FY 2012 Proposed Budget
Total General Fund Budgeted FTE Positions	7,067.98	6,879.95
Percent Change from Previous Year	(4.4)%	(2.7)%

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Figure 3 summarizes the Fiscal Year 2012 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.

Figure 3: Fiscal Year 2012 Proposed General Fund FTE Positions by Department



Numbers may not add to 100% due to rounding.

Note: The Other category includes: Administration, Business Office, City Auditor, City Clerk, City Council, Debt Management, Disability Services, Ethics Commission, Financial Management, Human Resources, 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, 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 35.6 percent of General Fund positions and 42.1 percent of all City positions.

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Table 10: Fiscal Year 2012 Proposed FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Debt Service and Tax Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
MEA	2,456.26	90.01	-	1,461.71	160.94	39.00	4,207.92
IAFF LOCAL 145	887.00	29.00	-	-	-	-	916.00
AFSCME LOCAL 127	846.49	63.35	-	792.15	204.00	-	1,905.99
SDPOA	1,948.85	-	-	-	-	-	1,948.85
Teamsters Local 911	133.89	-	-	-	-	-	133.89
DCAA	136.22	-	-	-	-	-	136.22
Classified / Unrepresented	143.92	42.00	-	73.93	19.50	6.00	285.35
Unclassified / Unrepresented	317.33	33.75	-	56.19	4.85	17.00	429.12
Elected Officials	10.00	-	-	-	-	-	10.00
Fund Type Totals	6,879.95	258.11	-	2,383.98	389.29	62.00	9,973.33

Table 11 displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2012 Proposed Budgets for the Police and Fire-Rescue Departments include 3,652.74 FTE positions or approximately 53.1 percent of total General Fund FTE positions. The budgeted positions in the Police Department decreased from 2,538.20 FTE positions in Fiscal Year 2011 to 2,507.85 FTE positions in the Fiscal Year 2012 Proposed Budget primarily due to reductions in vacant sworn positions, administrative civilian positions, and Police Code Compliance Officers. For the Fire-Rescue Department, the number of FTE positions decreased from 1,146.09 FTE positions to 1,144.89 FTE positions primarily due to adjustments in hourly and temporary wage budgets.

Table 11: General Fund FTE Position Summary Fiscal Years 2011 - 2012 by Category

	FY 2011 Adopted Budget	FY 2012 Proposed Budget
Police and Fire-Rescue Budgets	3,684.29	3,652.74
Percent of Total General Fund Budget	52.1%	53.1%
Other General Fund Department Budgets	3,383.69	3,227.21
Percent of Total General Fund Budget	47.9%	46.9%

The Fiscal Year 2012 Proposed Budget reduces a net 248.76 FTE positions from the City's budget. This is in addition to the net elimination of 1,422.24 FTE positions in the previous five fiscal year budgets. The Fiscal Year 2012 position cuts that have been included in this budget are part of the Mayor's ongoing effort to streamline the City's workforce. **Table 12** shows the total number of net FTE position reductions from Fiscal Year 2007 through Fiscal Year 2012. Note that the Fiscal Year 2011 amount excludes the addition of the 189.98 FTE positions due to the conversion of hourly and temporary wage expenses to FTE positions. These positions do not represent an increase in salary and wages to the City, but represent an improvement in budgeting and accounting for labor costs.

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Table 12: Total City FTE Position Reductions by Fiscal Year

FY 2007 Adopted Budget	FY 2008 Adopted Budget	FY 2009 Adopted Budget	FY 2010 Adopted Budget ¹	FY 2011 Adopted Budget ²	FY 2012 Proposed Budget	Total
(38.00)	(629.71)	(57.82)	(157.18)	(539.53)	(248.76)	(1,671.00)

¹ Includes the elimination of 150.95 FTE positions as part of the Fiscal Year 2009 Revised Budget approved by City Council.

² Includes the elimination of 523.79 FTE positions as part of the Fiscal Year 2011 General Fund Proposed Budget approved by City Council in December 2009.

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, Other Post-Employment Benefits (OPEB), and Risk Management Administration (RMA). These expenditures account for \$323.3 million or 76.4 percent of budgeted fringe in Fiscal Year 2012. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

Table 13 displays the citywide fringe allocation which totals \$423.1 million for Fiscal Year 2012 of which \$312.5 million or 73.9 percent is budgeted in the General Fund.

Table 13: Fiscal Year 2012 Annual Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Retirement ARC	\$ 177,761,738	\$ 5,633,577	\$ 40,009,215	\$ 6,538,094	\$ 1,311,547	\$ 231,254,171
Supplemental Pension Savings Plan	8,759,183	647,426	5,340,008	893,877	150,424	15,790,918
Retirement Offset Contribution	4,492,612	169,698	2,543,048	268,831	68,316	7,542,505
Retirement DROP	1,669,396	52,805	402,617	63,326	21,507	2,209,651
Employee Offset Savings	9,031,812	296,821	1,036,907	140,082	92,664	10,598,286
Workers' Compensation	16,301,649	322,791	2,883,527	406,766	97,312	20,012,045
Flexible Benefits	37,812,088	1,703,714	12,669,516	2,199,753	425,036	54,810,107
Risk Management Administration	6,410,707	244,704	2,121,769	376,116	58,406	9,211,702
Long-Term Disability	3,681,659	142,925	1,041,977	168,560	38,086	5,073,207
Unemployment Insurance	898,776	34,896	254,697	41,196	9,303	1,238,868
Medicare	5,369,291	211,915	1,536,968	253,680	57,827	7,429,681

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Table 13: Fiscal Year 2012 Annual Budgeted Fringe by Fund Type (Cont'd)

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Other Post-Employment Benefits ¹	40,207,650	1,536,619	13,311,066	2,360,538	366,560	57,782,433
Retirement 401 Plan	69,462	10,175	21,030	8,347	3,050	112,064
Retiree Medical Trust	16,869	2,543	5,273	2,084	763	27,532
Fund Type Totals	\$ 312,482,892	\$ 11,010,609	\$ 83,177,618	\$ 13,721,250	\$ 2,700,801	\$ 423,093,170

¹ Reflects the annual pay-as-you-go portion of \$32.8 million and also reflects the contribution of \$25.0 million to pre-fund future liabilities.

City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2012 is budgeted at \$240.4 million and is described below:

- The SDCERS ARC, which was determined by SDCERS' actuarial valuation as of June 30, 2010, is \$231.2 million and assumes no negative amortization with the use of a 20-year amortization schedule of the Unfunded Actuarial Accrued Liability (UAAL). Approximately \$177.8 million or 76.9 percent of the ARC is budgeted in the General Fund.
- The Retirement Offset Contribution or "pick-up" represents the amount of City employees' retirement contributions that the City pays as an offset for employees. The Fiscal Year 2012 Proposed Budget amount is \$7.5 million, a \$0.4 million reduction over the Fiscal Year 2011 Adopted Budget. The reduction is mainly due to the elimination of this contribution for elected officials, classified unrepresented, and unclassified unrepresented employees. City Council eliminated the offset for these groups on October 19, 2010.
- In addition, \$1.6 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.

The Retiree Health or Other Post Employment Benefits (OPEB) UAAL as of June 30, 2010 is approximately \$1.15 billion and the ARC for Fiscal Year 2012 for Retiree Health was determined by the actuarial valuation to be \$98.5 million as of June 30, 2010. This valuation assumes a 6.69 percent discount rate based on the City's current level of pre-funding. The City entered into an agreement on January 18, 2008 with the CalPERS Employer Retiree Benefit Trust (CERBT) to pre-fund expenses related to post-employment healthcare benefits. As of December 31, 2010, the market value of the CERBT is \$86.2 million. The City budgeted \$57.8 million in Fiscal Year 2012, which is comprised of \$32.8 million for the annual retiree health benefits payments (pay-as-you-go) and \$25.0 million for pre-funding retiree health care benefits. The \$25.0 million is expected to be transferred to CERBT during Fiscal Year 2012.

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Employee Offset Savings (EOS)

The labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's "pick-up" (Retirement Offset Contribution). These agreements specified that the savings the City realizes as a result of this reduction must be used to address the City's pension UAAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS account. In Fiscal Year 2006, the City issued approximately \$100 million in Tobacco Securitization Bonds and transferred these funds to SDCERS as a contribution to the pension system above the ARC to address the UAAL. In order to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006 and to protect the programs previously supported with the Tobacco Settlement Revenues, a portion of the EOS funds is transferred each year to the General Fund. The Fiscal Year 2012 Proposed Budget for Employee Offset Savings is \$10.6 million.



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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 2012 Proposed Budget for Retirement DROP is \$2.2 million.

Workers' Compensation

State Workers' Compensation laws ensure that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws are intended to reduce litigation and to provide benefits for workers (and their dependents) who suffer work-related accidents or illnesses. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2012 Proposed Budget is \$20.0 million.

Long-Term Disability

The Long-Term Disability (LTD) contribution in the Fiscal Year 2012 Proposed Budget is \$5.1 million. This contribution includes funding of \$2.3 million toward the Long-Term Disability Fund Reserves in accordance with the City's Reserve Policy.

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 2012 Proposed Budget for Flexible Benefits is \$54.8 million.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plan

The City opted out of Social Security in January 1982 and replaced it with 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 and can voluntarily contribute up to an additional 3.05 percent for employees hired after July 1, 1986, or 4.5 percent for employees hired on or before July 1, 1986. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions up to 6.05 percent and this amount is deposited into the employee's SPSP account. The Fiscal Year 2012 Proposed Budget for SPSP is \$15.8 million. Due to labor concessions in Fiscal Year 2010, some employee groups have the option to waive the City's match to employee mandatory contributions or take a 3 percent salary reduction. The Fiscal Year 2012 Proposed Budget reflects the selections made by employees.



A new retirement plan for general members hired on or after July 1, 2009 is now in effect and includes a defined contribution savings plan with a mandatory employee contribution of 1 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 2012 Proposed Budget for this new retirement plan is \$139,596 and is based on a count of 173 general members as of December 2010.

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 2012 Proposed Budget for Risk Management Administration is \$9.2 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 2012 Proposed Budget for Medicare is \$7.4 million.

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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 2012 Proposed Budget for Unemployment Insurance is \$1.2 million.

Funding of Annual Leave

In the past, the City had not completely funded the additional expense of Annual Leave paid to employees who end their employment with the City with leave balances. While a portion of annual leave expense has been absorbed in departmental budgets, there will be a large number of



employees with high leave balances expected to retire over the next several years. The Fiscal Year 2012 Proposed Budget includes \$3.2 million 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 2012 Proposed 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 2012 personnel expenditures to their available allocated appropriations. The Fiscal Year 2012 proposed vacancy savings is \$30.8 million, representing a decrease of \$10.2 million or 24.9 percent from the Fiscal Year 2011 vacancy savings. The decrease is primarily due to the reduction of vacant positions to balance the Fiscal Year 2012 Proposed Budget, a projected decrease in the amount of vacancies in Fiscal Year 2012, and the elimination of reimbursable positions in the vacancy savings methodology. Another reason for the Fiscal Year 2012 decrease is the budgeted level of vacancy savings for Fiscal Year 2011 was set too high and will not be realized.

Table 14 displays the changes in budgeted vacancy savings from Fiscal Year 2011 to Fiscal Year 2012.

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Table 14: Fiscal Year 2012 Proposed Vacancy Savings

Department/Fund	FY 2011 Adopted Budget	FY 2012 Proposed Budget
Administration	\$ 59,363	\$ 59,363
City Attorney	572,760	742,777
City Clerk	29,931	43,618
City Comptroller	236,881	185,494
City Treasurer	269,567	174,844
Council Administration	-	42,791
Council District 2	60,736	-
Council District 6	121,472	-
Debt Management	54,059	29,931
Development Services	367,973	105,373
Economic Development	-	107,932
Environmental Services	437,111	142,584
Ethics Commission	-	130,000
Financial Management	59,467	73,445
Fire-Rescue	3,184,994	3,352,885
Library	1,363,745	197,059
Office of the Mayor	66,768	-
Park & Recreation	1,766,811	762,859
Personnel	39,666	31,491
Police	11,448,164	8,737,114
Public Works - Engineering & Capital Projects	1,965,166	1,094,124
Public Works - General Services	2,001,370	597,544
Purchasing & Contracting	255,601	120,681
Real Estate Assets	-	59,363
Storm Water	550,306	-
Transportation & Storm Water	-	674,480
Total General Fund	\$ 24,911,911	\$ 17,465,752
Airports Fund	113,422	54,059
Central Stores Fund	115,232	36,067
City Employee's Retirement System Fund	369,242	345,052
ERP Fund	-	65,416
Development Services Fund	8,152,340	7,526,593
Facilities Financing Fund	118,726	59,363
Fire/Emergency Medical Services Transport Program Fund	922,607	52,520
Fleet Services Operating Fund	440,479	349,105
Golf Course Fund	390,228	136,272
HUD Programs Administration Fund	54,059	-
Information Technology Fund	109,855	34,611
Local Enforcement Agency Fund	60,674	60,674

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Table 14: Fiscal Year 2012 Proposed Vacancy Savings (Cont'd)

Department/Fund (Cont'd)	FY 2011 Adopted Budget	FY 2012 Proposed Budget
Maintenance Assessment District (MAD) Management Fund	-	54,059
Publishing Services Fund	207,168	28,870
QUALCOMM Stadium Operations Fund	102,774	74,297
Recycling Fund	455,530	186,868
Redevelopment Fund	153,556	86,788
Refuse Disposal Fund	779,322	311,543
Risk Management Administration Fund	170,862	132,185
Sewer Funds	1,782,198	1,917,881
Water Utility Operating Fund	1,331,253	1,659,710
Wireless Communications Technology Fund	189,862	119,205
Total Non-General Fund	\$ 16,019,389	\$ 13,291,138
Total	\$ 40,931,300	\$ 30,756,890

Citywide Reorganization/Restructuring

The Fiscal Year 2012 Proposed Budget reflects the restructuring of several departments as a result of executive management and department-initiated reorganizations. Reorganization includes restructuring of departments and major divisions within a department and is intended to increase the 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 2012 Proposed Budget.

Transportation & Storm Water Department

The Transportation & Storm Water Department was created to streamline right-of-way related maintenance and projects. This new department is made up of the Transportation Engineering Operations Division and various administrative functions of the Engineering & Capital Projects Department, the Street Division of the General Services Department, and each division of the Storm Water Department. The Storm Water Department has been dissolved.

Development Services Department

The City Planning & Community Investment Department, with the exception of the Redevelopment and CDBG/Economic Development divisions, has merged into the Development Services Department to streamline citywide planning and development duties.

Redevelopment

Redevelopment, formerly a division within the City Planning & Community Investment Department, is now a stand-alone department within the City Planning & Development Business Center.

CDBG/Economic Development

The Community Development Block Grant (CDBG) administration of the HUD Programs Administration Fund and the Economic Development Division of the City Planning & Community Investments Department transferred to a stand-alone department called Economic Development within the Office of the Assistant COO Business Center. The CDBG restructure represents a transfer from a Special Revenue Fund to the General Fund.

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Public Works Department

The General Services Department and the Engineering & Capital Projects Department have merged to create the Public Works Department.

Disability Services

The Disability Services section of the Public Works Department is now a stand-alone department within the Office of the Assistant COO Business Center.

Gang Commission

The Gang Commission was transferred from the Police Department to the Administration Department.

Public Safety Needs & Debt Service Fund

The Public Safety Needs & Debt Service Fund was established to track Safety Sales Tax Revenue and expenditures for public safety needs. On an annual basis, debt service for the Fire and Lifeguard Facilities Fund is paid first, then the remaining revenue is distributed equally between the Police and Fire-Rescue Departments.

Business Cooperation Program

Sales and Use Tax rebate expenditures for the Business Cooperation Program were transferred from the Office of the Mayor to the Citywide Program Expenditures Department.

Office of the Mayor

The Community & Legislative Services Department and Business Center were renamed the Office of the Mayor. The Mayor's position was transferred from the Office of the Mayor and COO to the Office of the Mayor.

Office of the Chief Operating Officer

The Office of the Mayor and COO was renamed the Office of the Chief Operating Officer. The Mayor's position was transferred from the Office of the Mayor and COO to the Office of the Mayor.

Department of Information Technology

The Department of Information Technology was transferred to the Office of the Chief Financial Officer Business Center.

Enterprise Resource Planning

The OneSD Support Department was renamed Enterprise Resource Planning.

Fiscal Actions in the Fiscal Year 2012 Proposed Budget

The City of San Diego remains committed to restoring fiscal stability, addressing its financial obligations, and meeting its responsibility to provide essential core services to San Diego residents. As part of this commitment, the Mayor is dedicated to implementing ten financial reforms, which are described in detail in the Fiscal Reforms section that follows.

The Fiscal Year 2012 Proposed Budget contains funding for the full payment of the pension ARC, funding for retiree health pay-go and a contribution to the retiree health trust, funding to restore the Fire-Rescue Rolling Brown-outs implemented in Fiscal Year 2010, and funding for storm water obligations. Due to the need to mitigate the projected \$56.7 million deficit identified in the FY

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2012–2016 Five-Year Financial Outlook released on February 7, 2011, one-time solutions and on-going departmental reductions described in the Corrective Actions section were necessary to address the projected shortfall for Fiscal Year 2012. As part of the one-time savings, the City will suspend contributions to the General Fund, Public Liability, and Workers' Compensation reserves in Fiscal Year 2012 while maintaining current reserve levels.

Funding the Pension Plan

The Fiscal Year 2012 Proposed Budget includes funding for the City's Pension Plan, which is a critical component of the City's long-term fiscal health and stability. For Fiscal Year 2012, the SDCERS ARC is \$231.2 million. This amount was determined by SDCERS' actuarial valuation as of June 30, 2010 and will be transferred to SDCERS on July 1, 2011. In Fiscal Year 2009, the Mayor proposed and City Council approved a new pension plan for General Members (effective July 1, 2009). In addition, pension reforms have been implemented for Police Officers hired after July 1, 2009 and Lifeguards hired after January 1, 2011. These changes are expected to achieve savings in the City's pension payments in future years. Consistent with the City's obligations under the Meyers-Millias-Brown Act (MMBA), the City is currently engaged in contract negotiations with the International Association of Fire Fighters Local 145 to establish a second tier pension plan comparable to the terms of the employees represented by the San Diego Police Officers Association. The proposed plan would apply to firefighters hired on or after July 1, 2011.

Maintaining Reserves

Healthy reserves help insulate City services against costs of emergencies such as natural disasters. In addition, since the City's reserves are one of several factors considered by rating agencies, a strong reserve balance may help maintain credit ratings. 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 policy currently defines a goal of having a minimum of 8 percent of General Fund revenues held in reserves by Fiscal Year 2012. However, as part of the deficit mitigation plan for Fiscal Years 2011 and 2012, contributions to the General Fund, Public Liability, and Workers' Compensation reserves have been suspended. The current 7 percent reserves in the General Fund are intended to be maintained in Fiscal Years 2011 and 2012 and the reserves for Public Liability and Workers' Compensation funds are intended to be maintained at current levels as well. Revisions to the City's Reserve Policy are currently underway to incorporate these timing changes.

Deferred Capital/Maintenance

On March 16, 2011, an update on deferred capital and maintenance projects was presented to the Budget and Finance Committee. Based on information available in 2010, the City has a current backlog of approximately \$840 million for deferred capital/maintenance projects for streets, buildings and storm drain infrastructure funded by the General Fund. This backlog was identified by conducting extensive condition assessments, some of which are still in progress. Of the \$840 million, \$378 million is related to streets, \$216 million is attributed to buildings, and \$246 million is related to storm drains. In addition to the bond issuance in Fiscal Year 2010, the City expects to issue a new bond in Fiscal Year 2012 to further address deferred capital projects. This issuance is projected to

be structured so that debt service payments begin in Fiscal Year 2013. The Engineering & Capital Projects Department is working on a multi-year plan to address the deferred capital backlog.

Retiree Health Care Costs

The City continues to fund retiree health care benefits, otherwise known as OPEB, as this annual cost is expected to increase substantially in future years. As of the June 30, 2010 actuarial valuation, the citywide Fiscal Year 2012 OPEB ARC is \$98.5 million for the City's post-retirement medical benefit program. The valuation assumed a 6.69 percent discount rate and determined a total actuarial accrued liability of \$1.15 billion. The Fiscal Year 2012 Proposed Budget includes \$57.8 million for OPEB, which is comprised of \$32.8 million for the annual retiree health benefits payments (pay-as-you-go) and \$25.0 million for pre-funding retiree health care benefits in a trust fund administered by CalPERS, the California Employers' Retiree Benefits Trust. Negotiations with the City's labor organizations are currently underway to reduce the City's costs associated with retiree healthcare and therefore reduce the City's future unfunded retiree healthcare liability existing on June 30, 2010. Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA), the City has proposed a reduction to the retiree health benefit for all eligible employees effective July 1, 2011.



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 2011 Adopted Budget included \$35.4 million to fund programs to comply with the permit including storm water pollution prevention, street sweeping, and storm drain maintenance. In Fiscal Year 2012, the City will continue to comply with the permit requirements by funding programs and services with the Fiscal Year 2012 Proposed Budget of \$34.3 million.

Fiscal Reforms

The November 10, 2010 Municipal Special Election included a ballot measure in the form of Proposition D which would authorize the City of San Diego to impose a temporary one-half cent sales tax for up to five years only if certain conditions were met. These conditions were based on ten financial reforms, which included reforms related to the City pension, retiree health care, managed competition, and terminal leave for employees. The reforms were intended to protect and restore essential City services, maintain the City's infrastructure such as streets, sidewalks, and public facilities, and continue to provide other City services, including park and branch library services. Although Proposition D did not pass, the Mayor remains committed to implementing the ten financial reforms, which are described in more detail below.

Eliminate employee retirement offsets for elected officials and unrepresented City employees

The Fiscal Year 2012 Proposed Budget includes the elimination of the employee retirement offset contribution for elected officials and unrepresented employees, which is the portion of the individual's

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retirement system contribution that the City paid on the employee's behalf. City Council eliminated the offset for these groups on October 19, 2010.

Adopt a managed competition guide for various City services

On October 12, 2010, the City Council adopted a Managed Competition Guide to allow the City to implement a managed competition process for various City services. As stipulated in the City Charter Section 117(c), managed competition is a process to determine when City services can be provided more economically and efficiently by an independent contractor than by persons employed in the Classified Service while maintaining service quality and protecting the public interest. Managed competition processes for publishing services, fleet maintenance services, and public utilities' customer services areas are currently underway. In addition, managed competition processes will be initiated for landfill operations, street sweeping, sidewalk and street pavement maintenance, and traffic pavement markings.

Complete a DROP cost neutrality study

A Cost Neutrality Study on the Deferred Retirement Option Plan (DROP) Program was completed and presented to the City Council on March 7, 2011. According to the study, DROP would be considered "cost neutral" if the present value of the City's share of costs for all compensation and benefit programs with DROP included is within two percent of the present value of what those costs would be in the absence of DROP. The results of this study indicated that while DROP is "cost neutral," it is not "cost free." Therefore, the City is in the process of pricing out measures to reduce the cost of DROP in order to make the program "cost free."

Solicit requests for qualifications to assume operations of the Miramar Landfill

The City solicited requests for qualifications (RFQ) to assume ownership and operation of the Miramar Landfill. Although three proposals were received in response to the RFQ, these proposals were later withdrawn. As a result, the City will utilize the Managed Competition process related to landfill operations.

Eliminate terminal leave for all City employees

Negotiations with the City's labor organizations are currently underway to eliminate terminal leave for all City employees. This would allow City employees to only cash out accrued leave upon separation from the City. Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA), the City has proposed the elimination of terminal leave for all City employees effective July 1, 2011.

Reduce retirement offset costs for represented City employees

Negotiations with the City's labor organizations are currently underway to reduce retirement offset costs for represented City employees, which is the portion of the individual's retirement system contribution that the City pays on the employee's behalf. Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA), the City has proposed a reduction of retirement offset costs for represented City employees effective July 1, 2011.

Reduce retiree healthcare liability

Negotiations with the City's labor organizations are currently underway to reduce the City's costs associated with retiree healthcare and therefore reduce the City's future unfunded retiree healthcare liability existing on June 30, 2010. Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA), the City has proposed a reduction to the retiree health benefit for all eligible employees effective July 1, 2011.

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Solicit proposals to provide City information technology services

At the request of the City Council, a strategy for sourcing Information Technology (IT) services for the City needed to be developed before additional Requests for Proposals (RFP) for IT services can be released. With the approval of the IT Sourcing Strategy by the City Council on December 6, 2010, RFPs to provide these services to the City will commence.

Establish a second tier pension plan for new firefighters

Negotiations with the International Association of Fire Fighters Local 145 (IAFF Local 145) are currently underway to establish a second tier pension plan for the City. This second tier pension plan is comparable to the terms of the plan currently in place for new employees represented by the San Diego Police Officers Association (POA) as set forth in San Diego Municipal Code Section 24.0403(i). Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA), the City has proposed a second tier pension plan for firefighters hired on or after July 1, 2011.

Adopt an ordinance for a voluntary defined contribution pension plan for City employees

Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA), the City plans to adopt an ordinance to establish an alternative Defined Contribution Plan for all City employees, which is intended to reduce the City's cost of the current City retirement plan. The ordinance would allow City employees to switch from a current City retirement plan to the alternative Defined Contribution Plan, which may be subject to IRS and other government agency approvals; however, obtaining such approval is not part of this condition. The City is currently awaiting a decision on a similar effort in Orange County to establish a voluntary contribution plan before pursuing this effort for City employees.

Corrective Actions in the Fiscal Year 2012 General Fund Proposed Budget

On February 7, 2011, the Mayor released the FY 2012–2016 Five-Year Financial Outlook, which identified a projected General Fund deficit of \$56.7 million in Fiscal Year 2012. In order to mitigate this deficit, a combination of one-time solutions and departmental reductions have been incorporated into the Fiscal Year 2012 Proposed Budget. These corrective actions are described in detail below.

Departmental Savings

The Fiscal Year 2012 Proposed Budget includes the elimination of 211.77 General Fund full-time equivalent (FTE) positions, resulting in a personnel cost savings of \$17.9 million. Departmental adjustments resulted in a non-personnel expenditures savings of \$11.0 million in the General Fund and a decrease of \$0.2 million in revenue. These departmental adjustments are detailed in **Table 15**. Positions eliminated as part of the Fiscal Year 2012 departmental reductions are detailed in **Table 16**. Although some reductions to City services were necessary to address the projected deficit, every attempt was made to minimize the impact to core services. Service impacts related to the departmental reductions can be found in each department's Significant Budget Adjustments section of Volume II.

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Additional Reductions to Contracts and Supplies Budgets

In developing the Fiscal Year 2012 Proposed Budget, departments instituted a series of budget reductions across all expenditure categories, including contracts and supplies. Following an analysis of prior year expenditure trends, additional reductions to contracts and supplies budgets were implemented to achieve a total General Fund reduction of \$9.0 million or 10 percent in these categories. These reductions impacted every General Fund department within the City.

User Fee Revenue

User fees are charged for services provided by the City of San Diego to residents and businesses. In Fiscal Year 2012, the total budgeted increase in user fee revenue as a result of new user fees and fee adjustments is \$5.2 million. The Fire-Rescue Department will implement two new fees in Fiscal Year 2012: an air medical billing fee and a false alarm permitting fee. In addition, the department will increase the allocation of medical aid response costs to more fully recover City support expenses. The combination of these actions result in \$5.0 million in revenue. The Police Department adjusted several existing fees, primarily entertainment permit fees, totaling \$0.3 million in revenue. The Development Services Department adjusted the existing general plan maintenance fee; however, due to the anticipation of a continued decrease in development permit activity, revenue generated from this fee is expected to decrease in Fiscal Year 2012, resulting in a projected revenue decrease of \$60,100. More information on user fees can be found in the User Fee section that follows.

Parking Meter Utilization Program

The Parking Meter Utilization Program was developed to provide tools for improved parking management including flexibility in setting rates, time limits, and hours of operation; to set a parking meter utilization target rate of 85 percent; and to facilitate a community-driven process to address neighborhood-specific issues. As part of the Fiscal Year 2011 Adopted Budget, \$2.6 million in revenue was included in anticipation of the implementation of the Parking Meter Utilization Program. Due to a delay in implementation, the \$2.6 million was excluded from the FY 2012–2016 Five-Year Financial Outlook. With the City Council's approval of a revised Parking Meter Utilization Program on March 22, 2011, net annualized revenue of approximately \$1.1 million has been incorporated into the Fiscal Year 2012 Proposed Budget. This includes an estimated increase in annualized parking meter revenue of \$1.6 million with associated costs of \$0.5 million and the addition of 5.00 FTE positions. The next step in the process will be for the advisory boards of the respective Community Parking Districts to analyze meter and on-street parking utilization data and make recommendations on meter locations, rates, time limits, hours of operation, and new parking technology.

Convention Center Debt Payment

A transfer of \$2.0 million from the City's Redevelopment Agency to the City's General Fund is budgeted for Fiscal Year 2012. This transfer is for the payment to the City for the General Fund annual debt service obligation for the Convention Center Expansion Authority financing that occurred

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in 1998. This transfer to the City's General Fund will occur annually and will increase by \$500,000 per fiscal year through Fiscal Year 2019.

One-Time Expenditure Reductions and Revenue Increases

Suspension of Contribution to Reserves

The General Fund Reserves include the Emergency Reserve, the Appropriated Reserve, and the Unassigned General Fund Balance. 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. As part of the deficit mitigation plan for Fiscal Years 2011 and 2012, the contributions to the General Fund reserves have been suspended for these years. The General Fund intends to maintain the current 7 percent reserves in Fiscal Years 2011 and 2012, instead of increasing the reserves to 7.5 percent and 8.0 percent, respectively. While the City's Fiscal Year 2012-2016 Five-Year Financial Outlook included a Fiscal Year 2012 reserve contribution of \$3.5 million, the Fiscal Year 2012 Proposed Budget does not include this additional funding for these reserves. The City's Reserve Policy, once revised, will reflect new reserve targets.

The Workers' Compensation Reserve is maintained as a contingency in the event the annual expense for claims exceeds the annual "pay-go" budgeted amount. The City's Reserve Policy defines a goal of reaching 50 percent of the value of outstanding claims by Fiscal Year 2018. The Fiscal Year 2012 Proposed Budget, however, does not include additional funding for the Workers' Compensation reserves in Fiscal Year 2012. The 22 percent reserve level achieved in Fiscal Year 2010 is intended to be maintained in Fiscal Years 2011 and 2012, instead of reaching 30 percent and 35 percent, respectively. While the City's Fiscal Year 2012-2016 Five-Year Financial Outlook included a Fiscal Year 2012 General Fund reserve contribution of \$4.9 million, the Fiscal Year 2012 Proposed Budget does not include this additional funding for this reserve. The City's Reserve Policy, once revised, will reflect new reserve targets.

The Public Liability Reserve is maintained to fund self-insured retention expenses related to the fund that may exceed the annual budgeted claims expense. The City's Reserve Policy defines a goal of 50.0 percent of the average value of the actuarial liability by Fiscal Year 2018. The Fiscal Year 2012 Proposed Budget, however, does not include additional funding for the Public Liability Reserve in Fiscal Year 2012. The 15 percent reserve level is intended to be maintained in Fiscal Years 2011 and 2012, instead of reaching 25 percent and 35 percent respectively. While the City's Fiscal Year 2012-2016 Five-Year Financial Outlook included a Fiscal Year 2012 reserve contribution of \$5.7 million, the Fiscal Year 2012 Proposed Budget does not include this additional funding for this reserve. The City's Reserve Policy, once revised, will reflect new reserve targets.

Emergency Medical Services (EMS) Fund Balance Transfer

The Emergency Medical Services (EMS) Fund balance is projected to be \$4.1 million at the end of Fiscal Year 2011. The transfer of this fund balance of \$4.1 million to the General Fund has been incorporated into the Fiscal Year 2012 Proposed Budget. In addition, it is expected that \$1.0 million in Fiscal Year 2012 revenue from the partnership with the San Diego Medical Services Enterprise will be transferred to the General Fund.

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. The Fiscal Year 2010 and 2011 Adopted Budgets included annual booking fee payments of \$5.2 million. Since Fiscal Year 2010, the State of California has paid the County of San Diego \$2.0 million for these expenses, offsetting the City's obligation. As a result, the Police Decentralization Fund has

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accumulated \$4.0 million in fund balance from Fiscal Years 2010 and 2011, which will reduce the transfer from the General Fund to the Police Decentralization Fund in Fiscal Year 2012.

TransNet ARRA Revenue

The American Recovery and Reinvestment Act (ARRA) of 2009 provided money for transportation projects including road and highways funds through the Federal Highway Administration. In order to facilitate the obligation of the ARRA funds, the SANDAG Board approved exchanging the 40 percent share for local agencies with local TransNet funds. The TransNet-funds-for-ARRA-funds swap eliminates the burden by the local agencies from having to follow various federal requirements, while also assuring that the region will obligate the funds in the required timeframe. As a result of the exchange of federal stimulus funds for SANDAG TransNet Local Street and Road funding, the City of San Diego will receive a one-time revenue increase of \$6.1 million to support Streets programs in Fiscal Year 2012.

Unclaimed Monies Revenue

The Fiscal Year 2012 Proposed Budget includes a one-time revenue transfer of \$1.0 million resulting from an accounting policy change for recapturing unclaimed monies. Based on a February 25, 2010 Memorandum of Law (MOL) by the City Attorney concerning the conflict between City Charter Section 86 and the California Government Code 50050 regarding the disposition of unclaimed public monies, the Office of the City Comptroller opted to follow City Charter Section 86 language and continue with current publication of notice practices. This change was consistent with the second recommendation offered in the MOL.

Disaster Recovery Revenue

Reimbursements from private insurance companies, the California Emergency Management Agency (CalEMA), and the Federal Emergency Management Agency (FEMA) totalling \$4.0 million will be transferred to the General Fund in Fiscal Year 2012 for clean-up and debris removal services. The reimbursements are primarily related to services provided by the General Fund during the 2007 wildfires.

Fund Balance Transfers/Uses

The Fiscal Year 2012 Proposed Budget includes the use of one-time fund balance of approximately \$1.1 million from the QUALCOMM Stadium Operations Fund and \$0.1 million from the PETCO Park Fund. In addition, \$0.7 million in unused sick leave will be transferred to the General Fund. Employees hired prior to July 1, 1975 who had accrued sick leave on the City Comptroller's payroll records upon termination could be paid out an amount not to exceed 50 percent of their balance at their current salary rate. Following an assessment of the total sick leave liability, it was determined that \$0.7 million of the sick leave balance could be transferred back to the General Fund.

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Table 15: Summary of Fiscal Year 2012 General Fund Solutions

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
One-Time Solutions					
Fire-Rescue					
Transfer of Emergency Medical Services Fund Balance	- \$	- \$	- \$	- \$	4,100,000
Fire-Rescue Total	- \$	- \$	- \$	- \$	4,100,000
Police					
Transfer to Police Decentralization Fund	- \$	- \$	(4,000,000)	(4,000,000)	\$ -
Police Total	- \$	- \$	(4,000,000)	(4,000,000)	\$ -
Street					
TransNet ARRA Revenue	- \$	- \$	- \$	- \$	6,050,400
Street Total	- \$	- \$	- \$	- \$	6,050,400
Major Revenues					
Disaster Recovery and Unclaimed Funds	- \$	- \$	- \$	- \$	5,000,000
Major Revenues Total	- \$	- \$	- \$	- \$	5,000,000
Fund Balance					
One-time use of QUALCOMM, PETCO, and Sick Leave Fund Balances	- \$	- \$	- \$	- \$	1,802,710
Fund Balance Totals	- \$	- \$	- \$	- \$	1,802,710
Reserves					
Fiscal Year 2012 Reserves Suspension	- \$	(4,863,533)	(9,253,092)	(14,116,625)	\$ -
Reserves Total	- \$	(4,863,533)	(9,253,092)	(14,116,625)	\$ -
One-Time Solutions Total	- \$	(4,863,533)	(13,253,092)	(18,116,625)	\$ 16,953,110
On-Going Solutions					
Parking Meter Utilization Program	5.00	\$ 499,222	\$ 24,030	\$ 523,252	\$ 1,586,736
Office of the Chief Operating Officer					
Reduction in Supplies and Contracts	- \$	- \$	(2,699)	(2,699)	\$ -
Office of the Chief Operating Officer Total	- \$	- \$	(2,699)	(2,699)	\$ -
City Council					
Reduction in Supplies and Contracts	- \$	- \$	(59,488)	(59,488)	\$ -
City Council Total	- \$	- \$	(59,488)	(59,488)	\$ -
City Clerk					
Reduction of Non-Personnel Expenditures	- \$	- \$	(45,000)	(45,000)	\$ -
City Clerk Total	- \$	- \$	(45,000)	(45,000)	\$ -
Office of the IBA					
Reduction in Supplies and Contracts	- \$	- \$	(5,015)	(5,015)	\$ -
Office of the IBA Total	- \$	- \$	(5,015)	(5,015)	\$ -
City Attorney					
Law Library Funding	- \$	- \$	(10,000)	(10,000)	\$ -
Reduction in Supplies and Contracts	-	-	(110,990)	(110,990)	-
Reduction of Information Systems Analyst 2	(1.00)	(97,483)	-	(97,483)	-
City Attorney Total	(1.00)	(97,483)	(120,990)	(218,473)	\$ -
Personnel					
Reduction of Non-Personnel Expenditures	- \$	- \$	(12,290)	(12,290)	\$ -
Reduction of Employment Services	-	-	(7,613)	(7,613)	-

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Table 15: Summary of Fiscal Year 2012 General Fund Solutions (Cont'd)

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reduction in Supplies and Contracts	-	-	(20,001)	(20,001)	-
Reduction of Associate Personnel Analyst	(1.00)	(110,008)	-	(110,008)	-
Personnel Total	(1.00)	\$(110,008)	\$(39,904)	\$(149,912)	\$-
Ethics Commission					
Reduction in Supplies and Contracts	-	\$-	\$(3,183)	\$(3,183)	\$-
Ethics Commission Total	-	\$-	\$(3,183)	\$(3,183)	\$-
City Auditor					
Comprehensive Annual Financial Report (CAFR) Expenditures	-	\$-	\$(148,635)	\$(148,635)	\$-
City Auditor Total	-	\$-	\$(148,635)	\$(148,635)	\$-
Office of the Assistant COO					
Reduction of Non-Personnel Expenditures	-	\$-	\$(3,766)	\$(3,766)	\$-
Office of the Assistant COO Total	-	\$-	\$(3,766)	\$(3,766)	\$-
Administration					
Reduction of Non-Personnel Expenditures	-	\$-	\$(18,855)	\$(18,855)	\$-
Reimbursement From San Diego Medical Services Enterprise (SDMSE)	-	-	-	-	166,465
Reduction in Supplies and Contracts	-	-	(21,295)	(21,295)	-
Reduction of Senior Management Analyst	(1.00)	(103,142)	-	(103,142)	-
Administration Total	(1.00)	\$(103,142)	\$(40,150)	\$(143,292)	\$166,465
Business Office					
Reduction in Miscellaneous Professional and Technical Services	-	\$-	\$(142,832)	\$(142,832)	\$-
Business Office Total	-	\$-	\$(142,832)	\$(142,832)	\$-
Human Resources					
Reduction in Miscellaneous Supplies and Contracts	-	\$-	\$(5,756)	\$(5,756)	\$-
Reduction in Supplies and Contracts	-	-	(5,757)	(5,757)	-
Human Resources Total	-	\$-	\$(11,513)	\$(11,513)	\$-
Office of the Mayor					
Reduction of Miscellaneous Expenditures	-	\$-	\$(25,000)	\$(25,000)	\$-
Reduction in Supplies and Contracts	-	-	(12,356)	(12,356)	-
Office of the Mayor Total	-	\$-	\$(37,356)	\$(37,356)	\$-
Office of the Chief Financial Officer					
Adjustment of Contractual Services	-	\$-	\$(98,806)	\$(98,806)	\$-
Office of the Chief Financial Officer Total	-	\$-	\$(98,806)	\$(98,806)	\$-
City Comptroller					
Reduction of Training Expenditures	-	\$-	\$(57,293)	\$(57,293)	\$-
Reduction of Word Processing Operator	(1.00)	(71,677)	-	(71,677)	-
City Comptroller Total	(1.00)	\$(71,677)	\$(57,293)	\$(128,970)	\$-
Debt Management					
Reduction in Supplies and Contracts	-	\$-	\$(7,669)	\$(7,669)	\$-
Debt Management Total	-	\$-	\$(7,669)	\$(7,669)	\$-
Financial Management					
Reduction of Training Expenditures	-	\$-	\$(17,648)	\$(17,648)	\$-
Financial Management Total	-	\$-	\$(17,648)	\$(17,648)	\$-

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Table 15: Summary of Fiscal Year 2012 General Fund Solutions (Cont'd)

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Purchasing & Contracting					
Reduction in Supplies and Contracts	-	\$ -	\$ (15,375)	\$ (15,375)	\$ -
Reduction of Non-Personnel Expenditures	-	-	(8,595)	(8,595)	-
Purchasing & Contracting Total	-	\$ -	\$ (23,970)	\$ (23,970)	\$ -
City Treasurer					
CALE Contract Lease Agreement	-	\$ -	\$ (51,451)	\$ (51,451)	\$ -
Reduction of Banking Merchant Card Fees	-	-	(86,000)	(86,000)	-
City Treasurer Total	-	\$ -	\$ (137,451)	\$ (137,451)	\$ -
Development Services					
Reduction of Graffiti Removal Team	(4.00)	\$ (283,617)	\$ (18,000)	\$ (301,617)	\$ -
Reduction in Supplies and Contracts	-	-	(43,875)	(43,875)	-
Reduction of Planning Support	-	-	(534,253)	(534,253)	-
Public Use Lease Adjustment	-	-	(137,209)	(137,209)	-
Reduction of Associate Planner	(1.00)	(116,923)	-	(116,923)	-
Reduction of Deputy Director	(1.00)	(183,693)	-	(183,693)	-
Reduction of Park Designer Position	(1.00)	(134,895)	-	(134,895)	-
Reduction of the City Planning & Community Investment Director	(1.00)	(261,312)	-	(261,312)	-
Reduction of Word Processing Operator	(1.00)	(71,677)	-	(71,677)	-
Development Services Total	(9.00)	\$ (1,052,117)	\$ (733,337)	\$ (1,785,454)	\$ -
Economic Development					
Revised Revenue	-	\$ -	\$ -	\$ -	\$ 51,249
Economic Development Total	-	\$ -	\$ -	\$ -	\$ 51,249
Real Estate Assets					
Reduction of Promotional Advertising	-	\$ -	\$ (3,500)	\$ (3,500)	\$ -
Reduction of Travel Training	-	-	(10,500)	(10,500)	-
Reduction of Supervising Property Agent	(1.00)	(95,173)	-	(95,173)	-
Reduction in Supplies and Contracts	-	-	(23,171)	(23,171)	-
Real Estate Assets Total	(1.00)	\$ (95,173)	\$ (37,171)	\$ (132,344)	\$ -
Library					
Pairing of Branch Libraries	(77.02)	\$ (6,886,608)	\$ (520,732)	\$ (7,407,340)	\$ (139,500)
Library Total	(77.02)	\$ (6,886,608)	\$ (520,732)	\$ (7,407,340)	\$ (139,500)
Park and Recreation					
Reduction of Assistant Park Designer	(1.00)	\$ (82,075)	\$ (10,000)	\$ (92,075)	\$ -
Reduction of Word Processing Operator	(1.00)	(71,677)	(10,000)	(81,677)	-
Reduction of Recreation Center Hours of Operation	(48.19)	(2,642,277)	(664,628)	(3,306,905)	(394,006)
Reduction in Supplies and Contracts	-	-	(706,563)	(706,563)	-
Reduction in Pool Operations	(1.93)	(63,938)	(43,937)	(107,875)	(31,401)
Reduction of After School Programs	(3.55)	(125,097)	(12,500)	(137,597)	-
Reduction of Fire Pits Maintenance	(2.00)	(149,165)	-	(149,165)	-
Reduction of Grounds Maintenance Manager	(1.00)	(91,265)	(7,720)	(98,985)	-
Reduction of Intermediate Stenographer	(1.00)	(62,166)	-	(62,166)	-

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Table 15: Summary of Fiscal Year 2012 General Fund Solutions (Cont'd)

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reduction of Mid-City Gym Recreation Center Director	(1.00)	(95,997)	-	(95,997)	-
Reduction of Swim Team and Water Polo Programs	(6.40)	(223,331)	-	(223,331)	-
Reduction of Trail Maintenance Contracts	-	-	(133,576)	(133,576)	-
MRO Savings	-	-	(255,000)	(255,000)	-
Reduction of Park Ranger	(1.00)	(75,637)	(5,000)	(80,637)	-
Reduction to Kumeyaay Campground	(1.13)	(107,896)	(73,768)	(181,664)	(21,338)
Reduction of Brush Thinning Contracts	-	-	(73,500)	(73,500)	-
Reduction to Turf Mowing Schedule	(8.00)	(488,320)	(205,979)	(694,299)	-
Park and Recreation Total	(77.20)	\$ (4,278,841)	\$ (2,202,171)	\$ (6,481,012)	\$ (446,745)
Fire-Rescue					
MRO Savings	-	\$ -	\$ (85,000)	\$ (85,000)	\$ -
Reduction in Helicopter Supplies	-	-	(218,066)	(218,066)	-
Reduction in Supplies and Contracts	-	-	(340,132)	(340,132)	-
Revenue from New/Revised User Fees	-	-	-	-	4,963,625
Transfer of Emergency Medical Services Revenue	-	-	-	-	1,000,000
Fire-Rescue Total	-	\$ -	\$ (643,198)	\$ (643,198)	\$ 5,963,625
Police					
MRO Savings	-	\$ -	\$ (127,500)	\$ (127,500)	\$ -
Reduction in Supplies and Contracts	-	-	(440,338)	(440,338)	-
Reduction of Multimedia Production Specialist	(1.00)	(79,383)	-	(79,383)	-
Reduction of Administrative Aide 2	(1.00)	(77,920)	-	(77,920)	-
Reduction of Associate Management Analyst	(1.00)	(95,173)	-	(95,173)	-
Reduction of Clerical Assistant 2	(0.50)	(36,729)	-	(36,729)	-
Reduction of Police Code Compliance Officers and Supervisor	(4.00)	(329,152)	-	(329,152)	-
Reduction of Sworn Personnel Uniform Allowance	-	-	(200,000)	(200,000)	-
Reduction of Vacant Sworn Personnel	(20.00)	(2,772,361)	-	(2,772,361)	-
Information Technology Efficiencies	-	-	(1,322,472)	(1,322,472)	-
Revenue from New/Revised User Fees	-	-	-	-	323,451
Police Total	(27.50)	\$ (3,390,718)	\$ (2,090,310)	\$ (5,481,028)	\$ 323,451
Office of Homeland Security					
Reduction of Non-Personnel Expenditures	-	\$ -	\$ (20,000)	\$ (20,000)	\$ -
Revised Revenue	-	-	-	-	37,780
Office of Homeland Security Total	-	\$ -	\$ (20,000)	\$ (20,000)	\$ 37,780
Public Utilities					
Elimination of Boat Rentals	-	\$ -	\$ (157,800)	\$ (157,800)	\$ (71,500)
Elimination of Fish Stocking	-	-	(83,248)	(83,248)	(30,000)
Reduction of Fishing Season	-	-	(13,375)	(13,375)	(8,571)
Public Utilities Total	-	\$ -	\$ (254,423)	\$ (254,423)	\$ (110,071)
Disability Services					
Reduction in Supplies and Contracts	-	\$ -	\$ (23,319)	\$ (23,319)	\$ -

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Table 15: Summary of Fiscal Year 2012 General Fund Solutions (Cont'd)

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reduction of Deputy Chief Operating Officer ¹	(1.00)	(230,987)	-	(230,987)	-
Disability Services Total	(1.00)	\$ (230,987)	\$ (23,319)	\$ (254,306)	\$ -
Public Works - Engineering & Capital Projects					
Reduction of Clerical Assistant 2	(1.00)	\$ (59,515)	\$ (22,106)	\$ (81,621)	\$ -
Reduction of Engineering & Capital Projects Director	(1.00)	(233,031)	-	(233,031)	-
Reduction of Tuition Reimbursement	-	-	(8,108)	(8,108)	-
Reduction of Office Supplies	-	-	(110,578)	(110,578)	-
Reduction of Land Surveying and Materials Lab Testing	-	-	(247,533)	(247,533)	-
Reduction of Associate Engineer - Civil	(1.00)	(114,048)	(113,827)	(227,875)	-
Public Works - Engineering & Capital Projects Total	(3.00)	\$ (406,594)	\$ (502,152)	\$ (908,746)	\$ -
Public Works - General Services					
MRO Savings	-	\$ -	\$ (255,000)	\$ (255,000)	\$ -
Public Works - General Services Total	-	\$ -	\$ (255,000)	\$ (255,000)	\$ -
Environmental Services					
Reduction of Human Resources Analyst	(0.35)	\$ (37,226)	\$ -	\$ (37,226)	\$ -
Reduction of Hazmat Inspector 2	(0.50)	(48,350)	-	(48,350)	-
Automated Refuse Containers	-	-	(300,000)	(300,000)	-
Environmental Services Operations Station	-	-	(137,762)	(137,762)	-
Reduction of Administrative Aide 2s	(1.35)	(105,191)	-	(105,191)	-
Reduction of Utility Worker 2s	(1.85)	(117,247)	-	(117,247)	-
Reduction of Collection Supervisor	(1.00)	(105,748)	-	(105,748)	-
Community Enhancement Program	-	-	(30,000)	(30,000)	-
Reduction of Small Business Customers ²	(1.00)	(92,298)	(262,832)	(355,130)	81,090
Reduction of Public Hold Harmless Agreements ²	(3.00)	(270,837)	(548,137)	(818,974)	187,620
Environmental Services Total	(9.05)	\$ (776,897)	\$ (1,278,731)	\$ (2,055,628)	\$ 268,710
Transportation & Storm Water					
Reduction of Positions and Overtime	(3.00)	\$ (401,056)	\$ -	\$ (401,056)	\$ -
Reduction in Supplies and Contracts	-	-	(588,660)	(588,660)	-
Reduction of Professional/Technical Services	-	-	(74,985)	(74,985)	-
MRO Savings	-	-	(25,500)	(25,500)	-
Reduction of Public Outreach Programs	-	-	(750,000)	(750,000)	-
Transportation & Storm Water Total	(3.00)	\$ (401,056)	\$ (1,439,145)	\$ (1,840,201)	\$ -
Major Revenues					
Funding for Convention Center Debt Payment	-	\$ -	\$ -	\$ -	\$ 2,000,000
Major Revenues Total	-	\$ -	\$ -	\$ -	\$ 2,000,000
On-Going Solutions Total	(206.77)	\$ (17,402,079)	\$ (10,979,027)	\$ (28,381,106)	\$ 9,701,700
Grand Total	(206.77)	\$ (22,265,612)	\$ (24,232,119)	\$ (46,497,731)	\$ 26,654,810

¹ Deputy Chief Operating Officer was part of Public Works Department in Fiscal Year 2011. As part of the Public Works restructure, Disability Services will be a stand-alone department in Fiscal Year 2012.

² Revenue is budgeted in the Major Revenues Department.

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Table 16: Summary of General Fund Position Adjustments

General Fund Department	Job Class Description	Bargaining Unit	FTE	Personnel Expenditures
Parking Meter Utilization Program				
City Treasurer	Parking Meter Supervisor	MEA	1.00	\$ 85,075
	Parking Meter Technician	LOCAL 127 AFSCME	3.00	234,816
Development Services	Senior Traffic Engineer	MEA	1.00	129,331
Parking Meter Utilization Program Total			5.00	\$ 449,222
City Attorney				
Reduction of Information Systems Analyst 2	Information Systems Analyst 2	Classified Unrepresented	(1.00)	\$ (97,483)
City Attorney Total			(1.00)	\$ (97,483)
Personnel				
Reduction of Associate Personnel Analyst	Associate Personnel Analyst	Classified Unrepresented	(1.00)	\$ (110,008)
Personnel Total			(1.00)	\$ (110,008)
Administration				
Reduction of Senior Management Analyst	Senior Management Analyst	MEA	(1.00)	\$ (103,142)
Administration Total			(1.00)	\$ (103,142)
City Comptroller				
Reduction of Word Processing Operator	Word Processing Operator	MEA	(1.00)	\$ (71,677)
City Comptroller Total			(1.00)	\$ (71,677)
Development Services				
Reduction of Graffiti Removal Team	Utility Worker 1	LOCAL 127 AFSCME	(2.00)	\$ (137,847)
	Utility Worker 2	LOCAL 127 AFSCME	(2.00)	(145,770)
Reduction of Associate Planner	Associate Planner	MEA	(1.00)	(116,923)
Reduction of Deputy Director	Deputy Director	Unclassified Unrepresented	(1.00)	(183,693)
Reduction of Park Designer Position	Park Designer	MEA	(1.00)	(134,895)
Reduction of the City Planning & Community Investment Director	Planning Director	Unclassified Unrepresented	(1.00)	(261,312)
Reduction of Word Processing Operator	Word Processing Operator	MEA	(1.00)	(71,677)
Development Services Total			(9.00)	\$ (1,052,117)
Real Estate Assets				
Reduction of Supervising Property Agent	Supervising Property Agent	MEA	(1.00)	\$ (95,173)
Real Estate Assets Total			(1.00)	\$ (95,173)
Library				
Pairing of Branch Libraries	Librarian 2	MEA	(18.50)	\$ (1,931,838)
	Librarian 2 - Hourly	MEA	(3.10)	(173,667)
	Librarian 3	MEA	(6.00)	(669,067)
	Librarian 4	MEA	(11.00)	(1,418,900)

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Table 16: Summary of General Fund Position Adjustments (Cont'd)

General Fund Department	Job Class Description	Bargaining Unit	FTE	Personnel Expenditures
	Library Assistant	MEA	(0.50)	(44,633)
	Library Clerk	MEA	(36.00)	(2,582,402)
	Library Clerk - Hourly	MEA	(1.92)	(66,101)
Library Total			(77.02)	\$ (6,886,608)
Park and Recreation				
Reduction of Assistant Park Designer	Assistant Park Designer	MEA	(1.00)	\$ (82,075)
Reduction of Word Processing Operator	Word Processing Operator	MEA	(1.00)	(71,677)
Reduction of Mid-City Gym Recreation Center Director	Recreation Center Director 1	MEA	(1.00)	(95,997)
Reduction of Recreation Center Hours of Operation	Assistant Recreation Center Director	MEA	(1.00)	(59,105)
	Recreation Aide - Hourly	MEA	(1.60)	(31,952)
	Recreation Center Director 1	MEA	(3.75)	(360,000)
	Recreation Center Director 2	MEA	(3.75)	(313,240)
	Recreation Center Director 3	MEA	(2.25)	(204,789)
	Recreation Leader 1 - Hourly	MEA	(9.00)	(242,814)
	Recreation Center Director 1	MEA	(3.00)	(274,743)
	Recreation Center Director 2	MEA	(5.25)	(472,801)
	Recreation Center Director 3	MEA	(0.75)	(71,748)
	Recreation Leader 1 - Hourly	MEA	(14.52)	(424,982)
	Recreation Center Director 3	MEA	(0.83)	(70,896)
	Recreation Leader 1 - Hourly	MEA	(1.74)	(46,944)
	Recreation Specialist	MEA	(0.75)	(68,263)
Reduction in Pool Operations	Pool Guard 2 - Hourly	MEA	(1.65)	(52,289)
	Swimming Pool Manager 1 - Hourly	MEA	(0.28)	(11,649)
Reduction of After School Programs	Recreation Aide - Hourly	MEA	(1.05)	(20,967)
	Recreation Leader 1	MEA	(0.50)	(36,658)
	Recreation Leader 2 - Hourly	MEA	(2.00)	(67,472)
Reduction of Fire Pits Maintenance	Equipment Operator 2	LOCAL 127 AFSCME	(2.00)	(149,165)
Reduction of Swim Team and Water Polo Programs	Pool Guard 2 - Hourly	MEA	(5.28)	(176,733)
	Swimming Pool Manager 1 - Hourly	MEA	(1.12)	(46,598)

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Table 16: Summary of General Fund Position Adjustments (Cont'd)

General Fund Department	Job Class Description	Bargaining Unit	FTE	Personnel Expenditures
Reduction of Grounds Maintenance Manager	Grounds Maintenance Manager	MEA	(1.00)	(91,265)
Reduction to Turf Mowing Schedule	Grounds Maintenance Worker 2	LOCAL 127 AFSCME	(8.00)	(488,320)
Reduction of Intermediate Stenographer	Intermediate Stenographer	MEA	(1.00)	(62,166)
Reduction of Park Ranger	Park Ranger	MEA	(1.00)	(75,637)
Reduction to Kumeyaay Campground	Park Ranger	MEA	(0.75)	(66,668)
	Recreation Center Director 1	MEA	(0.38)	(41,228)
Park and Recreation Total			(77.20)	\$ (4,278,841)
Police				
Reduction of Multimedia Production Specialist	Multimedia Production Specialist	MEA	(1.00)	\$ (79,383)
Reduction of Administrative Aide 2	Administrative Aide 2	MEA	(1.00)	(77,920)
Reduction of Associate Management Analyst	Associate Management Analyst	MEA	(1.00)	(95,173)
Reduction of Clerical Assistant 2	Clerical Assistant 2	MEA	(0.50)	(36,729)
Reduction of Police Code Compliance Officers and Supervisor	Police Code Compliance Officer	MEA	(3.00)	(240,887)
	Police Code Compliance Supervisor	MEA	(1.00)	(88,265)
Reduction of Vacant Sworn Personnel	Police Detective	SDPOA	(12.00)	(1,558,295)
	Police Sergeant	SDPOA	(8.00)	(1,214,066)
Police Total			(27.50)	\$ (3,390,718)
Disability Services				
Reduction of Deputy Chief Operating Officer ¹	Deputy Chief Operating Officer	Unclassified Unrepresented	(1.00)	\$ (230,987)
Disability Services Total			(1.00)	\$ (230,987)
Public Works - Engineering & Capital Projects				
Reduction of Clerical Assistant 2	Clerical Assistant 2	MEA	(1.00)	\$ (59,515)
Reduction of Engineering & Capital Projects Director	Engineering and Capital Projects Director	Unclassified Unrepresented	(1.00)	(233,031)
Reduction of Associate Engineer - Civil	Associate Engineer-Civil	MEA	(1.00)	(114,048)
Public Works - Engineering & Capital Projects Total			(3.00)	\$ (406,594)
Environmental Services				
Reduction of Human Resources Analyst	Senior Department Human Resources Analyst	Classified Unrepresented	(0.35)	\$ (37,226)
Reduction of Administrative Aide IIs	Administrative Aide 2	MEA	(1.35)	(105,191)
Reduction of Utility Worker IIs	Utility Worker 2	LOCAL 127 AFSCME	(1.85)	(117,247)
Reduction of Hazmat Inspector II	Hazardous Materials Inspector 2	MEA	(0.50)	(48,350)
Reduction of Collection Supervisor	Area Refuse Collection Supervisor	MEA	(1.00)	(105,748)
Reduction of Small Business Customers	Sanitation Driver 2	LOCAL 127 AFSCME	(1.00)	(92,298)

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Table 16: Summary of General Fund Position Adjustments (Cont'd)

General Fund Department	Job Class Description	Bargaining Unit	FTE	Personnel Expenditures
Reduction of Public Hold Harmless Agreements	Sanitation Driver 1	LOCAL 127 AFSCME	(1.00)	(86,242)
	Sanitation Driver 2	LOCAL 127 AFSCME	(2.00)	(184,595)
Environmental Services Total			(9.05)	\$ (776,897)
Transportation & Storm Water				
Reduction of Positions and Overtime	Equipment Technician 2	LOCAL 127 AFSCME	(1.00)	\$ (81,674)
	Public Works Superintendent	MEA	(1.00)	(117,328)
	Welder	LOCAL 127 AFSCME	(1.00)	(90,604)
Transportation & Storm Water Total			(3.00)	\$ (401,056)
Grand Total			(206.77)	\$ (17,452,079)

¹ Deputy Chief Operating Officer was part of Public Works Department in Fiscal Year 2011. As part of the Public Works restructure, Disability Services will be a stand-alone department in Fiscal Year 2012.

General Fund Revenues

General Fund revenues are dependent on the financial health of the local economy in addition to the State and nationwide economy. As the local, State, and nationwide economic outlook continues to change during the upcoming fiscal year, General Fund revenue growth rates are reviewed and revised. Based on updated period revenue reports, economic trends that affect specific revenues within the General Fund, forward looking indicators, and guidance provided by the State and other sources, the forecast for Fiscal Year 2012 will be updated to reflect this continually updated economic information.

The following are some of the economic indicators and assumptions that have been used in the preparation of the Fiscal Year 2012 Proposed Budget for the General Fund:

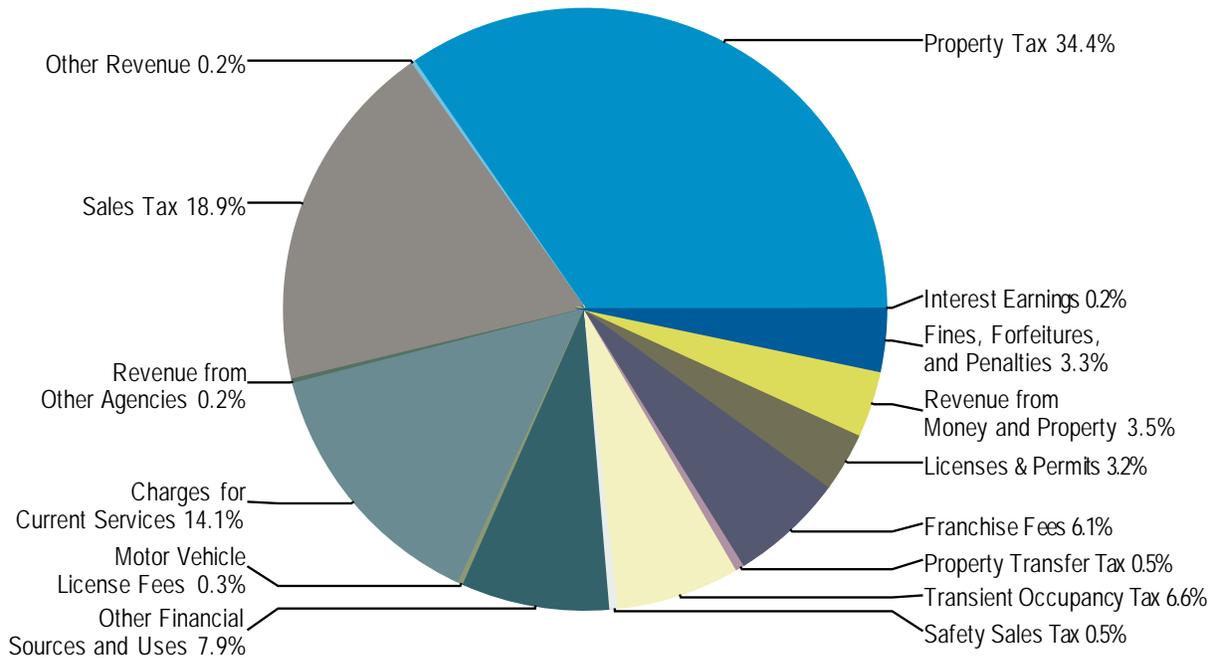
- As of December 2010, the Index of Leading Economic Indicators for San Diego County has increased slightly from the beginning of calendar year 2010, increasing 3.3 percent from an index level of 107.2 to 110.7. The Index of Leading Economic Indicators level has not decreased for 21 consecutive months (April 2009 - December 2010) after 24 consecutive months of decline (April 2007- March 2009) (University of San Diego, Index of Leading Economic Indicators).
- San Diego County's consumer confidence index has increased 0.1 percent from the beginning of calendar year 2010 to December 2010, and has increased marginally eight consecutive months (May 2010 - December 2010) (University of San Diego, Index of Leading Economic Indicators).
- Consumer spending in the City of San Diego on taxable items in the first three quarters of Fiscal Year 2011 increased 6.4 percent as compared to the first three quarters of Fiscal Year 2010. Consumer spending on taxable items also increased four consecutive quarters (March 2010 - February 2011) after declining the previous seven consecutive quarters (California State Board of Equalization).

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- San Diego's unemployment rate is 10.3 percent (as of January 2011). This is compared to a 12.7 percent unemployment rate for the State of California and 9.8 percent for the nation (California Employment Development Department and US Bureau of Labor Statistics).
- Total home sales in San Diego (as of January 2011) for the twelve month period totaled 36,569, which is a decline of 6.4 percent from 39,074 home sales from the same period in prior year (San Diego County Assessor/Recorder/County Clerk).
- The median countywide home price as of December 2010 is \$342,258, which is an increase of 0.5 percent from December 2009 (DataQuick Information Systems).
- Countywide foreclosures (as of January 2011) for the twelve month period totaled 13,380, which is a decline of 12.6 percent from 15,302 in the prior year. Notices of default, an indicator of potential future foreclosure levels, totaled 25,002 (as of January 2011), a decline of 32.7 percent from 37,121 notices of default in the prior year (San Diego County Assessor/Recorder/County Clerk).
- The City's median income is forecasted to grow 4.9 percent from approximately \$50,000 to \$52,500 from calendar year 2010 to 2015 (San Diego Association of Governments).
- The County of San Diego consumer price index (CPI) increased 1.2 percent in calendar year 2010 (United State Bureau of Labor Statistics).

Figure 4 displays the Fiscal Year 2012 Proposed General Fund Revenues by Major Revenue Category.

Figure 4: Fiscal Year 2012 General Fund Revenues - \$1.11 Billion



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

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Table 17 demonstrates the growth rates for Fiscal Years 2010 to 2012 for the major General Fund revenues. Forecasting of revenue growth rates is important in determining funding for most General Fund expenditures. It should be noted that for the purpose of revenue forecasting, budgeted growth rates listed below are applied to Fiscal Year 2011 mid-year projections and do not represent the percentage increase from one year's budget to the next.

Table 17: Major Revenue Growth Rate

Major Revenue Sources	FY 2010 Adopted Budget	FY 2011 Adopted Budget	FY 2012 Proposed Budget
Property Tax	(3.3)%	(0.1)%	0.0%
Sales Tax ¹	(1.4)%	1.3%	3.0%
Transient Occupancy Tax	(3.4)%	0.2%	3.0%
Franchise Fees²			
SDG&E	2.8%	0.0%	3.0%
Cable Franchise Fees	2.4%	1.6%	3.0%

¹ Does not include Proposition 172 sales tax. Growth rate in taxable sales is 3.0 percent; percentage increase in revenue differs due to triple flip and accrual process.

² Franchise fees do not include underground utility surcharge.

User Fees

User fees are charges for services provided by the City to residents and businesses. The City's User Fee Policy includes guidelines for establishing a comprehensive user fee schedule and requires that the full cost of services be identified and all fees be categorized according to the level of cost recovery. The objective of the Policy is to bring existing fee levels in line with service costs to ensure that all reasonable costs incurred in the provision of services are being recovered.

The User Fee Policy states that a comprehensive user fee study shall be conducted every three years; between such time, fees will be adjusted annually during the budget development process based on the California Consumer Price Index (CCPI) rate or other applicable inflators to maintain the cost recovery level.

In Fiscal Year 2012, the total increase in revenue from user fee adjustments is \$5.2 million. The following are General Fund departments that adjusted user fees in Fiscal Year 2012.

- Fire-Rescue (new fees and increased allocations): \$5.0 million
- Police (revised fees): \$323,451
- Development Services (revised fee): (\$60,100)

The Fire-Rescue Department will implement two new fees in Fiscal Year 2012: an air medical billing fee and a false alarm permitting fee. In addition, the department will increase the allocation of medical aid response costs to more fully recover City support expenses. The Police Department adjusted several existing fees, most of which are entertainment permit fees. The Development Services Department adjusted the existing general plan maintenance fee; however, due to the anticipation of a continued decrease in development permit activity, revenue generated from this fee is expected to decrease in Fiscal Year 2012.

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State of California Budget Impacts

The State's Proposed Fiscal Year 2011-2012 Budget released by the Governor on January 10, 2011 identified solutions to correct an estimated \$25.4 billion State budget deficit. These solutions include the extension of tax increases, new revenues, reorganization and realignment of services to reduce administrative costs, elimination of redevelopment agencies Statewide, and expenditure reductions.

Some of the revenue increases include the extension of the State's 1.0 percent sales and use tax add-on, motor vehicle license fees (VLF), and a personal income tax. Measures that were to expire originally at the end of Fiscal Year 2011, if approved by the State legislature, are to be extended for an additional five years (subject to voter approval in a special election). A reorganization of services is based on local agencies (counties) assuming the responsibility for the administration of programs that are currently being handled by various State agencies.

The Governor's Budget also proposed the elimination of redevelopment agencies and enterprise zones, and all agencies established to develop and administer these areas. According to the State's budget proposal, existing redevelopment agencies (RDAs) will be required to cease creation of new obligations and successor agencies will be required to retire RDA debt in accordance with existing payment schedules. Approximately \$1.7 billion in property taxes used to fund redevelopment areas would be diverted on a one-time basis to the State's General Fund in Fiscal Year 2012, with future years' property taxes generated from these areas to be distributed according to currently established property tax allocations to local agencies.

The elimination of redevelopment agencies potentially could have a negative impact on the General Fund by ending tax-sharing agreements that directly benefit the City and by discouraging investment that strengthens the City's sales tax and transient occupancy tax revenues. The City's revenues from tax-sharing agreements total \$2.5 million in Fiscal Year 2012.

The State's Fiscal Year 2012 Budget Proposal includes continued funding for the Citizens' Options for Public Safety (COPS) and Jail Booking Fee Subventions. The City has included a payment of \$1.3 million for COPS from the State in the Fiscal Year 2012 budget. The City pays jail booking fees to the County of San Diego for bookings of municipal code and misdemeanor violations. The booking fee payment budget for Fiscal Year 2012 is \$5.3 million but has been offset by the funding the County receives from the State as part of \$35.0 million in booking fees subventions in previous fiscal years. In Fiscal Year 2010, the City also budgeted \$5.3 million for booking fees, and the State paid the County approximately \$2.2 million, which offset the City's payment. The State's Fiscal Year 2012 Budget Proposal includes \$35.0 million in subventions for the Jail Booking Fees program; however, this relief from the State may not occur in Fiscal Year 2012. The subvention payment received by the County is funded by the additional VLF rate implemented by the State, which is set to expire in July. The State's Fiscal Year 2012 Budget Proposal includes an extension of this additional VLF rate through a special election to be set in June. Due to this uncertainty of this VLF rate being extended in the special election, any offset to this required payment is not projected in the City's Fiscal Year 2012 Proposed Budget and the full payment of \$5.3 million has been budgeted for Fiscal Year 2012.

For Fiscal Year 2012, the City budgeted \$15.2 million to be received in Proposition 42 'replacement revenue'¹ and \$22.2 million in Highway Users Tax Account (HUTA) gas tax. The State's restructuring of gasoline taxes allows both HUTA and the Proposition 42 'replacement revenues' to be redirected back to the State's general fund if the State's legislature votes in majority to do so. The City could receive a repayment obligation from the State for lost revenue amounts if the State were to redirect these revenues back to their General Fund. However, the State would not have to pay interest based on these borrowed funds, and could borrow funds from cities every fiscal year. This \$37.4 million in

¹ Generated from flat 17.3 cent per gallon tax, which replaced the 6 percent tax that generated Proposition 42 revenue prior to Fiscal Year 2011.

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combined Proposition 42 'replacement revenues' and HUTA revenue may potentially be redirected to the State in Fiscal Year 2012.

Staff will continue to analyze and monitor the Governor's Fiscal Year 2012 proposed changes and their potential impact to the City's General Fund. At this time, the full impact of these propositions cannot be fully estimated.

Fiscal Policies

The City has made progress in developing sound fiscal policies to guide decision making. The City has established a new Budget Policy to guide the creation of the City's budget, and continues to modify existing policies and procedures to foster responsible fiscal management. A detailed explanation of these fiscal policies is included in the Fiscal Policies section of this Volume.

Economic Recovery

Our community looks to the City of San Diego for leadership and planning to help stem the tide of economic woes and position us for future economic expansion. The City has made it a top priority to focus on economic recovery as a municipal corporation and for its residents.

The City is focusing its efforts on regaining fiscal stability through a number of programs and initiatives:

- Business Support and Expansion Programs
- Economic Roundtables
- Small Business Development Programs
- Federal and State Stimulus Programs

The City's economic policies will also continue to focus on the growth of its economic base. This base primarily consists of four "clusters" or groups of related industries: manufacturing, international trade and logistics, tourism, and the military.

Reengineering and Competitive Government

The Reengineering Program oversees the City's Business Process Reengineering (BPR) studies, conducts efficiency studies, and provides support for management reforms and effectiveness improvements. In this time of decreasing revenues, the Reengineering Program helps identify efficiency gains that can permit "smart" budget reduction proposals and works to improve efficiency to support organizational success, even in an environment of fewer resources.

BPR is the redesign of work processes (activities, services, or functions) for substantial improvement. Efficiency studies also aim to improve efficiency and effectiveness, but are more flexible in their approach to problem solving.

Competitive government is defined as a government with processes in place to validate that service quality and costs are as good as, or superior to, any legitimate provider available. This may be achieved via direct outsourcing, managed competition, benchmarking, and bid-to-goal processes.

City Management Program

The City Management Program (CMP) integrates strategic planning and performance monitoring efforts with the budget decision-making process. Its goal is to create a more strategically-oriented organization that optimizes its operations to serve the City's residents in the most effective and efficient way possible. Consistent with Balanced Scorecard principles, the CMP is designed to infuse

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accountability for performance into City services at every level of the organization. In addition, the CMP improves communication within the City and to the residents of the City, it instills accountability into our actions, and supports data-based decision making.

Being strategic and proactive in its approach to governance is integral to achieving the City's goals. The CMP is intended to ensure that the City creates and adheres to its goals and priorities. The use of strategic planning enables the City to map its goals and manage the tools and resources necessary for achieving them. The strategic planning process takes a top-down approach beginning with the formulation of the City Strategic Plan at the citywide level and subsequent development of tactical plans at the department level that are aligned with it.

Conclusion

The Fiscal Year 2012 Proposed Budget for the City totals \$2.75 billion, with \$1.11 billion budgeted in the General Fund. A net total of 248.76 FTE positions have been removed from the City's Fiscal Year 2012 Proposed Budget. This decrease is primarily due to the elimination of 211.77 FTE positions which, in addition to various one-time solutions, were needed to address the projected General Fund shortfall of approximately \$56.7 million in Fiscal Year 2012. The General Fund departmental reductions included the pairing of all branch libraries and the reduction of recreation center hours. With these General Fund cost savings, the restoration of the Fire-Rescue Rolling Brown-outs implemented in Fiscal Year 2010 have been incorporated into the Fiscal Year 2012 Proposed Budget. In addition to the General Fund position reductions, approximately 45.59 FTE positions were removed from the Enterprise Funds, primarily due to departmental efficiencies gained as a result of the restructure of the Water and Metropolitan Wastewater Departments into the Public Utilities Department in Fiscal Year 2011.

The Fiscal Year 2012 Proposed Budget incorporates the fiscal policies and initiatives outlined in the Mayor's FY 2012–2016 Five-Year Financial Outlook released in February 2011. The Mayor remains committed to implementing the ten financial reforms needed to continue the City's path toward resolving our structural budget deficit.