

# 2014

## PROPOSED BUDGET



### Executive Summary



City of San Diego



# Executive Summary



## Introduction

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

deficit has been addressed in the Fiscal Year 2014 Proposed Budget through the fiscal measures and corrective actions described in this section.

This Fiscal Year 2014 Proposed Budget begins to address Mayor Filner's priorities which were limited by the inherited General Fund deficit as well as the length of time required to change the culture and priorities of the organization.

Neighborhood services is a top priority, which includes the revitalization of our neighborhood infrastructure. This budget includes \$3.2 million to address Operational and Maintenance (O&M) needs related to the deferred capital backlog, which will increase O&M funding to approximately \$49.0 million in Fiscal Year 2014; a third bond issuance planned for early calendar year 2014 to further address the deferred capital backlog; and \$2.0 million in funding for debt service payments related to the bonds expected to be issued in June of 2013 to fund \$35.0 million in capital improvement projects.

This Fiscal Year 2014 Proposed Budget also includes \$950,000 to support the newly-created Civic and Urban Initiatives Program; \$2.4 million for the new Central Library; \$878,992 for new Park & Recreation facilities scheduled to open in Fiscal Year 2014; \$1.3 million to fund the operations of the Emergency Winter Shelter year-round; \$500,000 for tree trimming services; \$1.6 million to support the Penny for the Arts; \$831,074 in funding to continue community plan updates and special projects; \$226,000 for the replacement of public use computers at all branch libraries; \$300,000 to support the Traffic Management Plan at Balboa Park; and \$385,545 for the 2015 Balboa Park Centennial Celebration.

Public safety needs are among Mayor Filner's top priorities. This budget begins to address this priority with the planned replacement of the Computer-Aided Dispatch (CAD) system. In addition, 16 Police sworn positions have been added which will increase our four existing police academies from 30 to 34 recruits, as well as additional funding of \$1.1 million to replace Police equipment. For the Fire-Rescue Department, funding of \$442,897 for hourly lifeguards, \$500,000 for a Lifeguard cliff

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rescue vehicle, a \$502,700 decrease in vacancy savings, and 2.00 full-time equivalent (FTE) Fire Dispatcher positions are included in the Fiscal Year 2014 Proposed Budget.

Finally, other significant adjustments such as \$2.6 million for storm water permit compliance; \$200,000 for student bus passes; and \$1.9 million (\$1.4 million in the General Fund) to support the pay-go costs for the continued funding of the supplemental cost of living adjustment (COLA) benefit for those retirees who left City service prior to 1982 are included in this budget. Also, in order to address solar initiatives, the estimated fund balance of \$2.8 million in the Energy Conservation Program Fund will be used as a funding source for energy efficiency projects focused on solar energy.

## City Budget Overview

The City of San Diego's Fiscal Year 2014 Proposed Budget of \$2.75 billion is comprised of six operating fund type categories (General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds) and the Capital Improvements Program (CIP). **Table 1** shows the change in expenditures for operations from Fiscal Year 2012 to Fiscal Year 2014 by fund type and for the CIP.

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

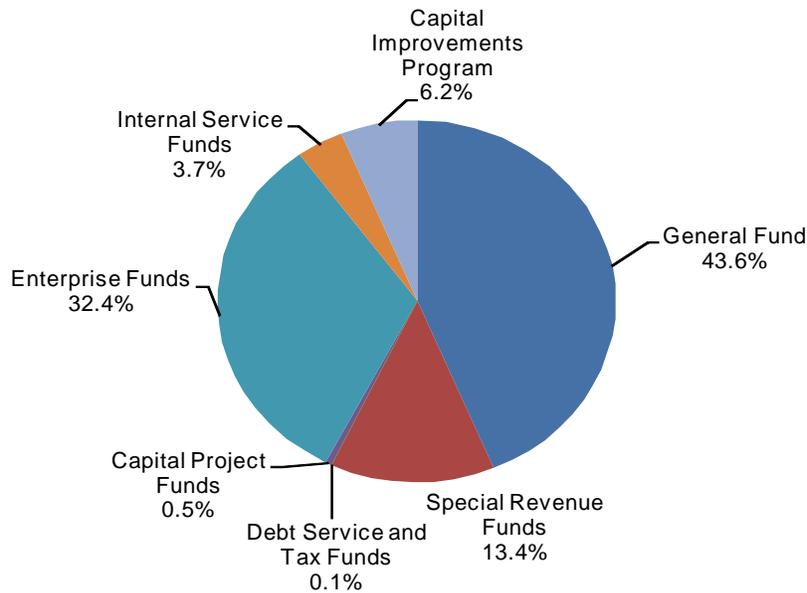
Fund Type	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Proposed Budget	FY 2013 - FY 2014 Change	Percent Change
General Fund <sup>1</sup>	\$ 1,136,532,533	\$ 1,163,942,747	\$ 1,200,367,373	\$ 36,424,626	3.1%
Special Revenue Funds	323,462,372	360,888,249	367,951,913	7,063,664	2.0%
Debt Service and Tax Funds	3,234,689	1,036,617	2,630,000	1,593,383	153.7%
Capital Project Funds	18,661,676	11,470,515	13,136,289	1,665,774	14.5%
Enterprise Funds	785,186,742	904,284,822	892,158,010	(12,126,812)	(1.3)%
Internal Service Funds	95,940,920	95,601,567	102,836,607	7,235,040	7.6%
Capital Improvements Program	363,174,117	214,917,343	171,619,599	(43,297,744)	(20.4)%
<b>Total</b>	<b>\$ 2,726,193,049</b>	<b>\$ 2,752,141,860</b>	<b>\$ 2,750,699,791</b>	<b>\$ (1,442,069)</b>	<b>(0.1)%</b>

<sup>1</sup> The Fiscal Year 2014 Proposed General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of fund balance: \$1.4 million for Community Projects, Programs, and Services appropriations which are budgeted in each Council District; \$0.5 million for Community Plan Updates; \$1.1 million for replacement of Police equipment; \$0.5 million for a Lifeguard cliff rescue vehicle; \$0.3 million for the Balboa Park Traffic Management Plan; and \$0.2 million for MTS student bus passes.

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

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



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

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

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

Fund Type	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Proposed Budget	FY 2013 - FY 2014 Change	Percent Change
General Fund <sup>1</sup>	\$ 1,189,106,924	\$ 1,151,215,145	\$ 1,196,382,283	\$ 45,167,138	3.9%
Special Revenue Funds	340,440,087	338,168,451	345,508,760	7,340,309	2.2%
Debt Service and Tax Funds	1,032,878	500,000	2,630,000	2,130,000	426.0%
Capital Project Funds	47,379,893	27,135,229	28,491,990	1,356,761	5.0%
Enterprise Funds	1,059,262,473	990,652,247	961,856,836	(28,795,411)	(2.9)%
Internal Service Funds	106,818,162	106,570,762	108,232,652	1,661,890	1.6%
<b>Total<sup>2</sup></b>	<b>\$ 2,744,040,416</b>	<b>\$ 2,614,241,834</b>	<b>\$ 2,643,102,521</b>	<b>\$ 28,860,687</b>	<b>1.1%</b>

<sup>1</sup> The Fiscal Year 2014 Proposed General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of fund balance: \$1.4 million for Community Projects, Programs, and Services appropriations which are budgeted in each Council District; \$0.5 million for Community Plan Updates; \$1.1 million for replacement of Police equipment; \$0.5 million for a Lifeguard cliff rescue vehicle; \$0.3 million for the Balboa Park Traffic Management Plan; and \$0.2 million for MTS student bus passes.

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

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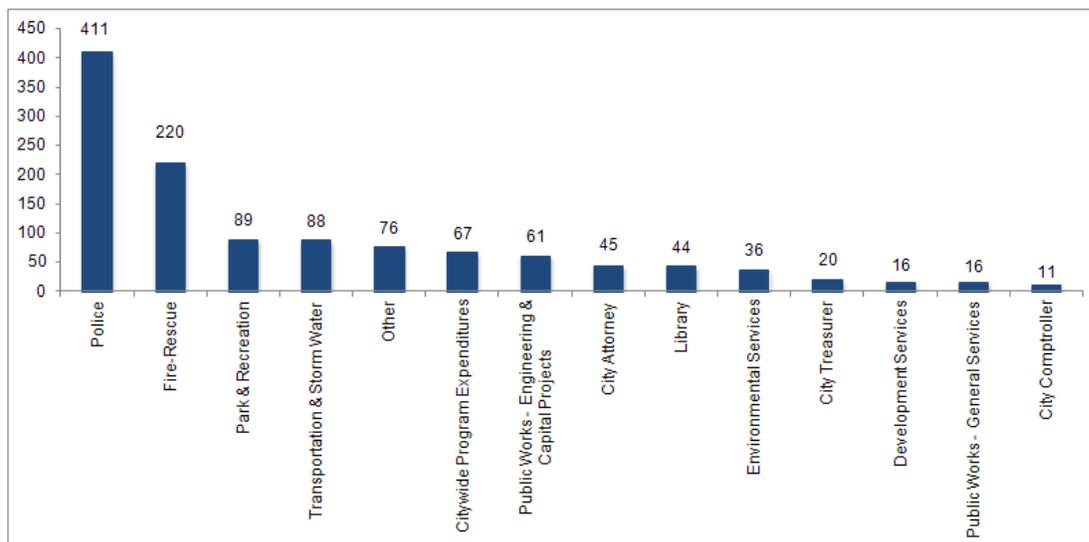
## General Fund

Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

The City's Fiscal Year 2014 Proposed Budget reflects General Fund expenditures totaling \$1.2 billion, representing an increase of \$36.4 million or 3.1 percent over the Fiscal Year 2013 Adopted Budget. The Fiscal Year 2014 Proposed General Fund Budget includes 7,212.44 budgeted full-time equivalent (FTE) positions, a net increase of 60.29 FTE positions from the Fiscal Year 2013 Adopted General Fund Budget. The net increase in General Fund positions is primarily due to the addition of Police sworn positions over four academies as part of the five-year staffing plan, the addition of hourly Lifeguard support positions, staffing needed to maintain new Park and Recreation facilities, added positions to address deferred capital maintenance, additional positions to manage and maintain the new Central Library, added positions to support the Civic and Urban Initiatives Program, the addition of Fire dispatch positions associated with the new dispatch contracts with the cities of Coronado and National City, additional staffing to support the Balboa Park Centennial Celebration, and the addition of positions for storm water permit compliance.

**Figure 2** summarizes the Fiscal Year 2014 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.

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



**Note:** The Other category includes: Administration, 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, Public Works - Contracting, Purchasing & Contracting, and Real Estate Assets.

## Debt Service and Tax Funds

The Debt Service and Tax Funds includes funding to pay for note interest and costs of issuance for the annual General Fund Tax and Revenue Anticipation Notes (TRANS) cash flow borrowing. The Fiscal Year 2014 Proposed Budget for Tax Funds totals \$2.6 million, which represents an increase of approximately \$1.6 million or 153.7 percent from the Fiscal Year 2013 Adopted Budget. This increase is due to the increased interest expense in the TRANS Fund which is offset by the note proceeds.



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

## Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. This fiscal year's budget is comprised of the Capital Outlay Fund and TransNet Extension Fund. The Fiscal Year 2014 Proposed Budget for Capital Project Funds is \$13.1 million, which is an increase of \$1.7 million or 14.5 percent from the Fiscal Year 2013 Adopted Budget. This increase is primarily due to a \$1.3 million increase in the Capital Outlay Fund to support the debt service payments for the deferred capital bonds.

## Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include Gas Tax and Transient Occupancy Tax (TOT). The Fiscal Year 2014 Proposed Operating Budget for Special Revenue Funds is \$368.0 million, representing a net increase of \$7.1 million or 2.0 percent from the Fiscal Year 2013 Adopted Budget. The net increase is primarily due to an additional \$10.3 million transfer to the PETCO Park Fund to fund the debt service previously paid with redevelopment funds.

## Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2014 Proposed Operating Budget for all Enterprise Funds is \$892.2 million, representing a net decrease of \$12.1 million or 1.3 percent from the Fiscal Year 2013 Adopted Budget. This net decrease is primarily the result of the following changes:

- The Public Utilities budget includes a net expenditure decrease of \$11.1 million primarily due to the removal of one-time expenditures from the prior year, offset by increases in supplies and contract expenditures based on an analysis of prior year spending trends.
- Other Enterprise Funds decreased by \$977,330 primarily due to a decrease in the Refuse Disposal Fund related to the Landfill Operations Managed Competition Savings<sup>1</sup>, which is

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

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offset by an increase in the Development Services Fund as a result of the restructure of development plans review activities from the Public Utilities Department to the Development Services Department, and increases in the Golf Course Fund as a result of increased non-discretionary expenditures and the addition of hourly positions to support daily golf operations.

## Internal Services Funds

The Fiscal Year 2014 Proposed Budget for Internal Service Funds totals \$102.8 million, which is an increase of \$7.2 million or 7.6 percent from the Fiscal Year 2013 Adopted Budget. The net increase of \$7.2 million is primarily due to: (1) an increase of \$3.7 million in vehicle outlay expenditures based on the Fiscal Year 2014 vehicle replacement needs in the Fleet Services Replacement Fund; (2) the increase of \$1.3 million of expenditures in the Fleet Operating Fund associated with the new citywide GPS contract for the purchase of new GPS units installed in citywide vehicles; (3) the restoration of 12.50 FTE positions and \$1.3 million in expenditures in the Fleet Operating Fund that were eliminated as part of the original fleet maintenance operations managed competition proposal but subsequently restored through the meet and confer process; and (4) the increase of \$449,445 of expenditures for the purchase of fleet vehicle tires in the Fleet Services Operating Fund.

## Capital Improvements Program

The Capital Improvements Program (CIP) budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), development impact fees, Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2014 Proposed CIP Budget totals \$171.6 million. This is a decrease of \$43.3 million or 20.4 percent from the \$214.9 million included in the Fiscal Year 2013 Adopted CIP Budget.

The CIP budget identifies funding that is uncertain to be received in Fiscal Year 2014. This amount is reflected as Anticipated in the CIP project pages. For Fiscal Year 2014, a total of \$167.4 million in anticipated funding for CIP projects is included but will not be appropriated through the Fiscal Year 2014 Proposed Budget. This amount includes approximately \$35.0 million of bond proceeds that is expected to be issued in June 2013. The remaining anticipated funding includes a variety of other funding sources such as donations, grants, developer funding, and Facilities Benefit Assessments, as well as a third deferred capital bond issuance anticipated to be considered by City Council in the near future.

## Summary of Major General Fund Budget Changes

This section shows the major contributors to the \$45.2 million or 3.9 percent increase in revenues and the \$36.4 million or 3.1 percent increase in expenditures in the General Fund in the Fiscal Year 2014 Proposed Budget. The Fiscal Year 2014 Proposed General Fund expenditures budget does not match the General Fund revenue budget due to the use of fund balance for the Community Projects, Programs, and Services appropriations which are budgeted in each Council District, community plan updates, Police equipment, Lifeguard cliff rescue vehicle, the Balboa Park Traffic Management Plan, and MTS student bus passes.

## General Fund Revenues

The General Fund's four largest revenue sources - property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees - account for approximately \$807.9 million or 67.5 percent of the total General Fund revenues. In total, these four major revenues have increased \$31.2 million in the

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Fiscal Year 2014 Proposed Budget from the Fiscal Year 2013 Adopted Budget, while all other General Fund revenues have increased \$14.0 million.

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

For Fiscal Year 2014, property tax is budgeted at \$402.2 million, an increase of \$15.0 million or 3.9 percent from the Fiscal Year 2013 Adopted Budget. The Fiscal Year 2014 Proposed Budget for property tax revenue is based upon the assumption that the improvement local real estate market experienced in calendar year 2012 will continue. Based on this improvement in the local real estate market, the Fiscal Year 2014 proposed property tax budget assumes that the City will experience 1.5 growth in the assessed valuation. This projected increase in property tax is accompanied by forecasted increases in sales and transient occupancy taxes while being partially offset by a projected decrease in franchise fees. Sales tax is budgeted at \$248.1 million, which represents an increase of \$11.9 million or 5.0 percent from the Fiscal Year 2013 Adopted Budget. This projected growth is due to continued increases in sales tax receipts experienced throughout Fiscal Year 2013 and these increases are anticipated to continue into Fiscal Year 2014. Transient Occupancy Tax (TOT) is budgeted at \$89.2 million, an increase of \$7.5 million or 9.2 percent from the Fiscal Year 2013 Adopted Budget due to increases in local tourism and business travel. Franchise Fees are budgeted at \$68.4 million, a decrease of \$3.2 million or 4.5 percent from the Fiscal Year 2013 Adopted Budget primarily due to projected decreases in San Diego Gas & Electric (SDG&E) franchise fee payments to the City as a result of reduced natural gas prices.

In addition to the projected increases in the General Fund major revenues, the Fiscal Year 2014 Proposed Budget for all other General Fund revenues has increased \$14.0 million from the Fiscal Year 2013 Adopted Budget. As reflected below in **Table 3: General Fund Revenue Adjustment Over Fiscal Year 2013 Adopted Budget**, the increases in the General Fund's four largest revenue sources are partially offset by decreases within the fines, forfeitures and penalties, licenses and permits, and interest earnings categories. In the Fiscal Year 2014 Proposed Budget, fines, forfeitures, and penalties are budgeted at \$29.3 million, a decrease of \$2.1 million or 6.5 percent from the Fiscal Year 2013 Adopted Budget. The decrease in fines, forfeitures, and penalties is primarily due to the elimination of the red light photo enforcement program during Fiscal Year 2013. Licenses and permits are budgeted at \$31.4 million, a decrease of \$0.5 million or 1.5 percent from the Fiscal Year 2013 Adopted Budget. This decrease is primarily due to a reduction in fire false alarm penalties and police alarm permit fees. Interest earnings are budgeted at \$0.9 million, a decrease of \$0.5 million or 36.5 percent from the Fiscal Year 2013 Adopted Budget. This decrease in interest earnings is based on the assumption that interest rates will remain near all time lows throughout Fiscal Year 2014. General Fund revenues will continue to be monitored throughout Fiscal Year 2014 and, if necessary, the budget will be modified.

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

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

Major Revenue Categories	(in millions)
Property Tax	\$ 15.0
Sales Tax	11.9
Transient Occupancy Tax	7.5
Property Transfer Tax	0.6
Franchise Fees	(3.2)
Fines, Forfeitures, & Penalties	(2.1)
Licenses & Permits	(0.5)
Interest Earnings	(0.5)
Other Revenue Adjustments	16.5
<b>TOTAL REVENUE Adjustments<sup>1</sup></b>	<b>\$ 45.2</b>

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

## General Fund Expenditures

The net increase in the Fiscal Year 2014 Proposed General Fund Expenditures Budget is primarily due to the following: an increase of \$33.0 million in the ARC payment to the City's retirement system; \$3.7 million increase in non-discretionary expenditures; \$3.2 million in deferred capital O&M expenditures; an increase of \$2.6 million in the General Fund transfer to the Mission Bay and Regional Park Improvements Funds; an increase of \$2.6 million for computer replacement due to the Windows 7 upgrade; a \$2.7 million increase in the Workers' Compensation pay-go reserve contribution; \$2.4 million increase in expenditures related to the new Central Library; \$2.2 million in increased funding for the storm water permit and total maximum daily load compliance; \$2.0 million increase in debt service to fund \$35.0 million in CIP projects; \$1.4 million for the supplemental cost of living adjustment (COLA); \$1.3 million for full-year funding of the Emergency Winter Shelter; \$1.2 million in expenditures for police sworn positions as part of the five-year staffing plan; \$1.1 million in police equipment; and \$1.0 million to support the Civic and Urban Initiatives Program. Partially offsetting these increases are: the removal of \$8.3 million in one-time deferred capital O&M funding in Fiscal Year 2013; a \$6.6 million reduction in General Fund contribution to the Public Liability Fund; a \$4.9 million reduction in Information Technology expenditures; and the removal of \$3.9 million in one-time General Fund Appropriated Reserve expenditures in Fiscal Year 2013.

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

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

Major Expenditure Adjustments	(in millions)
ARC Payment to the City's Retirement System	\$ 33.0
Non-Discretionary Adjustments	3.7
Deferred Capital Operations & Maintenance	3.2
Workers' Compensation Contribution	2.7
Mission Bay & Regional Park Improvement Funds Transfer	2.6
PC Replacement	2.6
New Central Library	2.4
Storm Water Permit Compliance	2.2
CIP Bond Debt Service	2.0
Other Expenditure Adjustments	1.9

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

Major Expenditure Adjustments	(in millions)
Supplemental Cost of Living Adjustment (COLA)	1.4
Emergency Winter Shelter	1.3
Police Sworn Positions (Over Four Academies)	1.2
Police Equipment Replacement	1.1
Civic and Urban Initiatives Program Support	1.0
New Park & Recreation Facilities	0.9
Community Plan Updates and Special Projects	0.8
Lifeguard Cliff Rescue Vehicle	0.5
Palm/Shade Tree Trimming	0.5
Fire Vacancy Savings Adjustment	0.5
Lifeguard Hourly Support	0.4
Engineering Positions for Storm Water Compliance	0.4
Balboa Park Centennial Celebration 2015	0.4
Support for Fire Dispatch Contracts	0.3
Facilities Division Vacancy Adjustment	0.3
Balboa Park Traffic Management Plan	0.3
San Dieguito Regional Park Joint Powers Authority	0.3
Library Public Use Computers	0.2
MTS Bus Passes for Students	0.2
One-Time Deferred Capital O&M Funding Removal	(8.3)
Public Liability Contribution	(6.6)
Information Technology Expenditures	(4.9)
General Fund Appropriated Reserve Removal	(3.9)
Storm Water CIP Contribution Reduction	(2.9)
Transfer to Police Decentralization Fund	(1.4)
Office of the City Attorney Reduction	(1.4)
Property Tax Administration fees	(1.0)
Red Light Photo Enforcement	(0.7)
Streets and Sidewalk Maintenance Managed Competition Savings <sup>1</sup>	(0.6)
BID Council Reduction	(0.2)
<b>Total Expenditure Adjustments</b>	<b>\$ 36.4</b>

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

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

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

	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Proposed Budget
Total General Fund Budget	1,136,532,533	1,163,942,747	1,200,367,373
Percent Change from Previous Year		2.4%	3.1%

**Table 6** identifies the allocation of General Fund dollars to the Police and Fire-Rescue Departments compared to the other General Fund departments. In Fiscal Year 2014, the General Fund Proposed Budget increased by approximately \$36.4 million or 3.1 percent from Fiscal Year 2013, with the Police and Fire-Rescue Departments receiving approximately 52.6 percent of the total General Fund

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expenditures and other General Fund departments receiving 47.4 percent of the total General Fund expenditures.

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

	FY 2012 Actual	FY 2013 Adopted Budget	FY 2014 Proposed Budget
Police and Fire-Rescue Budgets	\$ 606,269,072	\$ 608,091,758	\$ 631,376,118
Percent of Total General Fund Budget	53.3%	52.2%	52.6%
Other General Fund Department Budgets	\$ 530,263,461	\$ 555,850,989	\$ 568,991,255
Percent of Total General Fund Budget	46.7%	47.8%	47.4%

## Total City Personnel

The Fiscal Year 2014 Proposed Budget includes a total of 10,157.31 FTE positions with 7,212.44 or 71.0 percent of these positions budgeted within the General Fund. **Table 7** presents the change in positions from Fiscal Year 2013 to Fiscal Year 2014.

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

Fund Type	FY 2013 Adopted Budget	Additions	Reductions	Reorganizations	FY 2014 Proposed Budget	FY 2013 - FY 2014 Change	Percent Change
General Fund	7,152.15	93.05	(36.01)	3.25	7,212.44	60.29	0.8%
Special Revenue Funds <sup>1</sup>	232.64	3.26	(4.54)	-	231.36	(1.28)	(0.6)%
Enterprise Funds	2,375.99	23.73	(42.88)	(2.65)	2,354.19	(21.80)	(0.9)%
Internal Service Funds	296.64	27.85	(28.57)	(0.60)	295.32	(1.32)	(0.4)%
Other Funds	62.00	2.00	-	-	64.00	2.00	3.2%
<b>TOTAL</b>	<b>10,119.42</b>	<b>149.89</b>	<b>(112.00)</b>	<b>(0.00)</b>	<b>10,157.31</b>	<b>37.89</b>	<b>0.4%</b>

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

The Fiscal Year 2014 Proposed Budget represents a net increase in the City's budget of 37.89 FTE positions from the Fiscal Year 2013 Adopted Budget. The net increase is a result of the addition of 149.89 FTE positions combined with the elimination of 112.00 FTE filled and vacant positions. The eliminated positions are positions that are no longer funded in the City's budget and represent a real reduction in labor costs. The net increase is primarily due to the addition of Police sworn positions over four academies as part of the five-year staffing plan, the addition of hourly Lifeguard support positions, staffing needed to maintain new Park & Recreation facilities, additional positions to manage and maintain the new Central Library, added positions to address deferred capital maintenance, additional positions to support the Civic and Urban Initiatives Program, the addition of Fire dispatch positions associated with new dispatch contracts with the cities of Coronado and National City, additional staffing to support the Balboa Park Centennial Celebration, and the addition of positions for storm water permit compliance. The reductions are primarily related to position reductions in the Office of the City Attorney and position reductions resulting from the City's

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successful bids from the Landfill Operations and Street and Sidewalk Maintenance Managed Competitions.<sup>1</sup>

As shown in **Table 7**, of the 60.29 net FTE position change to the General Fund, a net 2.65 FTE positions were transferred from the Enterprise Funds and a net 0.60 FTE position was transferred from the Internal Service Funds, 93.05 FTE positions are new, and 36.01 FTE positions have been reduced. The 1.28 FTE position net change to the Special Revenue Funds is the result of 3.26 new FTE positions and 4.54 FTE positions being reduced. Of the 21.80 net FTE change in positions in the Enterprise Funds, a net 2.65 FTE positions were transferred to the General Fund, 23.73 FTE positions were added, and 42.88 FTE positions were reduced. In the Internal Service Funds, a net 0.60 FTE positions were transferred to the General Fund, 27.85 FTE positions have been added, and 28.57 FTE positions have been reduced. The 2.00 FTE position change to the Other Funds is the result of 2.00 new FTE positions in the City Employee's Retirement System Fund.

**Table 8** further illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type. A total of \$682.2 million has been budgeted for salaries and wages, and \$477.3 million budgeted for fringe expenditures resulting in a total budget of \$1.16 billion in personnel expenditures citywide.

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

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,212.44	\$ 515,993,471	\$ 358,548,636	\$ 874,542,107
Special Revenue Funds	231.36	16,877,410	11,732,474	28,609,884
Enterprise Funds	2,354.19	128,783,471	91,391,908	220,175,379
Internal Service Funds	295.32	16,018,089	12,143,159	28,161,248
Other Funds	64.00	4,560,034	3,452,101	8,012,135
<b>Total</b>	<b>10,157.31</b>	<b>\$ 682,232,475</b>	<b>\$ 477,268,278</b>	<b>\$ 1,159,500,753</b>

**Table 9** shows the change in the number of budgeted positions in the General Fund over the last three fiscal years. In Fiscal Year 2014, General Fund positions increased by a net 60.29 FTE positions or approximately 0.8 percent from the Fiscal Year 2013 Adopted Budget. This net increase in positions is discussed on the previous page.

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

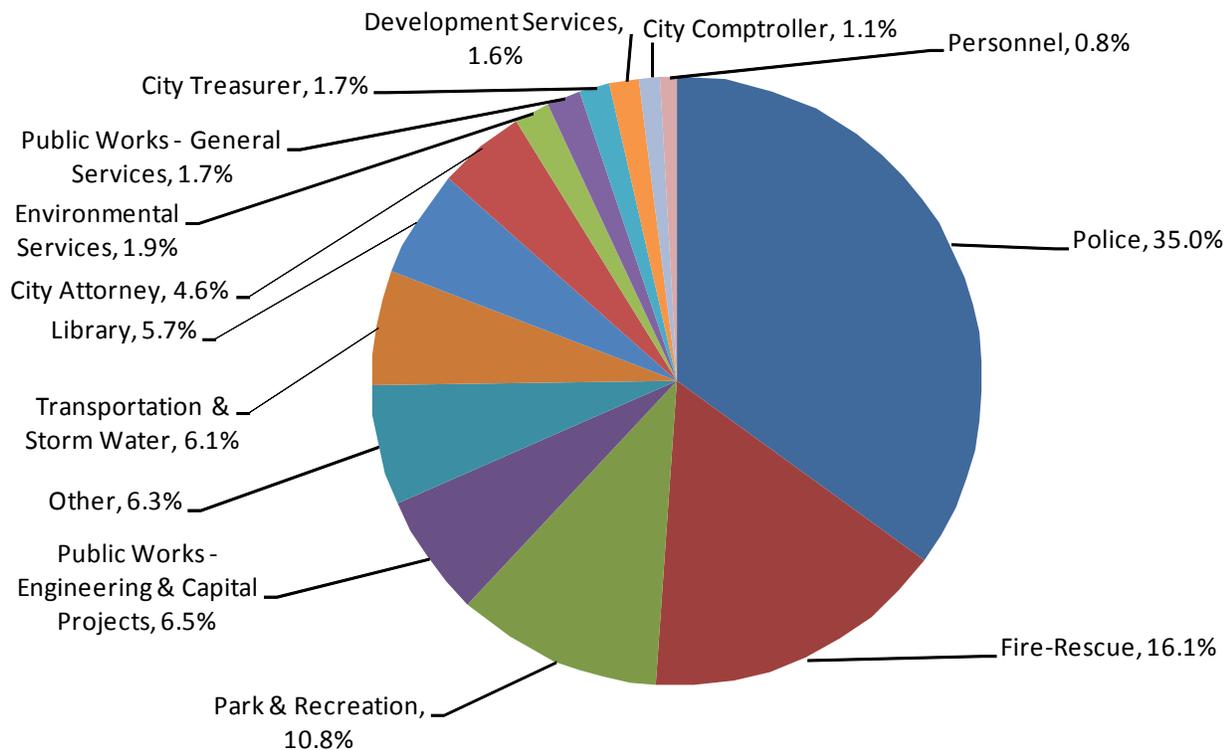
	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Proposed Budget
Total General Fund Budgeted FTE Positions	7,036.61	7,152.15	7,212.44
Percent Change from Previous Year	(0.4)%	1.6%	0.8%

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

# Executive Summary

**Figure 3** summarizes the Fiscal Year 2014 Proposed 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 2014 Proposed General Fund FTE Positions by Department**



**Note:** The Other category includes: Administration, 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, Public Works- Contracting, Purchasing & Contracting, and Real Estate Assets.

**Table 10** represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, Municipal Employees Association (MEA), represents 37.6 percent of General Fund positions and 43.3 percent of all City positions.

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

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
MEA	2,711.20	76.00	1,440.58	133.03	39.00	<b>4,399.81</b>
IAFF LOCAL 145	886.00	25.00	-	-	-	<b>911.00</b>
AFSCME LOCAL 127	854.15	60.76	786.89	138.00	-	<b>1,839.80</b>
POA	1,972.02	-	-	-	-	<b>1,972.02</b>
Teamsters Local 911	152.52	-	-	-	-	<b>152.52</b>

# Executive Summary

**Table 10: Fiscal Year 2014 Proposed FTE Positions by Labor Group (Cont'd)**

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
DCAA	134.55	-	-	-	-	<b>134.55</b>
Classified / Unrepresented	140.84	31.35	67.31	19.09	6.00	<b>264.59</b>
Unclassified / Unrepresented	350.16	38.25	59.41	5.20	19.00	<b>472.02</b>
Elected Officials	11.00	-	-	-	-	<b>11.00</b>
<b>Fund Total</b>	<b>7,212.44</b>	<b>231.36</b>	<b>2,354.19</b>	<b>295.32</b>	<b>64.00</b>	<b>10,157.31</b>

**Table 11** displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2014 Proposed Budgets for the Police and Fire-Rescue Departments include 3,687.31 FTE positions or approximately 51.1 percent of total General Fund FTE positions. The budgeted positions in the Police Department increased from 2,515.35 FTE positions in Fiscal Year 2013 to 2,524.79 FTE positions in the Fiscal Year 2014 Proposed Budget primarily due to the addition of Police sworn positions over four academies as part of the five-year staffing plan. In the Fire-Rescue Department, the number of FTE positions increased from 1,146.40 FTE positions to 1,162.52 FTE positions primarily due the addition of 12.00 FTE hourly seasonal lifeguard positions and 3.00 FTE positions needed to handle increased call volume and radio traffic related to the newly acquired dispatch contracts for the Cities of Coronado and National City.

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

	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Proposed Budget
Police and Fire-Rescue Budgets	3,663.74	3,661.75	3,687.31
Percent of Total General Fund Budget	52.1%	51.2%	51.1%
Other General Fund Department Budgets	3,372.87	3,490.40	3,525.13
Percent of Total General Fund Budget	47.9%	48.8%	48.9%

## Total Budgeted Fringe Allocations

Total budgeted fringe allocations represent personnel costs that are non-wage related. A significant portion of the total budgeted fringe allocations are considered fixed fringe costs. Fixed fringe costs are expenditures that meet specific obligations established through agreements with the labor unions, City ordinances, or the City's Reserve Policy, regardless of current FTE count or salary amounts. Fixed fringe costs include the San Diego City Employees' Retirement System's (SDCERS) Annual Required Contribution (ARC), and contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$379.9 million or 79.6 percent of budgeted fringe in Fiscal Year 2014. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

**Table 12** displays the citywide fringe allocation which totals \$477.3 million for Fiscal Year 2014 of which \$358.5 million or 75.1 percent is budgeted in the General Fund.

# Executive Summary

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

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Retirement ARC	\$212,677,074	\$ 6,536,099	\$ 47,919,757	\$ 6,327,506	\$ 1,981,699	\$ 275,442,135
Supplemental Pension Savings Plan	11,474,875	653,554	6,433,031	762,510	229,586	19,553,556
Retirement Offset Contribution	650,001	17,674	294,961	25,272	7,253	995,161
Retirement DROP	1,736,371	43,573	416,651	52,227	4,546	2,253,368
Employee Offset Savings	9,228,328	293,013	1,034,141	123,431	102,492	10,781,405
Workers' Compensation	25,773,558	593,138	4,883,578	635,591	128,572	32,014,437
Flexible Benefits	39,239,025	1,597,386	12,477,797	1,740,301	455,928	55,510,437
Risk Management Administration	6,885,878	233,281	2,188,819	306,250	62,068	9,676,296
Long-Term Disability	2,381,146	85,969	647,219	82,754	24,980	3,222,068
Unemployment Insurance	1,278,637	46,174	347,563	44,369	13,413	1,730,156
Medicare	5,807,561	210,763	1,581,543	203,426	65,657	7,868,950
Other Post-Employment Benefits	41,145,650	1,394,142	13,080,898	1,830,142	370,933	57,821,765
Retirement 401 Plan	213,354	21,959	68,258	7,504	3,979	315,054
Retiree Medical Trust	57,178	5,749	17,692	1,876	995	83,490
<b>Fund Type Totals</b>	<b>\$ 358,548,636</b>	<b>\$ 11,732,474</b>	<b>\$ 91,391,908</b>	<b>\$ 12,143,159</b>	<b>\$ 3,452,101</b>	<b>\$ 477,268,278</b>

## City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2014 is budgeted at \$279.0 million and is described below:

- The SDCERS ARC for Fiscal Year 2014 is \$275.4 million, representing an increase of \$44.3 million from the Fiscal Year 2013 Adopted Budget. Due to the passage of Proposition B, effective July 20, 2012, SDCERS is a closed system, except for the Police plan, which remains open. For the non-Police portion, the existing Unfunded Actuarial Accrued Liability (UAAL) layers have been collapsed into a single amount that will be amortized with level dollar amounts rather than as a level percent of pay over 15 years, in compliance with current GASB standards. The portion of the UAAL associated with the open Police plan will continue to be amortized with the existing layers as a level percentage of pay. As a result of the effects of the Proposition B plan closure and the level dollar amortization, the ARC increased by \$27.0 million. Other factors that contributed to the increase in the ARC are investment experience less than expected of \$8.3 million, liability experience loss of \$4.7 million, and other changes totaling \$4.3 million. Approximately \$212.7 million or 77.2 percent of the ARC is budgeted in the General Fund.

# Executive Summary

- In addition, \$1.7 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits.
- Finally, \$1.9 million has been budgeted citywide (\$1.4 million in the General Fund) to support the pay-go costs for the continued funding of the supplemental cost of living adjustment (COLA) benefit. The supplemental COLA benefit was added to the City's defined benefit pension plan by San Diego Ordinance O-18608, adopted on January 11, 1999, in order to increase the monthly retirement allotment for retirees who retired before July 1, 1982 with at least ten years of service credit, whose benefits had fallen below 75 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from the previous fiscal year to fund this benefit. However, SDCERS has informed the City that the reserve will be depleted in October 2013. In order to continue this benefit once the funds are depleted, the Mayor recommends that the City fund the supplemental COLA benefit on an annual basis.

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

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



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

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

## Employee Offset Savings (EOS)

The labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's 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

# Executive Summary

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 2014 Proposed Budget includes Employee Offset Savings of \$10.8 million, which is budgeted as an expense to all City departments and revenue to the respective funds.

## Retirement DROP

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

## Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related accidents or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2014 Proposed Budget is \$32.0 million. In Fiscal Years 2012 and 2013, operating expenses in the Workers' Compensation Fund were higher than budgeted, resulting in the reserve targets being underfunded by \$2.5 million in Fiscal Year 2012 and \$2.3 million in Fiscal Year 2013. These shortfalls are due to increasing claim costs, which have been on the rise since Fiscal Year 2012. As a result, \$4.8 million is required to achieve the targeted level in Fiscal Year 2013 in accordance with the City's Reserve Policy. The \$4.8 million will be budgeted as an on-going contribution of \$1.6 million annually for the next three years beginning in Fiscal Year 2014 to cover the previous years' shortfalls. In addition, \$5.9 million is budgeted for the Fiscal Year 2014 contribution to this reserve. The increase of approximately \$4.1 million over the Fiscal Year 2013 Adopted Budget is due to additional funding for the reserve shortfalls in Fiscal Years 2012 and 2013 and additional pay-go contributions attributable to steadily increasing claim costs during the past two years, as well as new State Workers' Compensation legislation effective on January 1, 2013 and January 1, 2014.

## Long-Term Disability

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

## Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2014 Proposed Budget for Flexible Benefits is \$55.5 million.

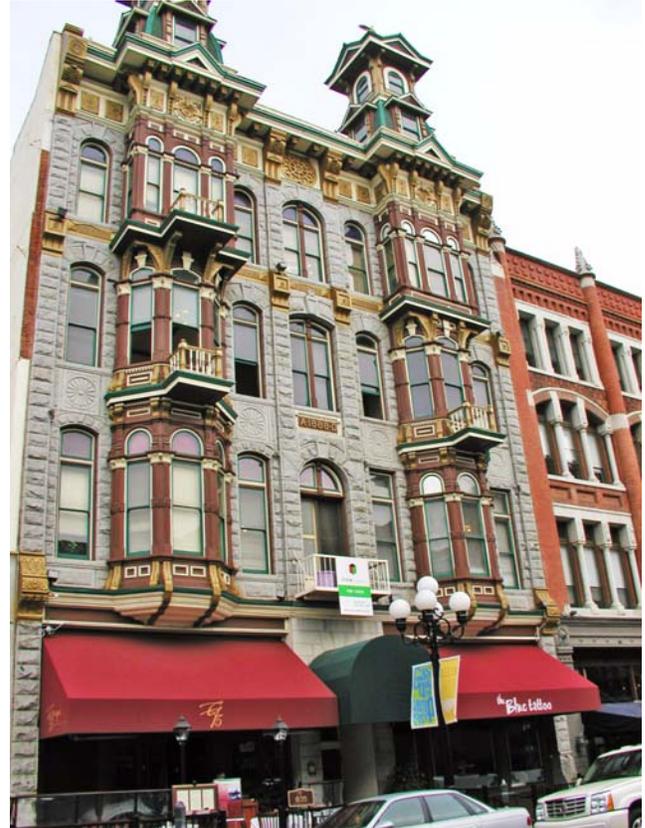
## Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In January 1982 the City established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to their savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must pay a mandatory 3 percent 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

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account. The Fiscal Year 2014 Proposed Budget for SPSP is \$19.6 million. This reflects an increase of \$0.4 million over the Fiscal Year 2013 Adopted Budget.

General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined retirement benefit as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll and a retiree medical trust with a mandatory employee contribution of 0.25 percent of payroll. These amounts are deducted from employees' paychecks and placed into the employees' accounts. The City matches these contributions. The Fiscal Year 2014 Proposed Budget for the City's contribution match is \$315,054 and is based on a count of 559 general members as of October 2012.



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

## Risk Management Administration

The Risk Management Administration (RMA) rate is established to support the appropriated expenditures that fund all of the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Safety and Environmental Health Services, Employee Benefits, Savings Plans, Long-Term Disability, and Employee Assistance programs. The Fiscal Year 2014 Proposed Budget for Risk Management Administration is \$9.7 million.

## Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime and other employee special pays. The Fiscal Year 2014 Proposed Budget for Medicare is \$7.9 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 2014 Proposed Budget for Unemployment Insurance is \$1.7 million.



## Funding of Annual Leave

In the past, the City had not completely budgeted for 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 2014 Proposed Budget includes \$6.0 million citywide and is based on anticipated retirements from the Deferred Retirement Option Plan (DROP) within the fiscal year and the projected value of the accrued annual leave balance.

## Vacancy Savings

As part of the development of the Fiscal Year 2014 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 2014 personnel expenditures to their available allocated appropriations. The Fiscal Year 2014 vacancy savings is \$31.6 million, representing a decrease of \$1.1 million or 3.4 percent from the Fiscal Year 2013 vacancy savings.

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

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

Department/Fund	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Proposed Budget
Administration	\$ 59,363	\$ 59,363	\$ 59,363
City Attorney	742,777	737,240	752,959
City Clerk	43,618	54,059	37,835
City Comptroller	185,494	162,177	159,245

# Executive Summary

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

Department/Fund (Cont'd)	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Proposed Budget
City Treasurer	174,844	172,412	172,119
Council Administration	42,791	-	-
Council District 2	-	-	121,472
Council District 3	-	-	121,472
Council District 5	-	60,736	-
Council District 7	60,736	-	60,736
Debt Management	29,931	54,059	54,059
Development Services	105,373	187,481	186,649
Economic Development	107,932	66,768	80,454
Environmental Services	142,584	221,162	236,915
Ethics Commission	130,000	-	-
Financial Management	73,445	65,291	65,291
Fire-Rescue	3,352,885	4,864,820	4,362,120
Human Resources	-	-	59,363
Library	197,059	645,753	536,587
Multimedia Services	-	58,157	-
Office of Homeland Security	-	66,768	42,578
Office of the Assistant COO	-	-	54,059
Park & Recreation	762,859	931,673	954,762
Personnel	31,491	59,114	59,114
Police	8,803,882	8,810,215	8,718,131
Public Works - Engineering & Capital Projects	1,094,124	1,011,444	1,057,413
Public Works - General Services	597,544	514,800	189,738
Public Works- Contracting	-	-	57,866
Purchasing & Contracting	120,681	49,109	49,109
Real Estate Assets	59,363	54,059	54,059
Transportation & Storm Water	674,480	815,820	733,615
<b>Total General Fund</b>	<b>\$ 17,593,256</b>	<b>\$ 19,722,480</b>	<b>\$ 19,037,083</b>
Airports Fund	54,059	59,363	38,376
Central Stores Fund	36,067	116,688	34,611
City Employee's Retirement System Fund	345,052	343,897	271,523
Development Services Fund	7,297,648	7,546,230	7,581,521
Energy Conservation Program Fund	-	59,363	4,728
ERP Fund	65,416	65,416	-
Facilities Financing Fund	59,363	42,578	42,578

# Executive Summary

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

Department/Fund (Cont'd)	FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Proposed Budget
Fire/Emergency Medical Services Transport Program Fund	52,520	-	-
Fleet Services Operating Fund	349,105	44,366	-
Golf Course Fund	136,272	123,843	134,242
Information Technology Fund	34,611	109,855	90,126
Local Enforcement Agency Fund	60,674	60,674	60,674
Maintenance Assessment District (MAD) Management Fund	54,059	42,578	-
Publishing Services Fund	28,870	-	-
QUALCOMM Stadium Operations Fund	74,297	62,005	47,091
Recycling Fund	186,868	157,874	182,650
Redevelopment Fund	86,788	-	-
Refuse Disposal Fund	311,543	294,666	249,825
Risk Management Administration Fund	132,185	68,453	96,491
Sewer Funds	1,917,881	2,022,723	1,946,751
Water Utility Operating Fund	1,659,710	1,665,969	1,651,690
Wireless Communications Technology Fund	119,205	66,685	94,162
<b>Total Non- General Fund</b>	<b>\$ 13,062,193</b>	<b>\$ 12,953,225</b>	<b>\$ 12,527,041</b>
<b>Total</b>	<b>\$ 30,655,449</b>	<b>\$ 32,675,705</b>	<b>\$ 31,564,124</b>

## Citywide Reorganization/Restructuring

The Fiscal Year 2014 Proposed Budget reflects the restructuring of several departments as a result of executive management and department-initiated reorganizations. Reorganizations 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 2014 Proposed Budget.

### Business Office Department

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

### Equal Opportunity Contracting (EOC) Program

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

### Multimedia Services Department

The Multimedia Services Department has become a division of the Department of Information Technology.

## **Graffiti Removal**

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

## **Water and Sewer Plans Review**

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

## **Public Works Contracting**

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

## **Procurement Card Program**

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

## **Public Utilities**

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

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

The City of San Diego remains committed to sustaining the important fiscal reforms that have restored the credibility of the City, addressing its financial obligations, and meeting its responsibility to provide essential core services to San Diego residents. The Fiscal Year 2014 Proposed Budget contains funding for the full payment of the pension ARC, funding for retiree health benefits, funding for storm water obligations, and funding for deferred capital. This budget also includes funding for additional service enhancements and other adjustments, which are described in more detail in the following sections.

### **Funding the Pension Plan**

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

### **Maintaining Reserves**

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

# Executive Summary

The City's Reserve Policy calls for: a) the maintenance of adequate reserve levels for all of its reserves including the Emergency Reserve and the Appropriated Reserve in the General Fund; b) enhanced operating reserves for Enterprise Funds such as Water and Wastewater; c) a capital reserve; and d) other types of reserves. The City's Reserve Policy currently defines a goal of having a minimum of 8.0 percent of General Fund revenues held in reserves by Fiscal Year 2012. For Fiscal Year 2014, the General Fund Reserve is projected to be \$154.3 million or 12.9 percent of General Fund Revenues, which exceeds the reserve target of 8.0 percent. The General Fund Reserve, however, could be impacted by the "claw-back provision", which gives the State Controller's Office authority to require that the City return certain payments that were previously made by the Former Redevelopment Agency or the Successor Agency to the City in 2011 or later that were subsequently invalidated by the State Department of Finance. If the State Controller's Office exercises this option, cumulative payments of up to \$28.0 million would be required from the General Fund Reserve, reducing the General Fund Reserve to \$126.3 million or 10.6 percent of Fiscal Year 2014 General Fund Revenues. **Table 14** displays a summary of projected General Fund Reserves for Fiscal Year 2014.

**Table 14: FY 2014 Projected General Fund Reserves**

	Amount	Percent of FY 2014 Proposed Revenues
FY 2013 Projected Budget Surplus	\$4,227,787	
Re-Budget for FY 2014 from FY 2013 Surplus <sup>1</sup>	(1,885,090)	
FY 2014 Projected Use of FY 2013 Surplus from FY 2013: <sup>2</sup>		
Police Equipment	(1,100,000)	
Lifeguard Cliff Rescue Vehicle	(500,000)	
Balboa Park Traffic Management Plan	(300,000)	
MTS Student Bus Passes	(200,000)	
Remaining Balance from FY 2013 Surplus	\$242,697	
<b>FY 2014 Projected Reserves and Fund Balance<sup>3</sup></b>	<b>\$154,276,728</b>	<b>12.9%</b>
Potential Use of Fund Balance for "Claw-back" Provision	\$(28,000,000)	
FY 2014 Revised Projected Reserves and Fund Balance	\$126,276,728	10.6%

<sup>1</sup> Includes \$1.4 million for City Council Community Projects, Programs, and Services and \$0.5 million for Community Plan Updates re-budgeted from FY 2013 budgetary surplus.

<sup>2</sup> Includes items not approved by City Council from FY 2013 Mid-Year budgetary surplus with the exception of MTS Student Bus Passes of \$0.2 million which is offset by a \$0.2 million reduction for the Mission Trails Regional Park - Kumeyaay Campground and Visitors Center.

<sup>3</sup> The percentage of General Fund Reserves and Fund Balance is calculated based on overall General Fund revenues.

The Fiscal Year 2014 Proposed Budget includes a Workers' Compensation contribution of \$32.0 million, which includes funding of \$7.5 million in contribution to the Workers' Compensation Reserves. In Fiscal Years 2012 and 2013, operating expenses in the Workers' Compensation Fund were higher than budgeted. In Fiscal Year 2012, due to insufficient funding, the reserve target was underfunded by \$2.5 million. Again, in Fiscal Year 2013, the budget was insufficient to fund actual expenditures, resulting in an additional shortage of reserves of \$2.3 million. These shortfalls are due to increasing claim costs, which have been on the rise since Fiscal Year 2012. As a result, \$4.8 million is required to achieve the targeted level in Fiscal Year 2013 in accordance with the Reserve Policy. The plan to replenish the reserve shortfalls of \$4.8 million will be to budget \$1.6 million annually for the next three years beginning in Fiscal Year 2014. In addition, \$5.9 million is budgeted

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in Fiscal Year 2014 in accordance with the Reserve Policy. The use of General Fund reserves were not used as part of the solutions to mitigate the Fiscal Year 2014 Proposed Budget.

In addition, the Fiscal Year 2014 Proposed Budget includes a \$101,700 contribution to the Public Liability Fund Reserve, which is a reduction of \$6.0 million from the Fiscal Year 2013 Adopted Budget of \$6.1 million. An additional \$4.7 million will be contributed to the reserve from fund balance for a total reserve contribution of \$4.8 million. The Fiscal Year 2014 goal for the Public Liability Reserve is 24.0 percent of outstanding claims according to the City's Reserve Policy. This contribution to the Public Liability Reserve in Fiscal Year 2014 will increase the reserve level to a projected \$27.9 million, which would exceed the targeted level of 24.0 percent of outstanding claims by 3.0 percent in Fiscal Year 2014 based on the new actuarial valuation. In addition, the reserve contribution for Fiscal Year 2015 through Fiscal Year 2019 is now projected to be \$4.8 million annually instead of \$6.1 million as stated in the Reserve Policy. Revisions to the Reserve Policy are currently underway to reflect the updated targeted contributions.

In Fiscal Year 2012, \$27.0 million related to the wildfire settlement with SDG&E was deposited into the Public Liability Fund Reserve. Of this amount, \$21.6 million will be transferred back to the General Fund to mitigate the \$38.4 million deficit and \$5.4 million to Enterprise Funds in Fiscal Year 2014.

## **Retiree Health Care Costs**

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

## **Municipal Storm Water Permit Compliance**

Compliance with the Municipal Storm Water Permit required by the California Regional Water Quality Control Board significantly impacts the City's budget. The Fiscal Year 2014 Proposed Budget includes \$36.0 million to fund programs to comply with permit requirements, which includes the addition of 2.00 FTE positions, associated personnel expenditures of \$240,033, and \$2.0 million in contractual funding for Fiscal Year 2014. These programs include storm water pollution prevention, street sweeping, and storm drain maintenance.

## **Deferred Capital**

Based on information available in 2011, the City's backlog is estimated at \$898.0 million for deferred capital/maintenance projects for streets, building, and storm drain infrastructure funded by the General Fund. This backlog was identified by conducting extensive condition assessments. Of the \$898.0 million, \$478.0 million is related to streets, \$185.0 million is attributed to buildings, and \$235.0 million is related to storm drains. On March 20, 2012, the City Council approved a funding option which provides for bond funding totaling \$415.4 million over the five-year period, and increasing annual O&M funding from \$45.8 million in Fiscal Year 2013 to a level of \$73.8 million by Fiscal Year 2017. In addition, the City Council approved the one-time use of up to \$8.3 million of the projected \$16.5 million General Fund surplus for Fiscal Year 2012 to increase cash funding of deferred capital projects in Fiscal Year 2013, raising the O&M level from \$45.8 million to \$54.1 million. The Fiscal Year 2013 Adopted Budget included \$8.3 million in one-time funding for deferred capital projects. This was in addition to the \$75 million in bond proceeds received in Fiscal Year 2013 to address the deferred capital backlog.

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The Fiscal Year 2014 Proposed Budget includes an additional \$3.2 million in O&M funding, increasing the budgeted O&M level to \$49.0 million in Fiscal Year 2014. In addition, a third bond issuance for \$80 million is planned for early calendar year 2014 to further address the deferred capital backlog. Note that the debt service payments related to this bond issuance will begin in Fiscal Year 2015 and not in Fiscal Year 2014 as anticipated in the Outlook due to the time of the issuance.

## Service Enhancements and Other Adjustments

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

### Neighborhood Services

#### *Deferred Capital Maintenance Support*

In order to address deferred capital maintenance, the Fiscal Year 2014 Proposed Budget includes the addition of 9.00 FTE positions and \$872,548 in expenditures in the Facilities Division of the Public Works - General Services Department, \$1.6 million in the Streets Division, and \$769,516 in the Storm Water Division of the Transportation & Storm Water Department for a total O&M funding of \$3.2 million.

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

In March 2013, City Council authorized the issuance of \$35.0 million in lease revenue bonds to fund the following capital improvement projects.

- Concrete Streets - This project will receive \$9.75 million in bond proceeds to fund the repair and reconstruction of concrete streets.
- Fire Station No. 45 - East Mission Valley - This project will receive \$3.7 million in bond proceeds to complete updates to the Mission Valley fire station. The station will accommodate up to 18 personnel, two engines, one aerial truck, two hazardous material apparatus, one paramedic ambulance, and one Battalion Chief vehicle.
- Mission Beach Boardwalk Bulkhead - This project will receive \$1.4 million in bond proceeds for preserving the life of the historic Mission Beach bulkhead and includes replacing the concrete deck, restoring the wall backfill, and replacing the parapet.
- Mission Hills-Hillcrest Branch Library - This project will receive \$2.0 million in bond proceeds for the construction of a 20,000 square-foot library for the Mission Hills and Hillcrest neighborhoods.
- Resurfacing of City Streets - This project will receive \$5.15 million in bond proceeds to fund roadway resurfacing, repair, and reconstruction projects of City streets.
- San Ysidro Branch Library - This project will receive \$3.0 million in bond proceeds to fund the construction of a 15,000 square-foot facility to serve the San Ysidro Community.



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- Skyline Hills Library - This project will receive will receive \$5.0 million in bond proceeds to fund a 15,000 square-foot library expansion to the existing facility.
- Watershed CIP - This project will receive \$5.0 million in bond proceeds to fund the design and construction of watershed capital projects, such as addressing storm drain discharge water quality standards.

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

The Fiscal Year 2014 Proposed Budget includes the addition of a 0.75 FTE position, \$26,989 in expenditures, and \$2,500 in revenue to support the maintenance and operation of the Memorial Pool Expansion which is expected to be completed in March 2014; 0.04 FTE position and \$2,604 in expenditures to support the new 0.25 acre facility at West Maple Canyon Mini-Park; 5.00 FTE positions and \$627,643 in expenditures for maintenance and operational support of an additional 1,092 acres at North Mission Trails Regional Park; and 2.00 FTE positions, \$221,756 in expenditures, and \$49,700 in revenue to support an additional 217 open space acres.

## ***New Central Library***

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

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

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

## ***Community Plan Updates***

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

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

The Fiscal Year 2014 Proposed Budget includes the addition of 1.00 FTE position and \$75,217 in expenditures to support the administration of the Property Value Protection Ordinance, which requires lenders to register defaulted and foreclosed residential properties. These expenditures are fully offset by revenues generated from the implementation of the \$76 user registration fee.

## ***Tree Trimming***

The addition of \$500,000 in expenditures is incorporated in the Fiscal Year 2014 Proposed Budget for planned tree trimming of both palm and shade trees.

## ***Citywide Bike Program***

The addition of 1.00 FTE position and \$120,744 in expenditures is incorporated in the Fiscal Year 2014 Proposed Budget to provide support and oversight of the City's Bike Program which promotes biking as an alternative transportation option for residents.

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

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

# Executive Summary

## ***Emergency Winter Shelter***

Included in the Fiscal Year 2014 Proposed Budget is \$1.3 million to support the operations of the Emergency Winter Shelter year-round.

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

The addition of 6.00 FTE positions, \$613,238 in associated personnel expenditures, and \$336,762 in non-personnel expenditures will be tasked with coordinating and linking fragmented urban and civic policies, research, and projects on both sides of the border to produce new platforms of collaboration between local governments, institutions, and neighborhood organizations. Over the next fiscal year, these positions will facilitate the establishment of and staff various working groups, internships, incubators, and a Council on Civic Imagination and Urban Initiatives.

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

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

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

The Fiscal Year 2014 Proposed Budget includes \$300,000 to support the Traffic Management Plan in Balboa Park for temporary improvements, which may include the following: remove wheel stops and parking signage in the Plaza de Panama; perform necessary grading and apply a temporary topping in the Plaza de Panama; purchase and install removable bollards in the Plaza de Panama consistent with the Central Mesa Precise Plan; install detectable warning tiles and truncated domes to comply with the Americans with Disabilities Act (ADA); relocate accessible parking spaces in the Alcazar Parking Lot; modify traffic flow on park roads as needed; and purchase and install new directional signage.

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

The Fiscal Year 2014 Proposed Budget includes 3.00 FTE positions on a limited basis through Fiscal Year 2016 and \$385,545 in expenditures to support the 2015 Centennial Celebration in Balboa Park.

## **Public Safety**

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

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

### ***Police Equipment***

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

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

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

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## ***Fire Vacancy Savings***

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

## ***Fire Dispatching***

Included in the Fiscal Year 2014 Proposed Budget is the addition of 3.00 FTE positions, \$272,793 in expenditures and offsetting revenue related to the newly acquired dispatching contracts with the cities of Coronado and National City.

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

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

## **Other Significant Adjustments**

### ***Storm Water Compliance***

The Fiscal Year 2014 Proposed Budget includes the addition of 4.00 FTE positions, \$448,899 in expenditures, and \$590,748 in offsetting revenue in the Public Works - Engineering & Capital Projects Department to maintain storm water compliance on all construction projects.

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

The two major cost components included in this budget to fund the compliance efforts related to TMDLs are additional positions and increased contract funding. This budget includes the addition of 2.00 FTE positions and \$240,033 in expenditures. Additionally, an increase of \$2.0 million in contract funding is included in order to implement the storm water pollution prevention controls necessary to comply with the Indicator Bacteria TMDL regulations.

### ***Facilities Vacancy Savings***

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

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

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

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

The Fiscal Year 2014 Proposed Budget includes \$1.9 million (\$1.4 million in the General Fund) to support the pay-go costs for the continued funding of the supplemental cost of living adjustment (COLA) benefit.

# Executive Summary

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

The following are the corrective actions that are included in the Fiscal Year 2014 General Fund Proposed Budget to mitigate the projected deficit and fund the service enhancements and other adjustments.

### Major Revenues

Based upon the most current revenue projections for Property Tax (excluding Redevelopment Property Tax Trust Fund revenues), Sales Tax, Transient Occupancy Tax, and Franchise Fees for Fiscal Year 2014, the Fiscal Year 2014 Proposed Budget includes \$800.0 million for these revenue sources. This is an increase of \$2.3 million over the Outlook's projection of \$797.7 million for these revenues in Fiscal Year 2014. More detailed information related to Major General Fund Revenues can be found in the General Fund Revenues section of this Volume.

### Deferred Capital Debt Service

In addition to the two bond issuances in Fiscal Years 2009 and 2013, the Outlook projected a third bond issuance of \$80.0 million in Fiscal Year 2013 with an associated debt service payment of \$5.6 million in Fiscal Year 2014 to further address General Fund deferred capital projects. This bond issuance will be delayed until early calendar year 2014. As a result, debt service payments will begin in Fiscal Year 2015 and no debt service payment will be required for Fiscal Year 2014.

### Deferred Capital Operations & Maintenance

The Outlook projected an additional \$4.2 million in O&M funding in Fiscal Year 2014 to address the deferred capital backlog. The Fiscal Year 2014 Proposed Budget includes an additional \$3.2 million in O&M funding, which is \$1.0 million less than projected in the Outlook.

### SDG&E Settlement

In Fiscal Year 2012, \$27.0 million related to the wildfire settlement with SDG&E was deposited into the Public Liability Fund. Of this amount, a one-time use of \$21.6 million will be transferred back to the General Fund to mitigate the \$38.4 million deficit and \$5.4 million to Enterprise Funds in Fiscal Year 2014.

### Reserve for Redevelopment Agency Impacts

The Transient Occupancy Tax (TOT) Fund Balance is projected to be \$12.2 million at the end of Fiscal Year 2013. Of this amount, a one-time use of \$5.3 million and an on-going use of \$2.3 million over the next three years beginning in Fiscal Year 2014 will be used to address the General Fund impact related to the dissolution of the redevelopment agency. This will result in a total use of \$7.6 million in Fiscal Year 2014 to address the loss of debt service support for PETCO Park and the Convention Center Phase II expansion. The remaining \$4.6 million in TOT fund balance is projected to be used in Fiscal Years 2015 and 2016.

### Redevelopment Property Tax Trust Fund (RPTTF)

The Redevelopment Property Tax Trust Fund (RPTTF) is a County-administered fund that holds property taxes that would have been allocated to redevelopment agencies prior to the dissolution of redevelopment. The County disburses money from the RPTTF to the Successor to the Redevelopment Agency on a semi-annual basis to pay for items on the Recognized Obligation Payment Schedule (ROPS). The City can also receive an administrative cost allowance of up to

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three percent of the amount disbursed. Additional RPTTF revenue of \$3.1 million from the Outlook is included in the Fiscal Year 2014 Proposed Budget.

## Property Tax Administration Fee

The Fiscal Year 2014 Proposed Budget includes a reduction of \$1.0 million in property tax administration fees, which were not projected in the Outlook.

## City Attorney Office Reductions

A reduction of 13.00 FTE positions and \$1.4 million in associated personnel expenditures in the Office of the City Attorney is included in the Fiscal Year 2014 Proposed Budget. The position reductions in the City Attorney's Office reflect service level reductions experienced by other City departments over the last five years. Since 2009, total City positions (excluding the City Attorney's Office) decreased by a net 674.99 FTE positions, or 6.50 percent. During the same time period, the City Attorney's Office positions increased by a net 7.77 FTE positions, or 2.29 percent.



## BID Council

Council Policy 900-15 relating to the Small Business Enhancement Program (SBEP) provides for an agreement between the City and the Business Improvement District (BID) Council to provide economic development services to the City's small business communities. Under this agreement, a total of \$485,000 was requested for this effort for Fiscal Year 2014, which includes \$315,000 to support the BID Council operations and programs, and \$170,000 in reimbursement to the BID Council for City fees and charges incurred as a result of implementing the Council-approved BID programs. Of the \$315,000, \$185,000 is related to program

support and operations of the BID Council, \$75,000 is related to grants to Micro-Districts and Commercial Neighborhoods, and \$55,000 is related to technical assistance for small businesses. As a corrective measure to mitigate the General Fund deficit, \$185,000 in General Fund support for the BID Council operations was reduced from the Fiscal Year 2014 Proposed Budget. The City will assume the administration of grants to Micro-Districts and Commercial Neighborhoods and technical assistance for small businesses.

## Balboa Avenue Land Proceeds

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

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## World Trade Center Proceeds

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

## Emergency Medical Services (EMS) Fund Balance Transfer

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

## Public Liability Reserve

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

The Outlook included a reduction of \$4.5 million in the General Fund contribution to the Public Liability Reserve as a result of depositing \$27.0 million from the SDGE wildfire settlement at the end of Fiscal Year 2012 into the Public Liability Fund. However, the Fiscal Year 2014 budget assumes that \$21.6 million will be transferred back to the General Fund and as much as \$5.4 million transferred to Enterprise Funds.

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

## Police Decentralization Fund Balance Transfer

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

## Use of Fiscal Year 2013 Surplus

A budgetary surplus of \$4.4 million in the General Fund is projected at the end of Fiscal Year 2013 of which \$4.0 million is budgeted in Fiscal Year 2014 as follows: rebudgeting of \$1.4 million for City Council Community Projects, Programs, and Services, and \$500,000 for community plan updates; \$1.1 million for the replacement of Police equipment (e.g. gas masks, helmets, shields, shotguns and body armor vests); \$500,000 for the replacement of a Lifeguard cliff rescue vehicle; \$300,000 to support the Balboa Traffic Management Plan; and \$200,000 for MTS student bus passes.

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## Storm Water CIP General Fund Contribution

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

## One-Time Resources and Uses

The Fiscal Year 2014 Proposed Budget includes \$34.8 million in one-time resources as displayed in **Table 15: Fiscal Year 2014 One-Time Resources**.

**Table 15: Fiscal Year 2014 One-Time Resources**

One-Time Resources	Amount
Proceeds from SDG&E Settlement	\$21,600,000
Use of Transient Occupancy Tax (TOT) Fund Balance	5,300,000
Reduction in Storm Water CIP Contribution	2,850,000
Use of Fiscal Year 2013 Surplus	3,985,090
Reimbursement of Appropriated Reserve Used in Fiscal Year 2013 for Convention Center Phase III Expansion	1,000,000
<b>Total</b>	<b>\$34,735,090</b>

This compares to approximately \$8.9 million in one-time uses as displayed in **Table 16: Fiscal Year 2014 One-Time Uses**.

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

One-Time Uses	Amount
Information Technology Discretionary Expenditures	\$4,688,405
Community, Projects, Programs, and Services	\$1,385,090
Replacement of Police Equipment	1,100,000
Community Plan Updates and Special Projects	500,000
Lifeguard Cliff Rescue Vehicle	500,000
Balboa Park Traffic Management Plan	300,000
MTS Student Bus Passes	200,000
Support for New Open Space and Park Acreage	165,000
Children's Pool Permit Processing	25,000
<b>Total</b>	<b>\$8,863,495</b>

<b>Net Use of One-Time Resources</b>	<b>\$25,871,595</b>
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The information shown in the tables above reflect that approximately \$25.9 million in one-time resources were used to balance the Fiscal Year 2014 Proposed General Fund Budget. This approach can be undertaken with the assumption that the economy continues to show improvement. In addition, the possibility exists that, should the City reach agreement with each of its labor organizations over a five-year agreement which freezes pensionable pay, the impact of such an agreement will lower the City's ARC pension payment.



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