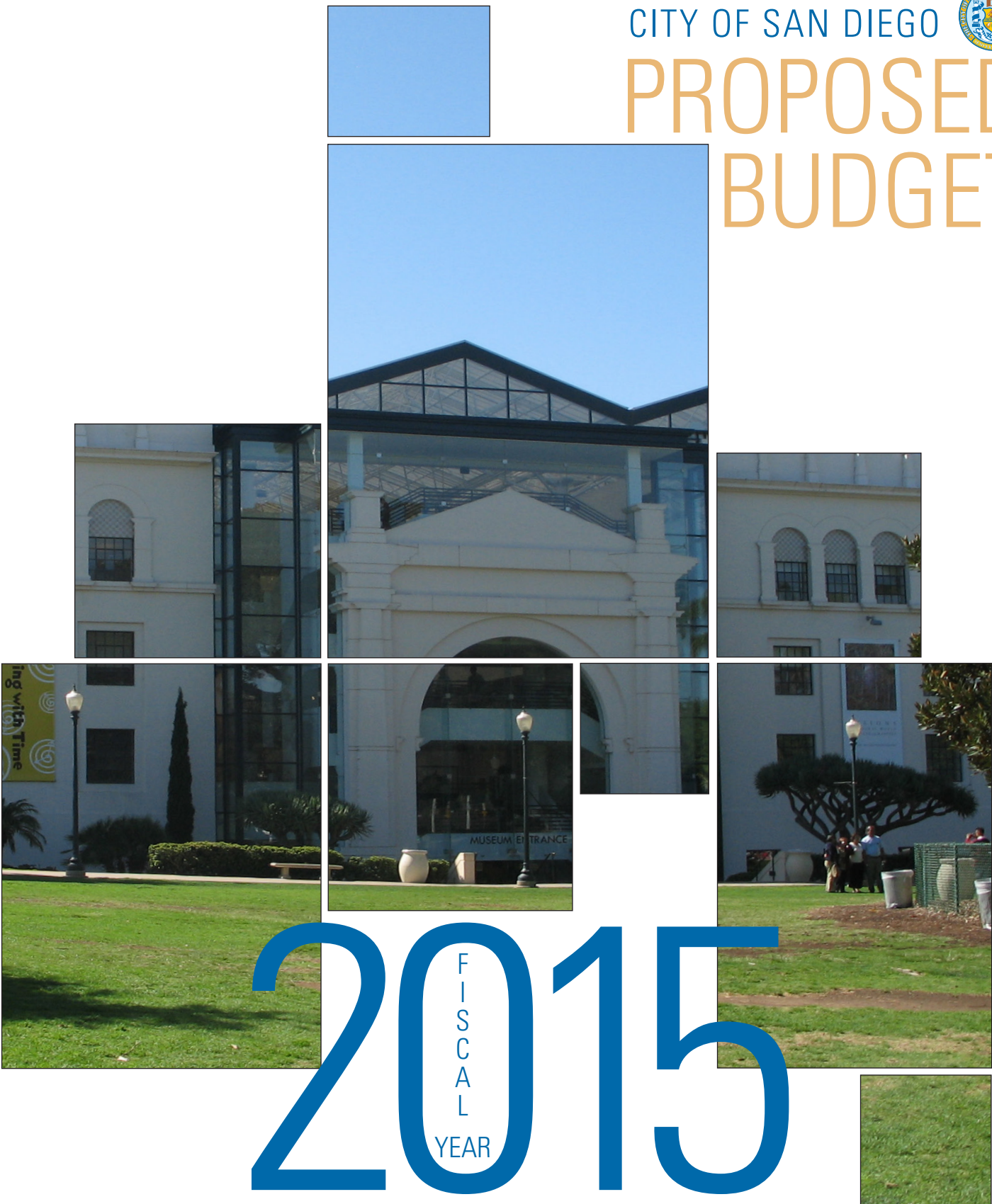


CITY OF SAN DIEGO



# PROPOSED BUDGET



## Executive Summary



# Executive Summary



## Introduction

In November of 2013, the prior administration released an update to the Mayor's Fiscal Year 2015-2019 Five-Year Financial Outlook (Outlook), which projected a General Fund baseline deficit of \$19.1 million in Fiscal Year 2015. This deficit has been addressed and in addition modest service enhancements are included in the Fiscal Year 2015 Proposed Budget through the fiscal measures described in this section.

The Fiscal Year 2015 Proposed Budget addresses top priorities affecting our communities by committing resources towards infrastructure, public safety needs, neighborhood improvements and services, and enhanced transparency through open data initiatives.

## Infrastructure

Investment in the City's infrastructure is a top priority. This budget continues to address the deferred capital backlog through the funding of \$4.2 million in debt service payments related to a third bond issuance approved by the City Council in Fiscal Year 2014 to fund \$120.0 million in capital improvement projects. In addition, the budget includes \$11.2 million (\$2.1 million in the General Fund) to conduct various condition/needs assessments of City infrastructure, \$2.1 million for landfill/storm water improvements and \$500,000 (\$450,000 in the General Fund) for facility upgrades at South Chollas, \$4.3 million for storm water infrastructure, \$1.4 million for sidewalk and street light improvements, \$2.9 million in transfers to drainage projects, \$2.1 million (\$526,485 in the General Fund) to support the SAP Enterprise Asset Management Project, and \$300,000 for parking lot and road repairs at Park & Recreation facilities. The Fiscal Year 2015 Proposed Budget also provides funding of \$705,756 for facilities maintenance support, \$388,989 to support streets slurry and overlay projects, and the net addition of 14.00 full-time equivalent (FTE) positions with offsetting non-personnel expenditures for the implementation of an efficiency plan for providing streets and sidewalk maintenance as an alternative to the Streets and Sidewalks Maintenance Managed Competition proposal.

## Public Safety

The Fiscal Year 2015 Proposed Budget also addresses public safety needs with the addition of 45 Police sworn positions which includes nine positions for the May 2014 Police academy and 36 positions to increase the four planned academies in Fiscal Year 2015 from 34 to 43 recruits. In addition, 17.00 FTE Police civilian positions were added to support the Police Department operations, 1.00 Assistant Police Chief, \$3.2 million for the continued funding of the Police retention program, and \$1.0 million for Police body worn cameras. For the Fire-Rescue Department, funding of \$1.1 million for two additional Fire academies, \$951,489 for the Skyline temporary fire station, \$599,000 for the Fast Response Program, the addition of 4.00 Lifeguard IIIs for the Boating Safety

# Executive Summary

Unit, and \$500,000 for lifeguard facility improvements for the Boating Safety Unit are included in this budget.

## Neighborhoods

Revitalizing the City's neighborhoods and providing neighborhood services are also top priorities. This budget includes \$2.2 million for the projected increase in general benefit contributions to Maintenance Assessment Districts (MADs) as a result of the reengineering of the MADs, \$2.0 million for storm water permit compliance, \$1.5 million to expand hours at all San Diego public libraries, \$501,434 for Library after-school programs, \$710,668 for California Environmental Quality Act (CEQA) and urban design support, additional funding of \$204,899 to continue Community Plan Updates, \$101,542 to enforce the Property Value Protection Ordinance, \$793,722 for new Park & Recreation facilities scheduled to open in Fiscal Year 2015, \$139,653 to re-open the Kumeyaay Campground for overnight weekend camping, \$500,000 for brush management, \$359,320 to support building and housing and land development code enforcement, \$297,852 for Penny for the Arts, and \$200,000 for the CONNECT2Careers youth summer employment program.

## Open Government / Transparency

Enhanced transparency through open data initiatives is also addressed in this budget. The Fiscal Year 2015 Proposed Budget includes the addition of 1.00 Open Data Officer to implement an Open Data Policy and enhance transparency of government operations through increased public access to City data and information. In addition, funding of \$500,000 (\$255,000 in the General Fund) is included to establish an email retention policy to store the City's electronic emails.

## Other Significant Adjustments

This budget also includes the addition of \$1.2 million for the implementation of the Improvement to Government Operations Plan approved by the City Council in October 2013, the addition of 7.00 FTE positions to support the Prevailing Wage Ordinance, and \$3.0 million for vacation pay in lieu expenditures. In addition, the Fiscal Year 2015 Proposed Budget includes the reductions of \$549,331 resulting from the elimination of vacant positions which do not affect service levels, \$701,397 for the Civic and Urban Initiatives program, and \$500,000 for library materials to allow for expanded library hours and new after-school programs.

## City Budget Overview

The City of San Diego's Fiscal Year 2015 Proposed Budget of \$2.97 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 2013 to Fiscal Year 2015 by fund type and for the CIP. The reduction in the General Fund and increase in the Special Revenue and Internal Service Funds in the Fiscal Year 2015 Proposed Budget is primarily attributed to the restructure of the Public Works - Engineering & Capital Projects Department from the General Fund to an internal service fund and the restructure of the Parking Meter Operations program from the General Fund to a special revenue fund. Separating Public Works - Engineering & Capital Projects from the General Fund will increase transparency through clear tracking of all the work performed by the department (both CIP and other). It will also add flexibility for the department to modify staffing levels in response to the size of the CIP.

# Executive Summary

**Table 1: Total City Expenditure Changes Fiscal Years 2013 - 2015 by Fund Type/Program**

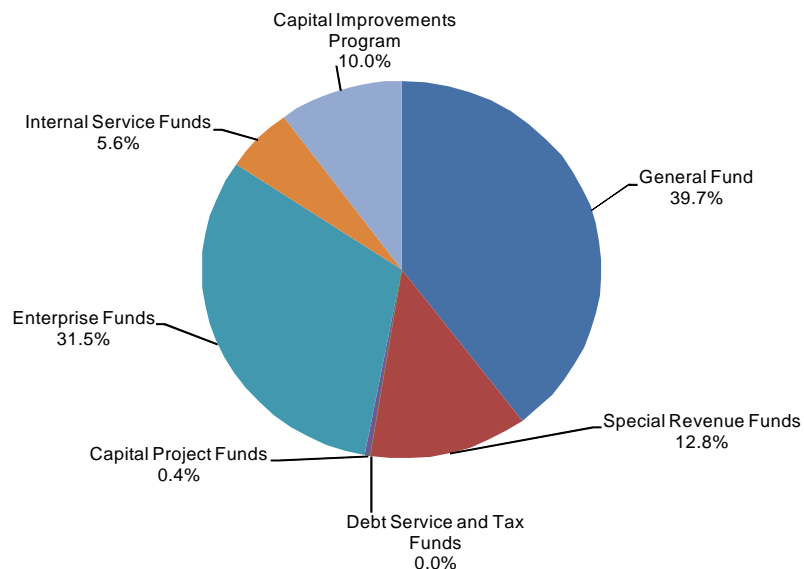
| Fund Type                               | FY 2013 Actual          | FY 2014 Adopted Budget  | FY 2015 Proposed Budget | FY 2014 - FY 2015 Change | Percent Change |
|---|-------------------------|-------------------------|-------------------------|--------------------------|----------------|
| General Fund <sup>1</sup>               | \$ 1,168,761,081        | \$ 1,225,491,199        | \$ 1,179,048,088        | \$ (46,443,111)          | (3.8)%         |
| Special Revenue Funds                   | 320,874,294             | 369,922,311             | 380,306,624             | 10,384,313               | 2.8%           |
| Debt Service and Tax Funds <sup>2</sup> | 3,047,993               | 2,630,000               | -                       | (2,630,000)              | (100.0)%       |
| Capital Project Funds                   | 10,670,761              | 13,435,611              | 12,527,089              | (908,522)                | (6.8)%         |
| Enterprise Funds                        | 832,493,812             | 901,262,377             | 934,569,247             | 33,306,870               | 3.7%           |
| Internal Service Funds                  | 92,649,671              | 103,068,181             | 165,077,498             | 62,009,317               | 60.2%          |
| Capital Improvements Program            | 355,914,442             | 179,440,324             | 297,652,880             | 118,212,556              | 65.9%          |
| <b>Total</b>                            | <b>\$ 2,784,412,055</b> | <b>\$ 2,795,250,003</b> | <b>\$ 2,969,181,426</b> | <b>\$ 173,931,423</b>    | <b>6.2%</b>    |

<sup>1</sup> The Fiscal Year 2015 Proposed General Fund expenditures budget includes \$1.8 million for Community Projects, Programs, and Services appropriations which is offset in the General Fund revenue budget by fund balance.

<sup>2</sup>The City does not plan to issue Tax and Revenue Anticipation Notes in Fiscal Year 2015; therefore funding is not included in this budget.

**Figure 1** displays the Fiscal Year 2015 Proposed Expenditure Budget by fund type or program.

**Figure 1: Fiscal Year 2015 Proposed Expenditure Budget by Fund Type**



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

# Executive Summary

**Table 2** presents the changes in revenues from Fiscal Year 2013 to Fiscal Year 2015 by fund type.

**Table 2: Total City Revenue Changes Fiscal Years 2013 - 2015 by Fund Type**

| Fund Type                               | FY 2013 Actual          | FY 2014 Adopted Budget  | FY 2015 Proposed Budget | FY 2014 - FY 2015 Change | Percent Change |
|---|-------------------------|-------------------------|-------------------------|--------------------------|----------------|
| General Fund <sup>1</sup>               | \$ 1,181,711,776        | \$ 1,203,048,350        | \$ 1,177,237,223        | \$ (25,811,127)          | (2.1)%         |
| Special Revenue Funds                   | 312,217,365             | 348,845,047             | 362,661,779             | 13,816,732               | 4.0%           |
| Debt Service and Tax Funds <sup>2</sup> | 2,532,860               | 2,630,000               | -                       | (2,630,000)              | (100.0)%       |
| Capital Project Funds                   | 33,539,417              | 29,179,187              | 30,010,000              | 830,813                  | 2.8%           |
| Enterprise Funds                        | 968,625,080             | 952,558,503             | 1,001,326,971           | 48,768,468               | 5.1%           |
| Internal Service Funds                  | 105,228,949             | 107,342,941             | 171,010,725             | 63,667,784               | 59.3%          |
| <b>Total</b>                            | <b>\$ 2,603,855,447</b> | <b>\$ 2,643,604,028</b> | <b>\$ 2,742,246,698</b> | <b>\$ 98,642,670</b>     | <b>3.7%</b>    |

<sup>1</sup>The Fiscal Year 2015 Proposed General Fund expenditures budget includes \$1.8 million for Community Projects, Programs, and Services appropriations which is offset in the General Fund revenue budget by fund balance.

<sup>2</sup>The City does not plan to issue Tax and Revenue Anticipation Notes in Fiscal Year 2015; therefore funding is not included in this budget.

<sup>3</sup> Non-General Fund operating revenues are less than operating expenditures due to the use of fund balance.

## Expenditure Overview

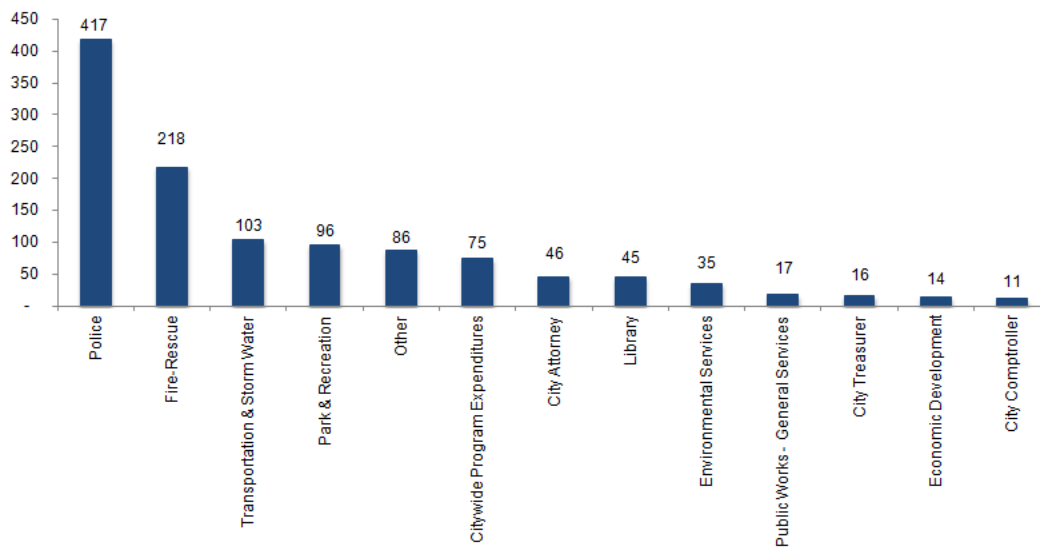
### General Fund

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 2015 Proposed Budget reflects General Fund expenditures totaling \$1.18 billion, representing a net decrease of \$46.4 million or 3.8 percent from the Fiscal Year 2014 Adopted Budget. The Fiscal Year 2015 Proposed General Fund Budget includes 6,947.31 budgeted FTE positions, a net decrease of 320.19 FTE positions from the Fiscal Year 2014 Adopted General Fund Budget, primarily due to the restructure of the Public Works - Engineering & Capital Projects Department from the General Fund to an internal service fund and the restructure of the Parking Meter Operations program from the General Fund to a special revenue fund. More detail on the total net decrease in the General Fund is described in subsequent sections.

**Figure 2** summarizes the Fiscal Year 2015 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 2015 Proposed General Fund Expenditures by Department (in Millions)**



**Note:** The Other category includes: City Auditor, City Clerk, City Council, City Planning, Communications, Debt Management, Analytics and Performance Management, Department of Information Technology, Development Services, Ethics Commission, Financial Management, Human Resources, Internal Operations, Infrastructure/Public Works, Neighborhood Services, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, 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. At the time of this publication, the City does not plan to issue TRANS in Fiscal Year 2015. Therefore, funding for the issuance is not included in this budget.

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. These funds typically make up a small portion of the Capital Improvements Program (CIP), since the CIP can be supported by all fund types. This fiscal year's budget is comprised of the Capital Outlay Fund and TransNet Funds. The Fiscal Year 2015 Proposed Budget for Capital Project Funds is \$12.5 million, which is a decrease of \$908,522 or 6.8 percent from the Fiscal Year 2014 Adopted Budget. This decrease is primarily due to a reduction of \$1.3 million in expenditures in the Capital Outlay Fund due to the use of fund balance for deferred capital debt service payments.

## Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include Transient Occupancy Tax (TOT) and Gas Tax. The Fiscal Year 2015 Proposed Operating Budget for Special Revenue Funds is \$380.3 million, representing a net

# Executive Summary

increase of \$10.4 million or 2.8 percent from the Fiscal Year 2014 Adopted Budget. This net increase is primarily due to the addition of \$5.9 million in expenditures related to the restructure of the Parking Meter Operations program from the General Fund to a special revenue fund, and the addition of \$4.6 million in transfers to the Convention Center for debt service payments previously paid by the Port of San Diego.

## 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 2015 Proposed Operating Budget for all Enterprise Funds is \$934.6 million, representing a net increase of \$33.3 million or 3.7 percent from the Fiscal Year 2014 Adopted Budget. This net increase is primarily due to the following adjustments in the Public Utilities Department: (1) an increase of \$17.3 million for water purchases as a result of increased water rates; (2) an increase of \$9.1 million for facility condition assessments of Water and Sewer facilities; and (3) an increase of \$8.0 million in repair and maintenance contracts for Sewer facilities.

## Internal Services Funds

The Fiscal Year 2015 Proposed Budget for Internal Service Funds totals \$165.1 million, which is an increase of \$62.0 million or 60.2 percent from the Fiscal Year 2014 Adopted Budget. This increase is primarily due to an increase of \$61.9 million in expenditures related to the restructure of the Public Works - Engineering & Capital Projects Department from the General Fund to an internal service 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 2015 Proposed CIP Budget totals \$297.7 million. This is an increase of \$118.2 million, or 65.9 percent, from the Fiscal Year 2014 Adopted CIP Budget of \$179.4 million, primarily due to an increase in water and sewer funded projects.

The CIP budget identifies funding that is uncertain to be received in Fiscal Year 2015. This amount is reflected as *Anticipated* in the CIP project pages. For Fiscal Year 2015, a total of \$290.9 million in anticipated funding for CIP projects is included but is not being approved through the Fiscal Year 2015 Proposed Budget. Anticipated funding includes a variety of funding such as donations, grants, developer funding, and Facilities Benefit Assessments, as well as the deferred capital bond proceeds. It should be noted that the \$120.0 million in bond proceeds approved by the City Council in Fiscal Year 2014 is included in the anticipated funding. Based on projected spending trends, the bond issuance will occur in two series. The first series is delayed due to litigation and will generate \$66.4 million in bond proceeds. The second series is expected to be issued in Fiscal Year 2015, and is anticipated to generate the remaining \$53.6 million in bond proceeds.

## Summary of Major General Fund Budget Changes

This section shows the major contributors to the \$25.8 million or 2.1 percent decrease in revenues and the \$46.4 million or 3.8 percent decrease in expenditures in the General Fund in the Fiscal Year 2015 Proposed Budget. The Fiscal Year 2015 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.



## 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 \$856.9 million or 72.7 percent of the total General Fund revenues. In total, these four major revenues have increased \$44.6 million in the Fiscal Year 2015 Proposed Budget from the Fiscal Year 2014 Adopted Budget, while all other General Fund revenues have decreased \$70.4 million primarily as a result of the restructure of departments out of the General Fund.

The nationwide recession dramatically impacted State and local revenues due to the unprecedented pace and scope of declines in economic drivers such as employment, housing, and consumer confidence. While economic conditions are anticipated to remain more challenging than before the recession, local economic indicators have continued to modestly improve throughout Fiscal Year 2014, as according to Moody's Investor Services, the worst is believed to have passed for most local governments, including the City of San Diego. Although the local economy continues to improve, the rate of improvement in several local indicators has begun to slow as the City enters an era that Moody's has titled as the 'new stable'. The 'new stable' is projected to be a 12 to 18 month period in which revenue growth is positive but constrained. This overall expectation and projection for the City's revenues is consistent with information received from the City's sales tax consultant, the County Tax Collector and Appraiser, the San Diego Tourism Authority, and the UCLA Anderson Forecast.

For Fiscal Year 2015, property tax is budgeted at \$436.7 million, an increase of \$28.7 million or 7.0 percent from the Fiscal Year 2014 Adopted Budget. The Fiscal Year 2015 Proposed Budget for property tax revenue is based upon the improvement in the local real estate market experienced during calendar year 2013. Based on this improvement in the local real estate market, the Fiscal Year 2015 Proposed property tax budget assumes that the City will experience 3.5 percent growth in the assessed valuation. This projected increase in property tax is accompanied by forecasted increases in sales tax, transient occupancy tax, and franchise fees. Sales tax is budgeted at \$257.1 million, which represents an increase of \$9.0 million or 3.6 percent from the Fiscal Year 2014 Adopted Budget. This projected growth is due to continued increases in sales tax receipts experienced through the first half of Fiscal Year 2014 and these increases are anticipated to continue into Fiscal Year 2015. Transient Occupancy Tax (TOT) is budgeted at \$91.1 million, an increase of \$3.3 million or 3.7 percent from the Fiscal Year 2014 Adopted Budget due to increases in local tourism and business travel. Franchise Fees are budgeted at \$72.0 million, an increase of \$3.6 million or 5.3 percent from the Fiscal Year 2014 Adopted Budget primarily due to projected increases in San Diego Gas & Electric (SDG&E) franchise fee payments to the City which are partially offset by projected decreases in cable franchise fee payments.

Offsetting the projected increases in the General Fund major revenues, the Fiscal Year 2015 Proposed Budget for all other General Fund revenues has decreased \$70.4 million from the Fiscal Year 2014 Adopted Budget. As reflected below in **Table 3: General Fund Revenue Adjustment Over Fiscal Year 2014 Adopted Budget**, the increases in the General Fund's four largest revenue sources are offset by decreases within the charges for current services, licenses and permits, and other revenue categories. In the Fiscal Year 2015 Proposed Budget, charges for current services are budgeted at \$118.8 million, a decrease of \$58.0 million or 32.8 percent from the Fiscal Year 2014 Adopted Budget. The decrease in charges for current services is primarily due to the restructure of the Public Works - Engineering & Capital Projects Department out of the General Fund to an internal service fund. Licenses and permits are budgeted at \$24.5 million, a decrease of \$7.3 million or 22.9 percent from the Fiscal Year 2014 Adopted Budget. This decrease is primarily due to the restructure of the Parking Meter Operations program out of the General Fund into a special revenue fund.

# Executive Summary

Interest earnings are budgeted at \$1.4 million, an increase of \$0.6 million or 64.6 percent from the Fiscal Year 2014 Adopted Budget based on the assumption that interest rates will begin to slowly increase during Fiscal Year 2015. General Fund revenues will be closely monitored throughout Fiscal Year 2015 and, if necessary, the budget will be modified.

**Table 3** displays the major changes in General Fund revenues from the Fiscal Year 2014 Adopted Budget to the Fiscal Year 2015 Proposed Budget.

**Table 3: General Fund Revenue Adjustment Over Fiscal Year 2014 Adopted Budget**

| Major Revenue Categories                     | (in millions)    |
|--|------------------|
| Property Tax                                 | \$ 28.7          |
| Sales Tax                                    | 9.0              |
| Transient Occupancy Tax                      | 3.3              |
| Franchise Fees                               | 3.6              |
| Property Transfer Tax                        | 2.1              |
| Charges for Current Services                 | (58.0)           |
| Licenses & Permits                           | (7.3)            |
| Interest Earnings                            | 0.6              |
| Other Revenue Adjustments                    | (7.8)            |
| <b>TOTAL REVENUE Adjustments<sup>1</sup></b> | <b>\$ (25.8)</b> |

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

## General Fund Expenditures

The Fiscal Year 2015 Proposed General Fund budgeted expenditures reflects a net decrease of \$46.4 million or 3.8 percent. The net decrease of \$46.4 million in the Fiscal Year 2015 Proposed General Fund Expenditures Budget is primarily due to the following: a reduction of \$61.9 million related to the restructure of the Public Works - Engineering & Capital Projects Department from the General Fund to an internal service fund; \$8.8 million reduction in the Actuarially Determined Contribution (ADC) to the City's Retirement System (excluding restructured departments); \$16.7 million for the removal of one-time adjustments added in the Fiscal Year 2014 Adopted Budget; and the reduction of \$6.7 million in the Workers' Compensation Fund Reserve contribution due to the reserve requirement being met in Fiscal Year 2014.

These decreases are partially offset by the following additions: \$7.3 million in the General Fund for non-pensionable compensation increases in Fiscal Year 2015; \$4.3 million for Storm Water infrastructure; \$4.2 million for debt service payments related to the first tranche of proceeds from the \$120.0 million CIP bond issuance; \$3.2 million for the continued funding for the Police retention program; \$3.0 million for pay-in-lieu expenditures; \$2.9 million for the addition of 45 Police sworn personnel, \$2.9 million in transfers to Storm Water CIP drainage projects, \$2.0 million in transfers to the Engineering & Capital Projects Fund for General Fund work that is not capitalizable; \$2.0 million for Storm Water permit compliance; \$1.5 million for the expansion of Library hours at all San Diego Public Libraries; \$1.4 million for the addition of 17.00 FTE Police civilian positions; \$1.4 million for sidewalk and street light improvements; \$1.2 million for the implementation of the Improvement to Government Operations Plan; \$1.1 million for two additional Fire Academies; \$1.0 million for Police body worn cameras; \$1.0 million in expenditures for the Skyline Temporary Fire Station; \$1.0 million

## Executive Summary

for the facilities condition/needs assessment; \$0.8 million for new Park & Recreation facilities scheduled to open in Fiscal Year 2015, \$0.8 million for additional positions to support the Prevailing Wage Ordinance; and \$0.7 million for facilities maintenance support. **Table 4** displays the major changes to General Fund expenditures from the Fiscal Year 2014 Adopted Budget to the Fiscal Year 2015 Proposed Budget.

**Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2014 Adopted Budget**

| Major Expenditure Adjustments  | (in millions) |
|--|---------------|
| <b>Infrastructure</b>  |               |
| Storm Water Infrastructure   | \$ 4.3        |
| Deferred Capital Bond Debt Service   | 4.2           |
| Transfer to Drainage Projects  | 2.9           |
| South Chollas Landfill / Storm Water Improvements  | 2.1           |
| Transfer to Public Works - Engineering & Capital Projects                                  | 2.0           |
| Sidewalks and Street Light Improvements  | 1.4           |
| Facilities Condition/Needs Assessment  | 1.0           |
| Facility Maintenance Positions   | 0.7           |
| Streets Condition/Needs Assessment   | 0.6           |
| South Chollas Facility Upgrades  | 0.5           |
| SAP Enterprise Asset Management  | 0.5           |
| Streets Resurfacing Positions  | 0.4           |
| Park Assets Condition/Needs Assessment   | 0.4           |
| Park & Recreation Parking Lot Repairs  | 0.3           |
| Sidewalks Condition/Needs Assessment   | 0.1           |
| Streets/Sidewalks Managed Competition Alternative Proposal (Positions with offsetting NPE) | 0.0           |
| <b>Public Safety</b>   |               |
| Police Retention Program   | 3.2           |
| Police Sworn Positions (over Four Academies)   | 2.9           |
| Police Civilian Positions  | 1.4           |
| Police Sworn Positions (May 2014 Academy)  | 1.2           |
| Two Additional Fire Academies  | 1.1           |
| Police Body Worn cameras   | 1.0           |
| Skyline Temporary Fire Station   | 1.0           |
| Fast Response Program  | 0.6           |
| Boating Safety Unit Lifeguards   | 0.5           |
| Lifeguard Facility Improvement for Boating Safety Unit                                     | 0.5           |
| Assistant Police Chief   | 0.3           |
| <b>Neighborhoods</b>   |               |
| Transfer to Maintenance Assessment Districts   | 2.2           |
| Expansion of Library Hours   | 1.5           |

# Executive Summary

**Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2014 Adopted Budget**

| Major Expenditure Adjustments                          | (in millions)    |
|--|------------------|
| New Park & Recreation Facilities                       | 0.8              |
| Library After School Programs                          | 0.5              |
| Brush Management                                       | 0.5              |
| Land Development/Building Code Enforcement Positions   | 0.4              |
| Community Plan Update Positions                        | 0.9              |
| CONNECT 2 Careers                                      | 0.2              |
| Overnight Camping at Kumeyaay Campground               | 0.1              |
| Library Books  | (0.5)            |
| <b>Open Government / Transparency</b>                  |                  |
| Email Retention/Storage                                | 0.3              |
| Open Data Officer Position                             | 0.2              |
| <b>Other</b>   |                  |
| FY15 Non-Pensionable Compensation Increase             | 7.3              |
| Transfer to Park Improvement Funds                     | 4.4              |
| Pay in Lieu Adjustments                                | 3.0              |
| Storm Water Permit Compliance                          | 2.0              |
| Improvement to Government Operations Positions         | 1.2              |
| Purchasing & Contracting Positions for Prevailing Wage | 0.8              |
| City Attorney Department Adjustment                    | 0.5              |
| Supplemental Cost of Living Adjustment (COLA)          | 0.2              |
| Reduction of Vacant Positions                          | (0.5)            |
| Civic and Urban Initiatives Positions                  | (0.7)            |
| Long-term Disability Fund Contribution                 | (1.2)            |
| Reduction in IT Fixed Costs                            | (2.8)            |
| Parking Meter Operations Fund Restructure              | (5.9)            |
| Workers' Compensation Reserve Contribution             | (6.7)            |
| Removal of FY 2014 One-time Adjustments                | (16.7)           |
| ADC to the City's Retirement System <sup>1</sup>       | (8.8)            |
| Engineering & Capital Projects Restructure             | (61.9)           |
| Other Adjustments                                      | (2.8)            |
| <b>Total Expenditure Adjustments</b>                   | <b>\$ (46.4)</b> |

<sup>1</sup> Excludes ADC budget in restructured departments. Total General Fund ADC contribution change from Fiscal Year 2014 is \$21.8 million

**Table 5** represents the expenditure change in the General Fund from the Fiscal Year 2013 Actual to the Fiscal Year 2015 Proposed Budget.

# Executive Summary

**Table 5: General Fund Expenditure Summary Fiscal Years 2013 - 2015**

|                                   | FY 2013 Actual | FY 2014 Adopted Budget | FY 2015 Proposed Budget |
|-----------------------------------|----------------|------------------------|-------------------------|
| Total General Fund Budget         | 1,168,761,081  | 1,225,491,199          | 1,179,048,088           |
| Percent Change from Previous Year |                | 4.9%                   | (3.8)%                  |

**Table 6** presents the allocation of General Fund dollars to the Police and Fire-Rescue Departments compared to the other General Fund departments. The Fiscal Year 2015 Proposed Budget includes Police and Fire-Rescue Departments receiving approximately 53.9 percent of the total General Fund expenditures and other General Fund departments receiving 46.1 percent of the total General Fund expenditures.

**Table 6: General Fund Expenditure Summary Fiscal Years 2013 - 2015 by Category**

|                                       | FY 2013 Actual | FY 2014 Adopted Budget | FY 2015 Proposed Budget |
|---------------------------------------|----------------|------------------------|-------------------------|
| Police and Fire-Rescue Budgets        | \$ 620,530,723 | \$ 641,222,218         | \$ 635,040,791          |
| Percent of Total General Fund Budget  | 53.1%          | 52.3%                  | 53.9%                   |
| Other General Fund Department Budgets | \$ 548,230,358 | \$ 584,268,981         | \$ 544,007,297          |
| Percent of Total General Fund Budget  | 46.9%          | 47.7%                  | 46.1%                   |

## Personnel Expenditures

The Fiscal Year 2015 Proposed Budget includes a total of \$699.5 million for salaries and wages, and \$479.9 million for fringe expenditures, resulting in a total budget of \$1.18 billion in personnel expenditures citywide. **Table 7** illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type.

**Table 7: Fiscal Year 2015 Proposed Personnel Expenditures Budget**

| Fund Type              | Budgeted FTE Positions | Budgeted Salaries and Wages | Budgeted Benefits     | Budgeted Personnel Expenses |
|------------------------|------------------------|-----------------------------|-----------------------|-----------------------------|
| General Fund           | 6,947.31               | \$ 491,177,941              | \$ 338,484,850        | \$ 829,662,791              |
| Special Revenue Funds  | 258.36                 | 18,635,858                  | 11,795,673            | 30,431,531                  |
| Enterprise Funds       | 2,395.68               | 134,460,833                 | 91,827,159            | 226,287,992                 |
| Internal Service Funds | 794.18                 | 50,776,779                  | 34,777,236            | 85,554,015                  |
| Other Funds            | 64.00                  | 4,399,549                   | 3,052,933             | 7,452,482                   |
| <b>Total</b>           | <b>10,459.53</b>       | <b>\$ 699,450,960</b>       | <b>\$ 479,937,851</b> | <b>\$ 1,179,388,811</b>     |

# Executive Summary

## Total City Personnel

The Fiscal Year 2015 Proposed Budget includes a total of 10,459.53 FTE positions with 6,947.31 or 66.4 percent of these positions budgeted within the General Fund. **Table 8** presents the change in positions from Fiscal Year 2014 to Fiscal Year 2015.

**Table 8: Total City FTE Position Changes Fiscal Year 2014 - 2015**

| Fund Type                             | FY 2014<br>Adopted<br>Budget | Additions     | Reductions     | Reorganizations | FY 2015<br>Proposed<br>Budget | FY 2014<br>-<br>FY 2015<br>Change | Percent<br>Change |
|---------------------------------------|------------------------------|---------------|----------------|-----------------|-------------------------------|-----------------------------------|-------------------|
| General Fund                          | 7,267.50                     | 203.56        | (59.73)        | (464.02)        | 6,947.31                      | (320.19)                          | (4.4)%            |
| Special Revenue<br>Funds <sup>1</sup> | 233.36                       | 7.50          | (1.50)         | 19.00           | 258.36                        | 25.00                             | 10.7%             |
| Enterprise Funds                      | 2,366.69                     | 41.10         | (5.38)         | (6.73)          | 2,395.68                      | 28.99                             | 1.2%              |
| Internal Service<br>Funds             | 295.32                       | 47.11         | -              | 451.75          | 794.18                        | 498.86                            | 168.9%            |
| Other Funds                           | 64.00                        | -             | -              | -               | 64.00                         | -                                 | 0.0%              |
| <b>TOTAL</b>                          | <b>10,226.87</b>             | <b>299.27</b> | <b>(66.61)</b> | <b>-</b>        | <b>10,459.53</b>              | <b>232.66</b>                     | <b>2.3%</b>       |

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

The Fiscal Year 2015 Proposed Budget represents a net increase in the City's budget of 232.66 FTE positions from the Fiscal Year 2011 Adopted Budget. The net increase is a result of the addition of 299.27 FTE positions combined with the elimination of 66.61 FTE positions filled and vacant positions. For details on the position changes, refer to the Appendix section of this Volume.

As shown in **Table 8**, of the 320.19 net FTE position change to the General Fund, 6.73 net FTE positions were transferred from Enterprise Funds, 451.75 net FTE positions were transferred to Internal Service Funds, and 19.00 net FTE positions were transferred to Special Revenue Funds; 203.56 FTE positions are new; and 59.73 FTE positions have been reduced. The 25.00 FTE position net change to the Special Revenue Funds is the result of 19.00 net FTE positions transferred from the General Fund; 7.50 new FTE positions, and 1.50 FTE positions being reduced. Of the 28.99 net FTE position change in the Enterprise Funds, a net 6.73 FTE positions were transferred to the General Fund, 41.10 FTE positions were added, and 5.38 FTE positions were reduced. In the Internal Service Funds, the net change of 498.86 FTE positions was the result of a net 451.75 FTE positions transferred from the General Fund combined with the addition of 47.11 FTE positions. There were no net FTE position changes in the Other Funds category included in the Fiscal Year 2015 Proposed Budget.

**Table 9** represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, Municipal Employees Association (MEA), represents 34.3 percent of General Fund positions and 43.6 percent of all City positions.



# Executive Summary

**Table 9: Fiscal Year 2015 Proposed FTE Positions by Labor Group**

| Labor Group                  | General Fund    | Special Revenue Funds | Enterprise Funds | Internal Service Funds | Other Funds  | Labor Group Total |
|------------------------------|-----------------|-----------------------|------------------|------------------------|--------------|-------------------|
| MEA                          | 2,382.04        | 86.75                 | 1,452.97         | 601.10                 | 39.00        | 4,561.86          |
| IAFF LOCAL 145               | 886.00          | 25.00                 | -                | -                      | -            | 911.00            |
| AFSCME LOCAL 127             | 876.40          | 72.76                 | 800.34           | 145.00                 | -            | 1,894.50          |
| POA                          | 2,006.35        | -                     | -                | -                      | -            | 2,006.35          |
| Teamsters Local 911          | 156.94          | -                     | -                | -                      | -            | 156.94            |
| DCAA                         | 138.59          | -                     | -                | -                      | -            | 138.59            |
| Classified / Unrepresented   | 131.69          | 32.35                 | 71.46            | 28.03                  | 6.00         | 269.53            |
| Unclassified / Unrepresented | 358.30          | 41.50                 | 70.91            | 20.05                  | 19.00        | 509.76            |
| Elected Officials            | 11.00           | -                     | -                | -                      | -            | 11.00             |
| <b>Fund Total</b>            | <b>6,947.31</b> | <b>258.36</b>         | <b>2,395.68</b>  | <b>794.18</b>          | <b>64.00</b> | <b>10,459.53</b>  |

**Table 10** shows the change in the number of budgeted positions in the General Fund over the last three fiscal years. In Fiscal Year 2015, General Fund positions decreased by a net 320.19 FTE positions or approximately 4.4 percent from the Fiscal Year 2014 Adopted Budget. This decrease is primarily due to the restructure of the Public Works - Engineering & Capital Projects Department from the General Fund to an internal service fund. Further details on position changes in the General Fund are reflected in the Appendix of this volume.

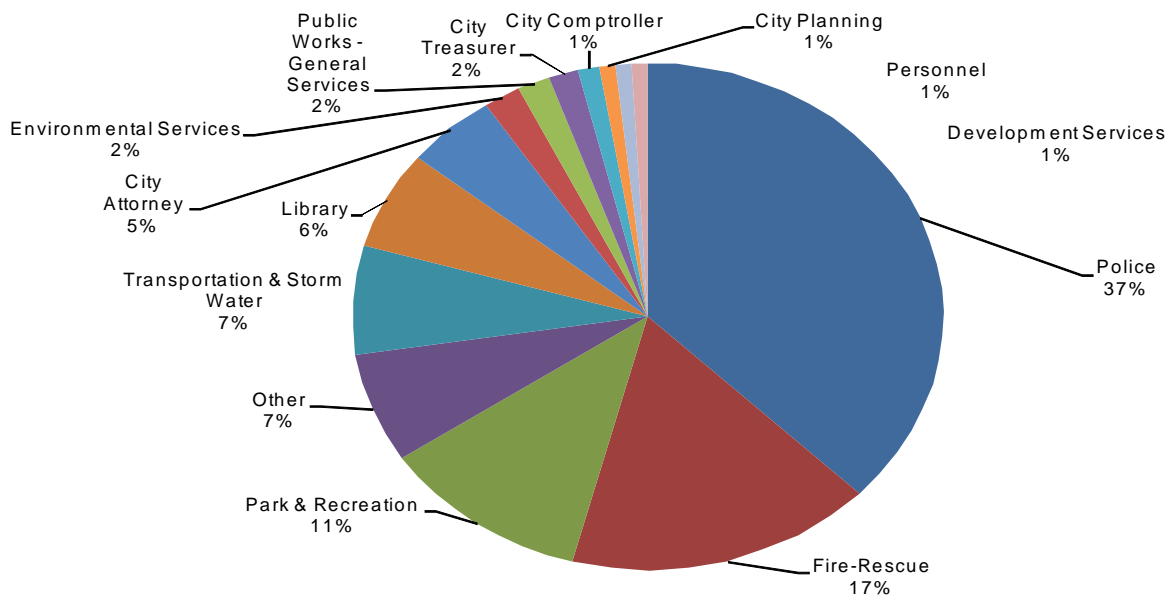
**Table 10: General Fund FTE Position Summary Fiscal Years 2013 - 2015**

|   | FY 2013 Adopted Budget | FY 2014 Adopted Budget | FY 2015 Proposed Budget |
|---|------------------------|------------------------|-------------------------|
| Total General Fund Budgeted FTE Positions | 7,152.15               | 7,267.50               | 6,947.31                |
| Percent Change from Previous Year         | 1.6%                   | 1.6%                   | (4.4)%                  |

**Figure 3** summarizes the Fiscal Year 2015 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.

# Executive Summary

**Figure 3: Fiscal Year 2015 Proposed General Fund FTE Positions by Department**



**Note:** The Other category includes: City Auditor, City Clerk, City Council, Communications, Debt Management, Analytics and Performance Management, Economic Development, Ethics Commission, Financial Management, Human Resources, Infrastructure/Public Works, Internal Operations, Neighborhood Services, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Public Works - Contracting, Purchasing & Contracting, and Real Estate Assets.

## Reduction of Vacant General Fund Positions

As part of the development of the Fiscal Year 2015 Proposed Budget, the Financial Management Department conducted a comprehensive review of all vacant positions in the General Fund. Positions that have been vacant since Fiscal Year 2012 or earlier were identified and sent to City departments for their review to determine the positions that are still needed and positions that could be reduced without any service level impacts. **Table 11** below summarizes the number of FTE by department that have been vacant since Fiscal Year 2012 or earlier, and the number of FTE by department that were reduced in the Fiscal Year 2015 Proposed Budget. Of the 71.00 FTE positions identified, 4.50 FTE positions have been reduced from the Fiscal Year 2015 Proposed Budget. The remaining positions were determined to be needed by the respective departments to maintain current service levels and are in the process of being restructured or filled.

**Table 11: Vacant General Fund Position Reductions by Department**

| Department             | FTE Vacant since FY 2012 or earlier | FTE Reduced in FY 2015 Proposed Budget |
|------------------------|-------------------------------------|--|
| City Attorney          | 8.50                                | -                                      |
| City Comptroller       | 0.50                                | -                                      |
| City Treasurer         | 3.00                                | -                                      |
| Economic Development   | 1.00                                | -                                      |
| Environmental Services | 2.00                                | -                                      |
| Fire-Rescue            | 18.00                               | -                                      |
| Library                | 7.50                                | 2.50                                   |

## Executive Summary

**Table 11: Vacant General Fund Position Reductions by Department (Cont'd)**

| Department (Cont'd)                           | FTE Vacant since FY 2012 or earlier | FTE Reduced in FY 2015 Proposed Budget |
|---|-------------------------------------|--|
| Park & Recreation                             | 2.50                                | -                                      |
| Police  | 19.00                               | 2.00                                   |
| Public Works - Engineering & Capital Projects | 1.00                                | -                                      |
| Public Works - General Services               | 3.00                                | -                                      |
| Transportation & Storm Water                  | 5.00                                | -                                      |
| <b>General Fund Total</b>                     | <b>71.00</b>                        | <b>4.50</b>                            |

**Table 12** displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2015 Proposed Budgets for the Police and Fire-Rescue Departments include 3,760.79 FTE positions or approximately 54.1 percent of total General Fund FTE positions. The budgeted positions in the Police Department increased from 2,528.79 FTE positions in Fiscal Year 2014 to 2,587.52 FTE positions in the Fiscal Year 2015 Proposed Budget primarily due to the addition of Police sworn positions over four academies and police civilian positions to support Police Department operations. In the Fire-Rescue Department, the number of FTE positions increased from 1,165.52 FTE positions to 1,173.27 FTE positions primarily due to the addition of IT staff to assume responsibility for the maintenance of critical City computer systems, including Computer Aided Dispatch (CAD) from Rural/ Metro Corporation, and the addition of lifeguard positions in the Boating Safety Unit.

**Table 12: General Fund FTE Position Summary Fiscal Years 2013 - 2015 by Category**

|                                       | FY 2013 Adopted Budget | FY 2014 Adopted Budget | FY 2015 Proposed Budget |
|---------------------------------------|------------------------|------------------------|-------------------------|
| Police and Fire-Rescue Budgets        | 3,661.75               | 3,694.31               | 3,760.79                |
| Percent of Total General Fund Budget  | 51.2%                  | 50.8%                  | 54.1%                   |
| Other General Fund Department Budgets | 3,490.40               | 3,573.19               | 3,186.52                |
| Percent of Total General Fund Budget  | 48.8%                  | 49.2%                  | 45.9%                   |

### Salaries and Wages

The Fiscal Year 2015 Proposed Budget includes \$699.5 million in budgeted salaries and wages, with \$491.2 million, or 70.2 percent, budgeted in the General Fund. **Table 13** displays the Fiscal Year 2015 Proposed Budget for salaries and wages by Fund Type.

**Table 13: Fiscal Year 2015 Proposed Budgeted Salaries and Wages**

| Salary and Wage Type        | General Fund   | Special Revenue Funds | Enterprise Funds | Internal Service Funds | Other Funds  | Budgeted Salaries and Wages |
|-----------------------------|----------------|-----------------------|------------------|------------------------|--------------|-----------------------------|
| Salaried Wages              | \$ 450,776,954 | \$ 18,056,517         | \$ 133,265,564   | \$ 50,783,128          | \$ 4,841,136 | \$ 657,723,299              |
| Salary Savings <sup>1</sup> | (19,961,956)   | (468,713)             | (9,868,311)      | (1,625,272)            | (441,587)    | (32,365,839)                |
| Vacation Pay in Lieu        | 5,083,908      | 25,000                | 224,200          | -                      | -            | 5,333,108                   |

# Executive Summary

**Table 13: Fiscal Year 2015 Proposed Budgeted Salaries and Wages**

| Salary and Wage Type               | General Fund          | Special Revenue Funds | Enterprise Funds      | Internal Service Funds | Other Funds         | Budgeted Salaries and Wages |
|------------------------------------|-----------------------|-----------------------|-----------------------|------------------------|---------------------|-----------------------------|
| Termination Pay/ Annual Leave      | 2,060,518             | 51,420                | 182,882               | 113,404                | -                   | 2,408,224                   |
| Hourly Wages                       | 13,200,702            | 111,173               | 1,974,353             | 702,685                | -                   | 15,988,913                  |
| Overtime                           | 40,017,815            | 860,461               | 8,682,145             | 802,834                | -                   | 50,363,255                  |
| <b>Budgeted Salaries and Wages</b> | <b>\$ 491,177,941</b> | <b>\$ 18,635,858</b>  | <b>\$ 134,460,833</b> | <b>\$ 50,776,779</b>   | <b>\$ 4,399,549</b> | <b>\$ 699,450,960</b>       |

<sup>1</sup>Salary Savings includes \$831,106 in salary reductions for DROP employees and \$540,987 in projected voluntary furlough savings in the General Fund, and \$513,341 in projected voluntary furlough savings for non-General Funds, in addition to budgeted vacancy savings.

## Vacancy Savings

As part of the development of the Fiscal Year 2015 Proposed Budget, the City is estimating an amount of personnel savings or vacancy savings by department that is attributable to normal 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. 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 monitor their Fiscal Year 2015 personnel expenditures to their available allocated appropriations. The Fiscal Year 2015 vacancy savings is \$30.5 million, representing a decrease of \$1.0 million or 3.3 percent from the Fiscal Year 2014 Adopted Budget.

**Table 14** displays the changes in budgeted vacancy savings from Fiscal Year 2013 to Fiscal Year 2015.

**Table 14: Budgeted Vacancy Savings Fiscal Years 2013 - 2015**

| Department/Fund        | FY 2013 Adopted Budget | FY 2014 Adopted Budget | FY 2015 Proposed Budget |
|------------------------|------------------------|------------------------|-------------------------|
| Administration         | \$ 59,363              | \$ 59,363              | \$ -                    |
| City Attorney          | 737,240                | 752,959                | 752,503                 |
| City Clerk             | 54,059                 | 37,835                 | 37,835                  |
| City Comptroller       | 162,177                | 159,245                | 234,592                 |
| City Planning          | -                      | -                      | 159,858                 |
| City Treasurer         | 172,412                | 172,119                | 228,134                 |
| Council District 2     | -                      | 121,472                | -                       |
| Council District 3     | -                      | 121,472                | -                       |
| Council District 5     | 60,736                 | -                      | -                       |
| Council District 7     | -                      | 60,736                 | -                       |
| Debt Management        | 54,059                 | 54,059                 | 31,491                  |
| Development Services   | 187,481                | 186,649                | 155,605                 |
| Economic Development   | 66,768                 | 80,454                 | 117,687                 |
| Environmental Services | 221,162                | 236,915                | 304,173                 |

# Executive Summary

**Table 14: Budgeted Vacancy Savings Fiscal Years 2013 - 2015 (Cont'd)**

| Department/Fund (Cont'd)                                   | FY 2013 Adopted Budget | FY 2014 Adopted Budget | FY 2015 Proposed Budget |
|--|------------------------|------------------------|-------------------------|
| Financial Management                                       | 65,291                 | 65,291                 | 124,758                 |
| Fire-Rescue  | 4,864,820              | 4,362,120              | 4,685,728               |
| Library  | 645,753                | 536,587                | 606,796                 |
| Multimedia Services  | 58,157                 | -                      | -                       |
| Office of Homeland Security                                | 66,768                 | 42,578                 | -                       |
| Office of the Assistant COO                                | -                      | 54,059                 | -                       |
| Park & Recreation  | 931,673                | 954,762                | 1,401,576               |
| Personnel  | 59,114                 | 59,114                 | 66,539                  |
| Police   | 8,810,215              | 8,718,131              | 8,281,929               |
| Public Works - Contracting                                 | -                      | 57,866                 | 42,578                  |
| Public Works - Engineering & Capital Projects <sup>1</sup> | 1,011,444              | 1,057,413              | -                       |
| Public Works - General Services                            | 514,800                | 189,738                | 253,761                 |
| Purchasing & Contracting                                   | 49,109                 | 49,109                 | 108,014                 |
| Real Estate Assets   | 54,059                 | 54,059                 | 66,768                  |
| Transportation & Storm Water                               | 815,820                | 733,615                | 929,538                 |
| <b>Total General Fund</b>                                  | <b>\$ 19,722,480</b>   | <b>\$ 18,977,720</b>   | <b>\$ 18,589,863</b>    |
| Airports Fund  | 59,363                 | 38,376                 | -                       |
| Central Stores Fund  | 116,688                | 34,611                 | 34,611                  |
| City Employees' Retirement System Fund                     | 343,897                | 271,523                | 435,614                 |
| Development Services Fund                                  | 7,546,230              | 7,581,521              | 5,347,918               |
| Energy Conservation Program Fund                           | 59,363                 | 4,728                  | -                       |
| Engineering & Capital Projects Fund                        | -                      | -                      | 1,321,366               |
| Facilities Financing Fund                                  | 42,578                 | 42,578                 | 31,491                  |
| Fleet Services Operating Fund                              | 44,366                 | -                      | -                       |
| Golf Course Fund   | 123,843                | 134,242                | 111,425                 |
| Information Technology Fund                                | 109,855                | 90,126                 | 126,131                 |
| Local Enforcement Agency Fund                              | 60,674                 | 60,674                 | 60,674                  |
| Maintenance Assessment District (MAD) Management Fund      | 42,578                 | -                      | 42,578                  |
| Metropolitan Sewer Utility Fund                            | 1,070,474              | 1,146,472              | 1,133,574               |
| Municipal Sewer Revenue Fund                               | 952,249                | 800,269                | 822,467                 |
| OneSD Support Fund   | 65,416                 | -                      | -                       |
| QUALCOMM Stadium Operations Fund                           | 62,005                 | 47,091                 | 63,253                  |
| Recycling Fund   | 157,874                | 182,650                | 221,136                 |
| Redevelopment Fund   | -                      | -                      | -                       |

# Executive Summary

**Table 14: Budgeted Vacancy Savings Fiscal Years 2013 - 2015 (Cont'd)**

| Department/Fund (Cont'd)                | FY 2013 Adopted Budget | FY 2014 Adopted Budget | FY 2015 Proposed Budget |
|---|------------------------|------------------------|-------------------------|
| Refuse Disposal Fund                    | 294,666                | 249,825                | 307,046                 |
| Risk Management Administration Fund     | 68,453                 | 96,491                 | 177,663                 |
| Water Utility Operating Fund            | 1,665,969              | 1,651,702              | 1,537,281               |
| Wireless Communications Technology Fund | 66,685                 | 94,162                 | 116,314                 |
| <b>Total Non-General Fund</b>           | <b>\$ 12,953,226</b>   | <b>\$ 12,527,041</b>   | <b>\$ 11,890,542</b>    |
| <b>Total</b>                            | <b>\$ 32,675,706</b>   | <b>\$ 31,504,761</b>   | <b>\$ 30,480,405</b>    |

<sup>1</sup>The Public Works - Engineering & Capital Projects Department was restructured to an internal service fund in Fiscal Year 2015.

## 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) Actuarially Determined Contribution (ADC), 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 \$357.3 million or 74.5 percent of budgeted fringe in Fiscal Year 2015. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

**Table 15** displays the citywide fringe allocation which totals \$479.9 million for Fiscal Year 2015, of which \$338.5 million or 70.5 percent is budgeted in the General Fund.

**Table 15: Fiscal Year 2015 Annual Budgeted Fringe by Fund Type**

| Fringe Type                       | General Fund   | Special Revenue Funds | Enterprise Funds | Internal Service Funds | Other Funds  | Fringe Totals  |
|-----------------------------------|----------------|-----------------------|------------------|------------------------|--------------|----------------|
| Retirement ADC                    | \$ 190,851,281 | \$ 6,045,974          | \$ 46,023,372    | \$ 18,963,521          | \$ 1,717,863 | \$ 263,602,011 |
| Supplemental Pension Savings Plan | 11,238,213     | 865,561               | 6,842,069        | 2,605,765              | 228,685      | 21,780,293     |
| Retirement DROP                   | 1,728,472      | 38,699                | 432,822          | 165,148                | 3,207        | 2,368,348      |
| Employee Offset Savings           | 7,977,066      | 184,100               | 841,910          | 389,946                | 74,676       | 9,467,698      |
| Workers' Compensation             | 18,077,550     | 446,659               | 3,553,165        | 726,358                | 43,970       | 22,847,702     |
| Flexible Benefits                 | 55,550,261     | 2,106,882             | 16,176,396       | 5,609,959              | 486,857      | 79,930,355     |
| Risk Management Administration    | 6,448,655      | 253,656               | 2,242,017        | 770,223                | 58,596       | 9,773,147      |
| Long-Term Disability              | 1,440,090      | 59,251                | 427,058          | 165,283                | 15,202       | 2,106,884      |
| Unemployment Insurance            | 824,042        | 33,900                | 244,509          | 94,519                 | 8,702        | 1,205,672      |



# Executive Summary

**Table 15: Fiscal Year 2015 Annual Budgeted Fringe by Fund Type (Cont'd)**

| <b>Fringe Type (Cont'd)</b>    | <b>General Fund</b>   | <b>Special Revenue Funds</b> | <b>Enterprise Funds</b> | <b>Internal Service Funds</b> | <b>Other Funds</b>  | <b>Fringe Totals</b>  |
|--------------------------------|-----------------------|------------------------------|-------------------------|-------------------------------|---------------------|-----------------------|
| Medicare                       | 5,939,347             | 234,991                      | 1,673,707               | 686,542                       | 62,231              | 8,596,818             |
| Other Post-Employment Benefits | 38,139,902            | 1,500,230                    | 13,260,298              | 4,555,420                     | 346,560             | 57,802,410            |
| Retirement 401 Plan            | 195,490               | 18,637                       | 77,736                  | 34,273                        | 4,543               | 330,679               |
| Retiree Medical Trust          | 74,481                | 7,133                        | 32,100                  | 10,279                        | 1,841               | 125,834               |
| <b>Fund Type Totals</b>        | <b>\$ 338,484,850</b> | <b>\$ 11,795,673</b>         | <b>\$ 91,827,159</b>    | <b>\$ 34,777,236</b>          | <b>\$ 3,052,933</b> | <b>\$ 479,937,851</b> |

## City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2015 is budgeted at \$267.4 million and is described below:

- The SDCERS ADC for Fiscal Year 2015 is \$263.6 million, representing a decrease of \$11.8 million from the Fiscal Year 2014 Adopted Budget. The factors that contributed to the decrease in the ADC include the assumed freeze on inflationary pay increases, which decreased the ADC by \$24.6 million, the net changes in economic assumptions (discount rate and long-term pay inflation), which increased the ADC by \$9.3 million, and other changes with a combined increase of \$3.5 million. Approximately \$190.9 million or 72.4 percent of the ADC is budgeted in the General Fund.
- \$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, \$2.1 million has been budgeted citywide (\$1.6 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, this reserve was depleted in Fiscal Year 2014. As a result, Ordinance O-20282 was adopted on July 23, 2013 in order for the City to fund the supplemental COLA benefit on an annual pay-as-you-go basis.

# Executive Summary

## Other Post Employment Benefits

The Retiree Health or Other Post Employment Benefits (OPEB) UAAL as of June 30, 2013 is approximately \$444.1 million and the Annual Required Contribution (ARC) was determined to be \$38.1 million. This valuation assumes a 6.81 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 2015 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 funding the CalPERS Employer Retiree Benefit Trust (CERBT) to pre-fund expenses related to post-employment healthcare benefits.

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

## Employee Offset Savings (EOS)

The Fiscal Year 2015 Proposed Budget includes Employee Offset Savings of \$9.5 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$9.5 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

## Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2015 Proposed Budget for Retirement DROP contributions is \$2.4 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 2015 Proposed Budget is \$22.8 million. The decrease of approximately \$7.6 million from the Fiscal Year 2014 Adopted Budget is due to the reserve target being met in Fiscal Year 2014.



## Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2015 Proposed Budget is \$2.1 million. This contribution funds the pay-go requirements for the LTD Fund; the reserve requirement for Fiscal Year 2015 was pre-funded with excess equity in Fiscal Year 2014.

## 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 2015 Proposed Budget for Flexible Benefits is \$79.9 million.

The passage of the Affordable Care Act mandates, that starting in 2015, large employers offer employees meeting certain criteria affordable health care coverage or be subject to penalties. The City currently offers healthcare coverage to all of its full time, three-quarter time, and half time employees. Recently, the U.S. Treasury Department issued regulations outlining specific requirements for large employers and the City is evaluating compliance requirements. Any budgetary impacts resulting from these regulations will be included in the Fiscal Year 2015 May Revision.

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

In January 1982, the City established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to their savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must pay a mandatory 3 percent. In addition, employees hired on or before July 1, 1986 can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2015 Proposed Budget for SPSP is \$18.8 million. This reflects a decrease of \$138,715 from the Fiscal Year 2014 Adopted Budget.

General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll and a retiree medical trust with a mandatory employee contribution of 0.25 percent of payroll. These amounts are deducted from employees' paychecks and placed into the employees' accounts. The City matches these contributions. The Fiscal Year 2015 Proposed Budget for the City's contribution match is \$456,513 and is based on a count of 605 general members as of November 2013.

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 are required to contribute 9.2 percent of their compensation to the plan, which is matched by a 9.2 percent employer contribution. For safety employees, the mandatory employee and matching employer contributions is 11 percent of compensation. The Fiscal Year 2015 Proposed Budget for the SPSP-H Plan is \$2.2 million.

# Executive Summary

## 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 2015 Proposed Budget for Risk Management Administration is \$9.8 million.

## Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime and other employee special pays. The Fiscal Year 2015 Proposed Budget for Medicare is \$8.6 million.

## Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2015 Proposed Budget for Unemployment Insurance is \$1.2 million.

## Labor Contract Negotiations

The City and each of its six labor unions have agreed to Memoranda of Understanding (MOU) with five-year terms, which include non-pensionable compensation increases consistent with the passage of Proposition B, which amended the San Diego City Charter on July 20, 2012. All agreements provide re-opener terms to meet and confer regarding increases to non-pensionable compensation for Fiscal Years 2017 and 2018.

The non-pensionable compensation increase percentages for each of the employee organizations for Fiscal Years 2014 to 2018 are detailed in **Table 16**.



**Table 16: Non-Pensionable Compensation Increases Fiscal Years 2014 - 2018**

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

# Executive Summary

**Table 16: Non-Pensionable Compensation Increases Fiscal Years 2014 - 2018 (Cont'd)**

| Labor Group | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|-------------|---------|---------|---------|---------|---------|
| MEA         | 1.75%   | 1.75%   | 1.75%   | -       | -       |
| DCAA        | 1.75%   | 1.75%   | 1.75%   | -       | -       |

## Citywide Reorganization/Restructuring

The Fiscal Year 2015 Proposed Budget reflects the restructuring of several departments as a result of executive management decisions and department-initiated reorganizations. Reorganizations include restructuring of departments and major divisions within a department and are 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 2015 Proposed Budget.

### Administration Department

The Administration Department has been dissolved, and its component programs have been transferred to various departments as described below.

#### Docket Office

The Docket Office was transferred from the Administration Department to the Office of the Chief Operating Officer.

#### Citizen's Assistance Program

The Citizen's Assistance Program was transferred from the Administration Department to the Human Resources Department.

#### EMS Contract Administration

Emergency Medical Services (EMS) contract administration was transferred from the Administration Department to the Fire-Rescue Department.

#### Gang Commission

The Gang Commission was transferred from the Administration Department to the Neighborhood Services Department.

#### Living Wage Program

The Living Wage Program was transferred from the Administration Department to the Purchasing & Contracting Department.

#### Mentor Protégé Program

The Mentor Protégé Program was transferred from the Administration Department to the Economic Development Division of the Planning, Neighborhoods, and Economic Development Department.

### Planning, Neighborhoods, and Economic Development Department

The Economic Development Department, and the Planning Division and Facilities Financing program of the Development Services Department, have been transferred into separate divisions (City Planning, Facilities Financing, and Economic Development) within a newly-created department called Planning, Neighborhoods, and Economic Development.



# **Executive Summary**

## **Internal Operations Department**

A new department called Internal Operations has been created for the Deputy Chief Operating Officer that will oversee the following departments: Analytics & Performance Management, Human Resources, Information Technology, Real Estate Assets, and Purchasing & Contracting.

## **Neighborhood Services Department**

A new department called Neighborhood Services has been created for the Deputy Chief Operating Officer that will oversee the following departments: Commission for Arts & Culture, Commission on Gang Prevention & Intervention, Development Services, Human Relations Commission and Citizen's Review Board, Library, Park & Recreation, and Planning, Neighborhoods, and Economic Development.

## **Infrastructure/Public Works Department**

A new department called Infrastructure/Public Works has been created for the Deputy Chief Operating Officer that will oversee the following departments: Environmental Services, Public Utilities, Public Works (including Office of ADA Compliance & Accessibility), and Transportation & Storm Water.

## **Human Relations Commission & Citizens Review Board**

The Human Relations Commission and the Citizens Review Board were transferred from the Human Resources Department to the Neighborhood Services Department.

## **Office of ADA Compliance & Accessibility**

The Office of ADA Compliance & Accessibility was transferred from its own department into a division in the Infrastructure/Public Works Department.

## **Parking Meter Operations**

The Parking Meter Operations program was transferred from the General Fund to a new special revenue fund called Parking Meter Operations.

## **Engineering & Capital Projects**

The Public Works - Engineering & Capital Projects Department was transferred from the General Fund to a new internal service fund called Engineering & Capital Projects. Engineering services provided by the Public Works - Engineering & Capital Projects Department to General Fund departments will now be budgeted in the Citywide Program Expenditures Department. Separating Public Works - Engineering & Capital Projects from the General Fund will increase transparency through clear tracking of all the work performed by the department (both CIP and other). It will also add flexibility for the department to modify staffing levels in response to the size of the CIP.

## **Analytics and Performance Management Department**

The Business Office section of the Office of the Assistant Chief Operating Officer has become a new department called Analytics and Performance Management.

## **Corporate Partnerships & Development and Grants**

The Corporate Partnerships & Development and grants programs were transferred from the Office of the Chief Financial Officer to sections within the Office of the Assistant Chief Operating Officer.

## **Multimedia Services Department**

The Multimedia Services Department was re-titled to the Communications Department.



## Fiscal Actions in the Fiscal Year 2015 Proposed Budget

The Fiscal Year 2015 Proposed Budget contains funding for the full payment of the pension ADC, 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 2015 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 2015, the SDCERS ADC was determined by the SDCERS' actuarial valuation to be \$263.6 million as of June 30, 2013. This is a decrease of \$11.8 million from the Fiscal Year 2014 Adopted Budget, primarily due to the assumed freeze on inflationary pay increases and the net changes in economic assumptions (discount rate and long-term pay inflation).

### Maintaining Reserves

Strong reserves position the City to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters, or excessive liabilities or legal judgments against the City. 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 and Stability Reserve for the General Fund, Development Services Reserve funds, Risk Management Reserve funds, and Public Utilities Reserves, among others.

The City's Reserve Policy calls for: a) the maintenance of adequate reserve levels for all of its reserves, including the Emergency Reserve and the Stability 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 maintaining a minimum of 14.0 percent of the most recent three-year average of annual audited General Fund operating revenues held in reserves. The 14.0 percent target for total General Fund Reserves includes the Emergency Reserve target of 8.0 percent and the Stability Reserve target of 6.0 percent. For Fiscal Year 2015, total General Fund Reserves is projected to be \$149.8 million or 14.0 percent of General Fund Revenues, with 8.0 percent in the Emergency Reserve and 6.0 percent in the Stability Reserve, in accordance with the Reserve Policy. Excess Equity is projected to be \$14.1 million; when the projection for Excess Equity becomes more solidified in the Fiscal Year 2014 Year-end Monitoring Report, the Mayor may provide recommendations on the use of the projected Excess Equity in the May Revision to the Fiscal Year 2015 Proposed Budget

**Table 17** displays a summary of projected General Fund Reserves for Fiscal Year 2015.

**Table 17: FY 2015 Projected General Fund Reserves**

|   | Amount         | Percent of Revenue <sup>1</sup> |
|---|----------------|---------------------------------|
| <b>FY 2013 Ending Unrestricted Fund Balance</b>           | <b>\$179.5</b> | <b>16.8%</b>                    |
| FY 2014 Projected Revenue                                 | 1,265.4        |                                 |
| FY 2014 Projected Expenditures                            | (1,237.0)      |                                 |
| Loan to Successor Agency                                  | (21.1)         |                                 |
| Use of Excess Equity <sup>2</sup>                         | (22.9)         |                                 |
| <b>FY 2014 Projected Ending Unrestricted Fund Balance</b> | <b>\$163.9</b> | <b>15.3%</b>                    |

# Executive Summary

**Table 17: FY 2015 Projected General Fund Reserves (Cont'd)**

|  | Amount       | Percent of Revenue <sup>1</sup> |
|--|--------------|---------------------------------|
| Emergency Reserve                      | 85.6         | 8.0%                            |
| Stability Reserve                      | 64.2         | 6.0%                            |
| <b>FY 2015 Projected Reserve Level</b> | <b>149.8</b> | <b>14.0%</b>                    |
| Projected Excess Equity                | 14.1         | 1.3%                            |

<sup>1</sup> The reserve percentage is calculated based on the most recent three year average of annual audited General Fund operating revenues. The most recent three year average of annual audited General Fund operating revenues is \$1.1 billion.

<sup>2</sup> Excess Equity is spendable and unrestricted fund balance that is not otherwise assigned to General Fund Reserves and is available for appropriation. Excess Equity is most commonly a non-recurring source of revenue.

Due to the Workers' Compensation Fund Reserve requirement for Fiscal Year 2015 being met in Fiscal Year 2014 according to the Reserve Policy, the Fiscal Year 2015 Proposed Budget does not include a contribution to these reserves. The Reserve Policy requires that the Workers' Compensation Fund Reserves equal to 25 percent of the value of outstanding claims, which is expected to be achieved in Fiscal Year 2014.

In addition, the Reserve Policy requires that approximately \$3.2 million be contributed annually from the General Fund to the Public Liability Fund Reserve in order to reach the reserve level of 50 percent of the value of a three-year average of outstanding public liability claims by Fiscal Year 2019. Due to the reserve requirement of \$3.2 million for Fiscal Year 2015 being pre-funded with one-time Excess Equity in Fiscal Year 2014, the Fiscal Year 2015 Proposed Budget does not include a contribution to this reserve.

## 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 2015. From the \$57.8 million, the retiree health defined contribution and pay-as-you-go payments are paid out first, with any remaining balance funding the CalPERS Employer Retiree Benefit Trust (CERBT) to pre-fund expenses related to post-employment healthcare benefits.

## Municipal Storm Water Permit Compliance

The City of San Diego has over 48,000 storm drain structures, 700 miles of drainage pipe, and 15 storm water pump stations. The Transportation & Storm Water Department, Storm Water Division, is responsible for the inspection, maintenance, and repair of these assets for water quality, flood risk management and ensuring that this work is in compliance with all local, State, and federal environmental regulations. In addition, the Division manages maintenance efforts for 84 miles of drainage channels and ditches, regularly sweeps more than 2,700 miles of improved streets, and leads the City's efforts to protect and improve the water quality of rivers, creeks, bays, and the ocean.

On May 8, 2013, the Regional Water Quality Control Board (RWQCB) issued a new storm water permit in order to establish the conditions under which pollutants can be discharged from the City's storm drain system to local streams, coastal lagoons, and the ocean. The permit requires compliance with the federal Clean Water Act and storm water regulations. The City of San Diego is one of 21 entities in the San Diego region affected by the new storm water permit which took effect in July 2013, and requires all entities to come to compliance by calendar year 2018 per water quality regulations. This permit consolidated storm water regulations for Total Maximum Daily Load (TMDL) for metals and bacteria and Areas of Special Biological Significance (ASBS) requirements.

# Executive Summary

The Fiscal Year 2015 Proposed Budget includes \$44.8 million to fund programs to comply with permit requirements. This includes the addition of 9.67 FTE positions, associated personnel expenditures of \$820,431, and \$5.5 million in contractual funding for Fiscal Year 2015 for storm water pollution prevention, street sweeping, and storm drain maintenance.

## Deferred Capital

The City of San Diego maintains a large network of infrastructure assets, such as streets, facilities, storm drains, water and wastewater pipelines, parks, bridges, airports, and golf courses. From 2007 to 2011, the City took action to assess the condition of certain General Fund infrastructure assets. Based upon a report of the condition of these assets released in March 2011, the City's deferred capital backlog for General Fund street, facility, and storm water infrastructure assets was estimated at \$898.0 million. Of this amount, \$478.0 million was related to streets, \$185.0 million was attributed to facilities, and \$235.0 million was related to storm water infrastructure. The Transportation & Storm Water Department recently concluded an assessment of the City's storm drain pipes and determined that a portion of the storm water system can be rehabilitated rather than replaced. As a result of this assessment, the Department has revised the estimated maintenance backlog for storm water infrastructure from \$235.0 million to \$146.0 million.

On March 20, 2012, the City Council approved a deferred capital funding plan, known as Enhanced Option B, which provides for bond funding totaling \$419.3 million over a five-year period from Fiscal Years 2013 through 2017, and increasing annual cash funding for maintenance and repair and capital expenditures (alternately operations and maintenance as listed in Enhanced Option B) from \$52.7 million in Fiscal Year 2013 to \$79.0 million by Fiscal Year 2017. To date, an estimated \$213.3 million in bond proceeds including earned interest have been applied to Capital Improvement Program (CIP) projects for planning, design, and construction for the repair, expansion, and/or replacement of General Fund streets, sidewalks, facilities, parks, and storm water infrastructure. This funding consists of the \$103.3 million issued in 2009, \$75.0 million issued in Fiscal Year 2012, and \$35.0 million issued in Fiscal Year 2013.

The Fiscal Year 2015 Proposed Budget includes an additional \$5.9 million in deferred capital cash funding, increasing the budgeted level to \$62.0 million in Fiscal Year 2015 to address deferred capital and maintenance and repair needs. This amount is consistent with the approved Enhanced Option B funding plan for Fiscal Year 2015. In addition, a fourth bond issuance of \$120.0 million has been approved by the City Council and the proceeds will be received in two tranches; the first was expected in the fourth quarter of Fiscal Year 2014 but is delayed due to litigation. The second tranche is anticipated in Fiscal Year 2015.

## Service Enhancements and Other Adjustments

The Fiscal Year 2015 Proposed Budget contains funding for service enhancements and other adjustments, which are described in detail below.

### Infrastructure

#### ***\$120.0 Million CIP Bond Issuance***

In January 2014, the City Council approved the issuance of \$120.0 million in lease revenue bonds to fund capital improvement projects. The bond proceeds will be allocated to CIP projects as follows: \$48.6 million to Facilities, \$44.1 million to streets, \$1.0 million to sidewalks, \$4.3 million to ADA improvements, and \$22.0 million to storm drains.

Based on projected spending trends, the bond issuance will occur in two series. The first series is delayed due to litigation and will generate \$66.4 million in bond proceeds. The second series is

# Executive Summary

expected to be issued in Fiscal Year 2015, and is anticipated to generate the remaining \$53.6 million in bond proceeds. The Fiscal Year 2015 Proposed Budget includes \$4.2 million in debt service payments related to the \$120.0 million bond issuance.

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

The Fiscal Year 2015 Proposed Budget includes \$11.2 million in funding to conduct various condition/needs assessments of City infrastructure. Of this amount, a total of \$2.1 million is included in the General Fund to conduct the following condition/needs assessments: \$1.0 million for City facilities/buildings; \$560,000 for streets; \$104,964 for sidewalks; and \$393,382 to continue a condition/needs assessment of park assets. In addition, \$9.1 million in appropriations is included in the Public Utilities Department to conduct conditions/needs assessments of various Public Utilities facilities and infrastructure, including pipelines.

## ***SAP Enterprise Asset Management***

The Fiscal Year 2015 Proposed Budget includes the addition of 1.00 Asset Manager in the General Fund and 1.00 Administrative Aide II in the Public Utilities Enterprise Funds, \$265,753 in associated personnel expenditures, and \$1.8 million in non-personnel expenditures to assist in the development of the new SAP Enterprise Asset Management System (EAM). SAP EAM is a system that will be used to manage assets across all departments citywide during the life of the asset to maximize value.



## ***Facilities Maintenance Positions***

The Fiscal Year 2015 Proposed Budget includes the addition of 7.00 FTE positions, \$564,166 in associated personnel expenditures, and \$141,590 in non-personnel expenditures to support the maintenance of City facilities.

## ***Sidewalk and Street Light Improvements***

The Fiscal Year 2015 Proposed Budget includes the addition of \$1.4 million in non-personnel expenditures in the Streets Division of the Transportation & Storm Water Department for sidewalk and street light improvements.

## ***Park & Recreation Parking Lot Repairs***

The Fiscal Year 2015 Proposed Budget includes the addition of \$300,000 in non-personnel expenditures to fund critical parking lot and park road repairs at Park & Recreation facilities.

## ***South Chollas Landfill / Storm Water Improvements***

Included in the Fiscal Year 2015 Proposed Budget is \$2.1 million in non-personnel expenditures for storm water improvements at the South Chollas Landfill as a result of a Notice of Violation issued by the Regional Water Quality Control Board and the Local Enforcement Agency. The project cost is estimated at \$5.7 million for the General Fund (\$11.4 million Citywide) to implement a conceptual grading plan which will include demolition, removal, and replacement of some parking areas, and installation of drainage systems. Of the current estimate of \$5.7 million, funding of \$3.0 million was

## Executive Summary

provided in Fiscal Year 2014 and an additional \$2.1 million is included in the Fiscal Year 2015 Proposed Budget for the General Fund portion of this project. In addition, funding of \$1.3 million from the Refuse Disposal CIP Fund, \$2.7 million from the Water Utility CIP Fund, and \$1.7 million from the (Fleet Services) Equipment Division CIP Fund is included in Fiscal Year 2015 to support this project.

### ***South Chollas Facility Upgrades***

Included in the Fiscal Year 2015 Proposed Budget is \$500,000 (\$450,000 in the General Fund) to rebuild the vehicle wash rack at the South Chollas Yard facility, which washes the vehicles to eliminate pollutants.

### ***Streets Resurfacing Positions***

The Fiscal Year 2015 Proposed Budget includes the addition of 2.00 Assistant Engineers-Civil and 2.00 Principal Engineering Aides, \$388,989 in associated personnel expenditures, and offsetting revenue to support streets slurry and overlay projects. These positions will be reimbursed by Prop 42 funds and deferred capital bonds.

### ***Street/Sidewalk Managed Competition Alternative Proposal***

The Fiscal Year 2015 Proposed Budget includes the addition of 14.00 FTE positions and \$950,760 in associated personnel expenditures, and an offsetting reduction in non-personnel expenditures for the implementation of an efficiency plan for providing street and sidewalk maintenance services as an alternative to the Street/Sidewalk Managed Competition proposal. This proposal results in a net zero impact in the Fiscal Year 2015 Proposed Budget while accelerating pothole response time and increasing the quantity of street milling and paving. This proposal is anticipated to improve the overall condition of street pavement surfaces.

### ***Storm Water Infrastructure***

The Fiscal Year 2015 Proposed Budget includes the addition of 2.00 FTE positions, \$181,006 in personnel expenditures, and \$4.1 million in non-personnel expenditures in the Transportation & Storm Water Department to provide maintenance and repair on the City's storm drains to comply with storm water permit requirements. The additional funding will provide for new and increased programs, such as increased permitting and monitoring related to channel maintenance, increased pump station maintenance and repair, and increased storm drain system planning and preliminary design.

### ***Transfer to Drainage Projects***

The Fiscal Year 2015 Proposed Budget includes the addition of \$2.9 million in non-personnel expenditures in the Transportation & Storm Water Department to support storm water drainage capital improvement projects.

### ***Transfer to Engineering & Capital Projects***

The Fiscal Year 2015 Proposed Budget includes \$2.0 million in transfers to the Engineering & Capital Projects Fund related to services provided to General Fund Departments by the Public Works - Engineering & Capital Projects Department.

## **Public Safety**

### ***Sworn Officer Retention Program***

Included in the Fiscal Year 2015 Proposed Budget is \$3.2 million to continue funding for the Police retention program. The Fiscal Year 2014 Adopted Budget included \$2.0 million in the General Fund Appropriated Reserve for the purpose of funding a Police retention program. On August 28, 2013, the City Council approved the use of this budget to increase uniform allowance, and provided funding for police officer recruitment activities. The \$3.2 million in funding in the Fiscal Year 2015

# Executive Summary

Proposed Budget will allow for the continuation of this program, the details of which are anticipated to be available for the Fiscal Year 2015 Adopted Budget.

## ***Police Academy Recruits***

The Fiscal Year 2015 Proposed Budget includes the addition of 36 Police sworn positions (18.00 FTE positions) over four police academies, \$2.6 million in associated personnel expenditures, and \$244,000 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 2015. Each academy will increase from 34 to 43 Police recruit positions, thereby adding nine Police recruit positions per academy.

This budget also includes the addition of nine Police sworn positions and \$1.2 million in associated personnel expenditures, for positions that were added in Fiscal Year 2014 for the May 2014 academy.

## ***Police Body Worn Cameras***

The Fiscal Year 2015 Proposed Budget includes \$1.0 million to provide continued funding for body worn cameras that are worn by Police officers to record interactions with the public. The audio and visual recordings will be stored digitally and can be used as evidence in court and for Departmental purposes. Funding of \$1.0 million was provided in Fiscal Year 2014 to partially fund the project's information technology infrastructure, cameras, and software for the Department's patrol officers. The Police Department intends to eventually equip every patrol officer with a body worn camera.

## ***Assistant Police Chief***

The Fiscal Year 2015 Proposed Budget includes the addition of \$290,455 in personnel expenditures for the addition of 1.00 Assistant Police Chief to support the Police Department operations.

## ***Police Civilian Positions***

The Fiscal Year 2015 Proposed Budget includes the addition of 17.00 FTE Police civilian positions, \$1.4 million in personnel expenditures and \$35,984 in non-personnel expenditures to support the Police Department operations, including enforcement of the Neighborhood Parking Protection Ordinance.

## ***Skyline Temporary Fire Station***

The 2011 Citygate Standards of Coverage Report recommended that a fire station be located on City owned land on Skyline Drive and Sychar Road. However, to immediately address the coverage gap, a temporary fire station is needed, and is anticipated to open in January 2015. The Fiscal Year 2015 Proposed Budget includes \$751,489 in overtime expenditures and \$200,000 in non-personnel expenditures to staff the temporary Fire station for a period of six months in Fiscal Year 2015.

## ***Additional Fire Academies***

The Fiscal Year 2015 Proposed Budget includes \$532,538 in personnel expenditures and \$553,573 in non-personnel expenditures for two additional fire academies. The Fire-Rescue Department held one Fire Academy during Fiscal Year 2014. However, current vacancies and anticipated attrition within the department require funding for two additional academies for a total of three academies in Fiscal Year 2015.

## ***Fast Response Program***

The Fiscal Year 2015 Proposed Budget includes the addition of \$527,000 in one-time overtime expenditures for 1.00 Fire Captain and 1.00 Firefighter/Paramedic, and \$72,000 in non-personnel expenditures for safety tools and supplies, medical equipment, and associated repair and maintenance services to implement the Fast Response Program.



# Executive Summary

## ***Boating Safety Unit***

The Fiscal Year 2015 Proposed Budget includes \$461,583 for the addition of 4.00 Lifeguards III at Boating Safety Units to serve as emergency support to all the other Lifeguard Districts during periods of increased activity or operations.

## ***Lifeguard Facility Improvement***

The Fiscal Year 2015 Proposed Budget includes the addition of \$500,000 in non-personnel expenditures related to the facility improvement to convert an existing location into a locker room and sleep facility for lifeguards.

## **Neighborhoods**

### ***Transfer to Maintenance Assessment Districts***

The Fiscal Year 2015 Proposed Budget includes the addition of \$2.2 million in non-personnel expenditures for the projected increase in general benefit contributions to Maintenance Assessment Districts (MADs) as a result of the reengineering of the MADs.

### ***Expansion of Library Hours***

The Fiscal Year 2015 Proposed Budget includes the addition of 16.19 FTE positions, \$1.3 million in personnel expenditures and \$185,375 in non-personnel expenditures to support expanded service hours at all San Diego Public Library locations. All branch library locations will gain 4 hours per week, while the Central Library will gain 3 hours per week. In addition, there will be expanded hours at 12 branch libraries on Saturdays and Sundays.

### ***Library After-School Program***

The Fiscal Year 2015 Proposed Budget includes the addition of 6.90 FTE positions, \$422,116 in associated personnel expenditures, and \$79,318 in non-personnel expenditures to support the Do Your Homework @ the Library after-school program.

### ***CONNECT2Careers***

Included in the Fiscal Year 2015 Proposed Budget is \$200,000 to support the San Diego Workforce Partnership's CONNECT2Careers program, which provides youth with summer employment opportunities, job-readiness training, and job placement.

### ***New Park & Recreation Facilities***

The Fiscal Year 2015 Budget includes the addition of 8.37 FTE positions, \$480,679 in personnel expenditures, and \$313,043 in non-personnel expenditures to support and maintain the following new facilities that are scheduled to open in Fiscal Year 2015: Solana Ranch Neighborhood Park, Ed Cramer Park, Cabrillo Heights Neighborhood Park, Memorial Pool Expansion, Central Avenue Mini Park, Old San Ysidro Fire Station land conversion, San Ysidro athletic field, Balboa Park Central Mesa, and an additional 200 open space acres in Deer Canyon and near Los Penasquitos Canyon Preserve. In addition, the budget includes the operations and maintenance of Morely Green Park that was transferred from the Redevelopment Agency, as well as properties in the Peninsula Community to be transferred to the Park and Recreation Department from the Real Estate Assets Department.

### ***Brush Management***

Included in the Fiscal Year 2015 Proposed Budget is the addition of \$500,000 in non-personnel expenditures to cover increased brush management contractual costs from \$2,051 per acre to \$5,720 per acre.

# Executive Summary

## ***Community Plan Updates***

The Fiscal Year 2015 Proposed Budget includes the transfer of 7.00 FTE positions and \$710,668 in associated personnel expenditures from the Development Services Enterprise Fund to the General Fund for CEQA and urban design related to Community Plan Updates (CPU)s. In addition, 2.00 Associate Planner positions, \$203,049 in associated personnel expenditures, and \$1,850 in non-personnel expenditures have been added in the Fiscal Year 2015 Proposed Budget to continue work on CPUs. The total amount included in the Fiscal Year 2015 Proposed Budget for CPUs is \$2.1 million.

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

The Fiscal Year 2015 Proposed Budget includes the addition of 1.00 Zoning Investigator II, \$91,992 in personnel expenditures, \$9,550 in non-personnel expenditures, and \$93,260 in revenue to support the Property Value Protection Ordinance, including monitoring, inspection and enforcement.

## ***Code Enforcement Support***

The Fiscal Year 2015 Proposed Budget includes the addition of 1.00 Program Manager, \$178,660 in associated personnel expenditures, and \$1,000 in non-personnel expenditures to oversee building and housing code enforcement programs. This includes the review of building plans and specifications, and inspections required to determine violations of city and state code requirements.

This budget also includes the addition of 1.00 Program Manager, \$178,660 in associated personnel expenditures, and \$1,000 in non-personnel expenditures to oversee the land development review code enforcement programs. This includes the enforcement of the Land Development Code and other related city and state codes relating to zoning, land use, environmental sensitive lands, graffiti, news racks and tree permits.

## ***Overnight Camping Kumeyaay Campground***

The Fiscal Year 2015 Proposed Budget includes the addition of 1.00 Park Ranger and 0.50 Recreation Center Director 1, \$121,353 in personnel expenditures, \$18,300 in non-personnel expenditures, and \$40,000 in partially offsetting revenue to re-open the Kumeyaay Campground for overnight weekend camping.

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

Penny for the Arts presents a plan proposed by the Commission for Arts and Culture Department to restore the arts, culture, and community festivals over a five-year period from Fiscal Year 2013 through Fiscal Year 2017 from the Transient Occupancy Tax (TOT) allocations. This plan was approved by City Council on October 22, 2012. The Fiscal Year 2015 Proposed Budget includes the addition of \$200,000 in non-personnel expenditures for funding to support Penny for the Arts. In addition, 1.00 Associate Management Analyst position and \$97,852 in associated personnel expenditures have been included to support art-related programs and services.

## ***Homelessness Solutions***

The Fiscal Year 2014 Adopted Budget included \$1.9 million in General Fund funding to extend the operations of the Single Adult Emergency Winter Shelter and the Veterans Shelter. While the Fiscal Year 2015 Proposed Budget includes this same level of General Fund funding as the Fiscal Year 2014 Adopted Budget for homeless efforts, this budget includes the redirection of these funds towards outcome-focused services and critical program enhancements that result in the most effective use of resources and a coordinated system. The following describes the reallocation of these funds as reflected in the Fiscal Year 2015 Proposed Budget.

# Executive Summary

## Enhanced Single Adult Winter Shelter and Veterans Winter Shelter

The Fiscal Year 2015 Proposed Budget includes \$800,000 to provide funding for four months of operations of the Single Adult Winter Shelter and Veterans Winter Shelter, and to allow the operators to improve the assessment and case management services offered and partner closely with existing integrated homeless outreach efforts to increase opportunities for homeless San Diegans residing at these shelters to be placed in more stable, permanent housing. This funding will augment the Community Development Block Grant (CDBG) funding for the Veterans Winter Shelter from November through March during the coldest and wettest months of the year.

## Coordinated Assessment, Coordinated Entry, and Homeless Management Information System

One-time funding of \$400,000 is included in the Fiscal Year 2015 Proposed Budget to support the Regional Continuum of Care's development of a coordinated intake and assessment system, applicable to all organizations throughout the City and region, to address the needs of critical homeless housing and services programs. By expanding the system, agencies will be able to share data in real time, allowing services to be delivered in a more coordinated and efficient manner.

## Serial Inebriate Program (SIP) Expansion

The Serial Inebriate Program (SIP) has positively impacted chronic homeless alcoholics who cycle in and out of detoxification centers, county jail, and local emergency rooms. By providing intensive case management and access to housing, clients are able to improve their well-being and achieve long-term recovery. The Fiscal Year 2015 Proposed Budget includes \$120,000 to restore the SIP to pre-reduction funding levels and nearly triple the number of individuals capable of being served, making an additional 20 units or beds available for SIP participants, increasing the total SIP support units and beds to 32.

## Neil Good Day Center Service Enhancement

The Neil Good Day Center serves as a point-of-entry to San Diego's full array of homeless services. It also provides homeless individuals access to showers, mail services, computer, medical care, and case management. The Fiscal Year 2015 Proposed Budget includes funding of \$80,000 to enhance the services that the Neil Good Day Center offers, including targeted case management.

## Homeless Outreach Team Enhancement

The Fiscal Year 2015 Proposed Budget includes \$40,000 to link the San Diego Police Department's Homeless Outreach Team (HOT) efforts with local housing and service providers to enhance the street outreach and engagement services currently provided to homeless individuals. With this additional funding, each HOT rotation would include alternating members of the provider community. The combined knowledge of police officers assigned to HOT and services providers will engage homeless individuals and link them with appropriate resources. In addition, the San Diego Housing Commission would work with participating providers to set aside housing inventories for eligible homeless individuals encountered by HOT officers while they are on patrol.

## Homeless Transitional Storage Facility

The Fiscal Year 2015 Proposed Budget includes \$150,000 to support the operation of the Girls Think Tank storage facility, which provides a place for 350 homeless families and individuals to safely store their personal belongings.

# Executive Summary

## Connections Housing Downtown Gap Funding

With the opening of the Connections Housing Downtown facility in March of 2013, more than 500 homeless individuals have been positively impacted. Due to the higher level of services required by the building's residents, the intensive services budget was immediately implemented, resulting in a budget gap of \$400,000. The Fiscal Year 2015 Proposed Budget includes \$300,000 for People Assisting the Homeless' (PATH) continuation of essential services, and for development partners to continue to pursue private fundraising and public grants to fill the remaining gap in operating funds.

## **Open Government / Transparency**

### ***Open Data Officer***

The Fiscal Year 2015 Proposed Budget includes the addition of 1.00 Open Data Officer and \$201,992 in associated personnel expenditures to implement an Open Data policy and enhance transparency of government operations through increased public access to City data and information.

### ***Email Retention***

The Fiscal Year 2015 Proposed Budget includes the addition \$500,000 (\$255,000 in the General Fund) in non-personnel expenditures to establish an email retention policy to store electronic emails of City correspondence.

## **Other Significant Adjustments**

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

The Fiscal Year 2015 Proposed Budget includes the addition of 7.67 FTE positions, \$639,425 in personnel expenditures, and \$1.4 million in non-personnel expenditures in the Transportation & Storm Water Department to maintain storm water permit compliance. The additional funding will provide for new and increased programs, such as increased high efficiency street sweeping, increased enforcement and rebates encouraging reduced irrigation runoff, increased storm water quality monitoring, and increased storm water best management practices planning and preliminary design.



### ***Improvement to Government Operations***

On October 28, 2013, the City Council approved the Improvement to City of San Diego Government Operations plan, which is intended to impose a culture of discipline, transparency, accountability, and continuous improvement on the City's governmental operations. This effort includes a revised City management organizational structure, the development of a training and professional development curriculum offered through customized Management and Leadership Academies, and retention of a consultant to assist with identifying opportunities for efficiencies citywide.

The governmental operations improvement effort includes the following organizational structure: Restoration of 3.00 Deputy Chief Operating Officer positions which will lead the City's key

# Executive Summary

business units; creation of three new departments (the Planning, Neighborhoods and Economic Development Department, Communications Department, and Analytics and Performance Management Department); and development and delivery of Management and Leadership Academies.

The plan is being implemented through a two-phased approach spanning over Fiscal Years 2014 and 2015. The Fiscal Year 2015 Proposed Budget reflects the addition of positions and other adjustments related to Phase One which was implemented in Fiscal Year 2014, as well as adjustments associated with Phase Two of this plan. This resulted in the net addition of 6.00 FTE positions, \$1.0 million in personnel expenditures, and \$160,000 in non-personnel expenditures.

## ***Prevailing Wage***

The Fiscal Year 2015 Proposed Budget includes the addition of 7.00 FTE positions, \$770,307 in associated personnel expenditures, \$11,500 in non-personnel expenditures, and \$590,000 in partially offsetting revenue to support the Equal Opportunity Contracting Prevailing Wage Ordinance.

## ***Vacation Pay in Lieu***

The Fiscal Year 2015 Proposed Budget includes the addition of \$509,800 in the Park & Recreation Department, \$700,000 in the Fire-Rescue Department, and \$1.8 million in the Police Department for vacation pay in lieu expenditures to more closely align the budget to actual expenditures.

## **Reductions**

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

The Fiscal Year 2015 Proposed Budget includes the reduction of 4.00 FTE positions, \$364,635 in personnel expenditures, and \$336,762 in non-personnel expenditures related to the Civic and Urban Initiatives program.

### ***Vacant Positions***

The Fiscal Year 2015 Proposed Budget includes the reduction of 6.50 FTE positions and \$549,331 in personnel expenditures due to the elimination of vacant positions. Of the 6.50 FTE positions, 2.50 FTE positions have been reduced from the Library Department and 2.00 FTE positions from the Police Department due to the positions being vacant since Fiscal Year 2012. The reduction of these vacant positions will not result in any service level impacts.

### ***Library Books***

The Fiscal Year 2015 Proposed Budget increases funding by approximately \$2 million for expanded library hours and new after-school programs at various libraries in partnership with city schools. These critical needs are proposed to be funded through a combination of revenue growth in the General Fund and a reduction to the library materials budget of \$500,000. Due to limited resources available to the General Fund, this reduction to materials was identified to allow for expanded hours and new after-school programs.

## **One-Time Resources and Uses**

The Fiscal Year 2015 Proposed Budget includes \$18.4 million in one-time resources as displayed in **Table 18: Fiscal Year 2015 One-Time Resources**.

**Table 18: Fiscal Year 2015 One-Time Resources**

| <b>One-Time Resources</b>                                 | <b>Amount</b> |
|---|---------------|
| Use of Transient Occupancy Tax (TOT) Fund Balance         | \$7,757,844   |
| Prepayment to Public Liability Reserve from Excess Equity | 3,200,000     |
| Disaster Recovery Reimbursements                          | 2,200,000     |

# Executive Summary

**Table 18: Fiscal Year 2015 One-Time Resources**

| One-Time Resources   | Amount              |
|--|---------------------|
| Use of Pilot Program Helicopter Fund Balance   | 1,940,665           |
| Prepayment to LTD Reserve from Excess Equity   | 1,200,000           |
| Reimbursement of General Fund funding used in Fiscal Year 2013 for Convention Center Phase III Expansion | 1,000,000           |
| Use of PETCO Park Fund Balance   | 700,000             |
| Use of Wireless Antenna Fund Balance   | 400,000             |
| <b>Total</b>   | <b>\$18,398,509</b> |

This compares to approximately \$19.8 million in one-time uses as displayed in **Table 19: Fiscal Year 2015 One-Time Uses**.

**Table 19: Fiscal Year 2015 One-Time Uses**

| One-Time Uses  | Amount              |
|--|---------------------|
| Storm Water Permit Compliance  | \$3,660,000         |
| Information Technology Discretionary Expenditures                              | 3,298,529           |
| South Chollas Landfill / Storm Water Improvement                               | 2,134,000           |
| Supplemental Cost of Living Adjustment (COLA)                                  | 1,738,089           |
| Sidewalk and Street Light Improvements   | 1,400,000           |
| Addition of Two Fire Academies   | 1,086,111           |
| Police Body Worn Cameras   | 1,000,000           |
| Facilities Condition/Needs Assessment  | 1,000,000           |
| Fire Fast Response Program   | 599,000             |
| Street Condition/Needs Assessment  | 560,000             |
| Lifeguard Facility Improvement for the Boating Safety Unit                     | 500,000             |
| South Chollas Facility Upgrades  | 450,000             |
| Kinder Morgan Litigation Expenditures  | 450,000             |
| Coordinated Assessment, Coordinated Entry, and Homeless Management Information | 400,000             |
| SAP Enterprise Asset Management Project  | 371,000             |
| Park & Recreation Facility Improvements  | 300,000             |
| Park Assets Condition Assessment   | 250,000             |
| Non-Personnel Expenditures for Police Sworn Positions                          | 244,000             |
| Developer for SAP Reports  | 217,000             |
| Sidewalk Condition/Needs Assessment  | 104,964             |
| <b>Total</b>   | <b>\$19,762,853</b> |

The information shown in the tables above reflects that there are \$1.4 million more in one-time uses than one-time resources being utilized. This is consistent with the budget policy that one-time resources should not be used to fund ongoing uses.

## Fiscal 2015-2019 Five-Year Financial Outlook Update

The City of San Diego Fiscal Year 2015-2019 Five-Year Financial Outlook (Outlook) is the guiding document for long-range fiscal planning and served as the framework for the development of the Fiscal Year 2015 Proposed Budget. The City's General Fund was the primary focus of the Fiscal Year 2015-2019 Five-Year Financial Outlook and forecasted General Fund revenues and expenditures for five fiscal years beginning in Fiscal Year 2015. The Outlook was released on November 14, 2013 based on the most current information available at that time. Since the release of the Outlook, the City has received updates to various economic indicators that are incorporated



## Executive Summary

into the Fiscal Year 2015 Proposed Budget. As a result, the City has updated the Outlook based on the Fiscal Year 2015 Proposed Budget.

The November 2013 Outlook's Baseline Budget section reflected a deficit of \$19.1 million for Fiscal Year 2015 with surpluses projected for Fiscal Years 2016-2019. As described earlier in the Executive Summary, the Fiscal Year 2015 Proposed Budget includes the use of \$1.8 million in fund balance due to the budgeting of City Council Community Projects, Programs and Services (CPPS) funds. The two primary factors attributing to the resolution of the projected deficit are a projected increase in revenue to be received from Redevelopment Property Tax Trust Fund (RPTTF) residual payments and a decrease in the General Fund share of the Actuarially Determined Contribution (ADC).

The Fiscal Year 2015 Proposed Budget, with one-time revenues and expenditures excluded, serves as the base for the updated Fiscal Year 2016-2019 projections displayed below. In total, both revenue and expenditure projections are lower due to the restructure of the Public Works - Engineering Capital Projects Department and Parking Meter Operations program out of the General Fund to better improve transparency of operations and accountability of restricted resources. Additional revenue and expenditure adjustments included in the updated Outlook are discussed below.

Major revenue projections have been updated based on the most recently available information. Additionally, the property tax projection in the November Outlook did not include a projection for residual distributions from the Redevelopment Property Tax Trust Fund (RPTTF) due to the uncertainty surrounding the dissolution of Redevelopment Agencies; however, the Fiscal Year 2015 Proposed Budget includes \$11.4 million in RPTTF residual distributions and it is estimated \$11.0 million will be received in Fiscal Years 2016-2019 due to recent collections confirming such revenues. The charges for services category is reduced by \$52.5 million as a result of the revenue associated with the Public Works - Engineering & Capital Projects Department being restructured out of the General Fund into an internal service fund in an effort to increase transparency. The licenses and permits category is reduced by \$8.1 million primarily due to the Park Meter Operations program being restructured out of the General Fund into a special revenue fund to allow for increased accountability of these restricted resources.

On the expenditure side, salaries and wages have decreased by \$24.3 million in Fiscal Year 2015 primarily due to the restructure of the Public Works - Engineering & Capital Projects Department and associated FTEs out of the General Fund, this is the offset to the restructuring of revenue discussed above. Additionally, the ADC has been updated for all fiscal years based on the actuarial valuation report prepared by Cheiron as of June 30, 2013. The Fiscal Year 2015 General Fund ADC payment has decreased by \$17.1 million due to the restructure of the Public Works - Engineering & Capital Projects Department and an overall decrease in the payment projections previously provided Cheiron due to current valuation changes. It should be noted that the updated Fiscal Year 2016-2019 projections continue to fully fund the City's projected ADC payments. Updated projections for non-personnel expenditures have not changed significantly from the November 2013 version of the Outlook, although there has been a reclassification of expenses between the supplies and contracts categories.

The updated surpluses projected for Fiscal Years 2016-2019 have increased from November 2013 projections, primarily as a result of the inclusion of RPTTF residual payments in the current revenue projections. Although surpluses are projected for the coming years, there remain many needs identified by City departments that are currently unfunded and may impact future General Fund expenditures.

# Executive Summary

**Table 20: Fiscal Year 2015-2019 Five-Year Financial Outlook Update**

**FISCAL YEAR 2015 - 2019 FIVE-YEAR FINANCIAL OUTLOOK**  
**UPDATED BASED ON FISCAL YEAR 2015 PROPOSED BUDGET**  
(\$ in millions)

| GENERAL FUND REVENUES                                   | Fiscal Year 2015<br>Outlook Version <sup>5</sup> | Fiscal Year<br>2015 Proposed<br>Budget | Fiscal Year<br>2016 | Fiscal Year<br>2017 | Fiscal Year<br>2018 | Fiscal Year<br>2019 |
|---|--|--|---------------------|---------------------|---------------------|---------------------|
| Property Tax  | \$ 424.1   | \$ 436.7                               | \$ 449.9            | \$ 463.3            | \$ 477.2            | \$ 491.4            |
| Sales Tax <sup>1</sup>                                  | 255.6  | 257.1                                  | 264.9               | 274.3               | 283.5               | 292.9               |
| Transient Occupancy Tax <sup>1</sup>                    | 92.4   | 91.1                                   | 95.7                | 107.1               | 112.1               | 117.4               |
| Franchise Fees  | 70.3   | 72.0                                   | 74.1                | 76.0                | 78.0                | 80.0                |
| Property Transfer Tax                                   | 8.8  | 9.2                                    | 10.1                | 11.1                | 12.2                | 13.3                |
| Licenses and Permits                                    | 32.6   | 24.5                                   | 25.1                | 25.8                | 26.4                | 27.1                |
| Fines, Forfeitures, and Penalties                       | 28.7   | 30.3                                   | 30.5                | 30.6                | 30.8                | 30.9                |
| Revenue from Money and Property                         | 50.9   | 47.3                                   | 53.1                | 54.1                | 55.1                | 56.2                |
| Revenue from Federal and Other Agencies                 | 4.1  | 9.4                                    | 9.4                 | 9.4                 | 9.4                 | 9.4                 |
| Charges for Services                                    | 171.3  | 118.8                                  | 118.6               | 121.6               | 124.6               | 127.7               |
| Other Revenue   | 9.0  | 4.4                                    | 4.4                 | 4.4                 | 4.4                 | 4.4                 |
| Transfers In  | 68.3   | 76.4                                   | 76.6                | 79.3                | 81.0                | 82.6                |
| <b>GENERAL FUND REVENUES</b>                            | <b>\$ 1,216.2</b>                                | <b>\$ 1,177.2</b>                      | <b>\$ 1,212.3</b>   | <b>\$ 1,257.0</b>   | <b>\$ 1,294.7</b>   | <b>\$ 1,333.4</b>   |
| GENERAL FUND EXPENDITURES                               | Fiscal Year 2015<br>Outlook Version <sup>5</sup> | Fiscal Year<br>2015 Proposed<br>Budget | Fiscal Year<br>2016 | Fiscal Year<br>2017 | Fiscal Year<br>2018 | Fiscal Year<br>2019 |
| Salaries & Wages  | \$ 515.5   | \$ 491.2                               | \$ 494.1            | \$ 494.0            | \$ 494.8            | \$ 493.3            |
| Five-Year Employee Organization Agreements <sup>2</sup> | 7.3  | -                                      | 9.5                 | 11.2                | 13.0                | 13.0                |
| Actuarially Determined Contribution (ADC) <sup>3</sup>  | 208.0  | 190.9                                  | 189.0               | 187.6               | 186.9               | 186.9               |
| Flexible Benefits                                       | 53.1   | 55.6                                   | 55.6                | 55.6                | 55.6                | 55.6                |
| Other Post Employment Benefits (OPEB)                   | 41.1   | 38.1                                   | 39.1                | 40.1                | 41.1                | 42.1                |
| Workers' Compensation                                   | 27.3   | 18.1                                   | 21.0                | 21.8                | 22.7                | 23.6                |
| Supplemental Pension Savings Plan (SPSP)                | 11.6   | 11.2                                   | 11.2                | 11.2                | 11.2                | 11.2                |
| Employee Offset Savings (EOS)                           | 9.5  | 8.0                                    | 8.0                 | 8.0                 | 8.0                 | 8.0                 |
| Other Fringe Benefits                                   | 17.5   | 16.7                                   | 17.7                | 16.6                | 16.6                | 16.6                |
| <b>Personnel Expenditures</b>                           | <b>\$ 890.9</b>                                  | <b>\$ 829.7</b>                        | <b>\$ 845.1</b>     | <b>\$ 846.1</b>     | <b>\$ 849.8</b>     | <b>\$ 850.3</b>     |
| Supplies  | \$ 22.9  | \$ 26.0                                | \$ 25.6             | \$ 26.4             | \$ 27.2             | \$ 28.0             |
| Contracts   | 147.3  | 169.6                                  | 168.0               | 173.9               | 179.6               | 185.6               |
| Information Technology                                  | 26.6   | 25.8                                   | 27.6                | 27.1                | 26.2                | 25.3                |
| Energy and Utilities                                    | 40.4   | 40.5                                   | 42.5                | 44.6                | 46.9                | 49.2                |
| Other Expenditures                                      | 107.3  | 87.6                                   | 78.4                | 78.3                | 78.1                | 78.0                |
| <b>Non-Personnel Expenditures</b>                       | <b>\$ 344.4</b>                                  | <b>\$ 349.4</b>                        | <b>\$ 342.1</b>     | <b>\$ 350.3</b>     | <b>\$ 358.0</b>     | <b>\$ 366.2</b>     |
| <b>GENERAL FUND EXPENDITURES</b>                        | <b>\$ 1,235.3</b>                                | <b>\$ 1,179.0</b>                      | <b>\$ 1,187.2</b>   | <b>\$ 1,196.3</b>   | <b>\$ 1,207.8</b>   | <b>\$ 1,216.5</b>   |
| <b>SURPLUS / (DEFICIT)</b>                              | <b>\$ (19.1)</b>                                 | <b>\$ (1.8)</b>                        | <b>\$ 25.1</b>      | <b>\$ 60.7</b>      | <b>\$ 86.9</b>      | <b>\$ 117.0</b>     |
| Use of Fund Balance for CPPS <sup>4</sup>               | \$ -   | \$ 1.8                                 | \$ -                | \$ -                | \$ -                | \$ -                |
| <b>NET SURPLUS / (DEFICIT)</b>                          | <b>\$ (19.1)</b>                                 | <b>\$ -</b>                            | <b>\$ 25.1</b>      | <b>\$ 60.7</b>      | <b>\$ 86.9</b>      | <b>\$ 117.0</b>     |

1. Includes additional revenues in Fiscal Year 2017 through Fiscal Year 2019 as a result of the Convention Center Expansion.

2. The Fiscal Year 2015 projection for non-pensionable compensation adjustments in the November 2013 version of the Outlook are now included in the Fiscal Year 2015 Proposed Budget for Salaries & Wages and Flexible Benefits. The non-pensionable compensation adjustments for Fiscal Year 2016 through Fiscal Year 2018 are based on five-year employee organization agreements. The increase in non-pensionable compensation included in Fiscal Year 2018 is projected to remain constant for Fiscal Year 2019.

3. The Actuarially Determined Contribution (ADC) included in the Fiscal Year 2015 Proposed Budget is based on the actuarial valuation report prepared by Cheiron as of June 30, 2013, with a total Citywide contribution of \$263.6 million and a General Fund contribution of \$190.9 million.

4. The Fiscal Year 2015 Proposed Budget includes the use of \$1.8 million in fund balance for Community Projects, Programs and Services (CPPS) which are budgeted in each City Council district in accordance with Council Policy 100-06.

5. Based on projections included in the Fiscal Year 2015-2019 Five-Year Financial Outlook released on November 24, 2013.