Executive Summary

Introduction

The Fiscal Year 2010 Proposed Budget continues the corrective fiscal actions that began in Fiscal Year 2007 and continued through Fiscal Years 2008 and 2009. In November 2008, the Mayor released an update to his Five-Year Financial Outlook. This document not only presented the update to the first critical examination of the City of San Diego's long-range fiscal condition and financial challenges, but also served as a road map in the development of the Fiscal Year 2010 Proposed Budget.

The Five-Year Financial Outlook contains funding for eight significant areas that had been neglected or under-funded for many years. These areas include funding for:

- The City's Pension Plan
- The City's General Fund reserves
- The City's deferred maintenance and capital improvement needs
- The City's Retiree Health-Other Post Employment Benefits (OPEB)
- The City's obligations under the California Regional Water Quality Control Board (Municipal Storm Water Permit)
- The City's obligations under the Americans with Disabilities Act (ADA)
- The City's Workers' Compensation Fund reserves
- The City's Public Liability Fund reserves

The funding for each of these areas in the Fiscal Year 2010 Proposed Budget is described in the Fiscal Recovery Section of this Volume.

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City Budget Overview

The City of San Diego's Fiscal Year 2010 Proposed Budget of $3.01 billion is comprised of seven main fund types: the General Fund, Debt Service and Tax Funds, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Capital Improvements Program, and other funds. **Table 1** shows the change in budgeted expenditures from Fiscal Year 2009 to Fiscal Year 2010 by fund type.

TABLE 1
TOTAL CITY EXPENDITURE CHANGES FISCAL YEAR 2009 – 2010 BY FUND

FUND TYPE	FY 2009 ANNUAL BUDGET	FY 2010 PROPOSED BUDGET	CHANGE	PERCENT CHANGE
General Fund	$ 1,192,608,391	$ 1,146,118,656	$ (46,489,735)	-3.9%
Debt Service and Tax Funds	$ 15,106,114	$ 15,101,639	$ (4,475)	-0.0%
Special Revenue Funds	$ 276,637,799	$ 276,251,285	$ (386,514)	-0.1%
Enterprise Funds	$ 875,953,606	$ 900,670,853	$ 24,717,247	2.8%
Internal Service Funds	$ 137,457,771	$ 147,593,159	$ 10,135,388	7.4%
Capital Improvements Program	$ 586,959,599	$ 480,704,755	$ (106,254,844)	-18.1%
Other Funds	$ 42,722,371	$ 39,619,612	$ (3,102,759)	-7.3%
TOTAL	$ 3,127,445,651	$ 3,006,059,959	$ (121,385,692)	-3.9%

Figure 1 displays the Fiscal Year 2010 Proposed Expenditure Budget by fund type.

Figure 1 – Fiscal Year 2010 Proposed Expenditures by Fund

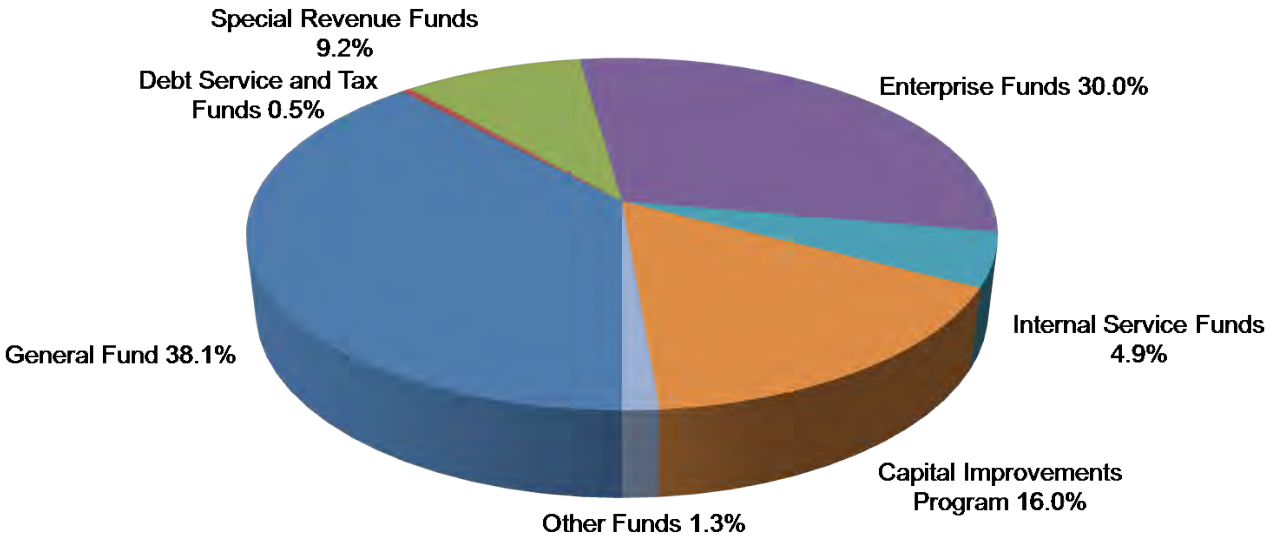

Table 2 presents the changes in budgeted revenues from Fiscal Year 2009 to Fiscal Year 2010 by fund type.

TABLE 2 TOTAL CITY REVENUE CHANGES FISCAL YEAR 2009 – 2010 BY FUND				
FUND TYPE	FY 2009 ANNUAL BUDGET	FY 2010 PROPOSED BUDGET	CHANGE	PERCENT CHANGE
General Fund	$ 1,192,608,391	$ 1,146,118,656	$ (46,489,735)	-3.9%
Debt Service and Tax Funds	$ 14,781,271	$ 14,781,271	$ -	-0.0%
Special Revenue Funds	$ 346,933,701	$ 340,439,523	$ (6,494,178)	-1.9%
Enterprise Funds	$ 1,121,452,664	$ 1,069,007,371	$ (52,445,293)	-4.7%
Internal Service Funds	$ 142,475,724	$ 160,189,915	$ 17,714,191	12.4%
Capital Improvements Program	$ 191,190,989	$ 91,209,179	$ (99,981,810)	-52.3%
Other Funds	$ 488,100	$ -	$ (488,100)	-100.0%
TOTAL	$ 3,009,930,840	$ 2,821,745,915	$ (188,184,925)	-6.3%

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 2010 Proposed Budget reflects General Fund revenues and expenditures totaling $1.15 billion, representing a decrease of $46.5 million or a 3.9 percent decline over the Fiscal Year 2009 Annual Budget. The Fiscal Year 2010 General Fund budget includes 7,414.83 budgeted full-time equivalent (FTE) positions, a decrease of 130.39 FTE positions over the General Fund portion of the Fiscal Year 2009 Annual Budget. The net decrease in General Fund positions is primarily due to the elimination of 146.95 FTE positions as part of the Fiscal Year 2009 Revised Budget approved by City Council. In addition, included in the General Fund Fiscal Year 2010 budget is the addition of positions for new facilities and for facilities that received partial staffing last fiscal year, and other priority staff.

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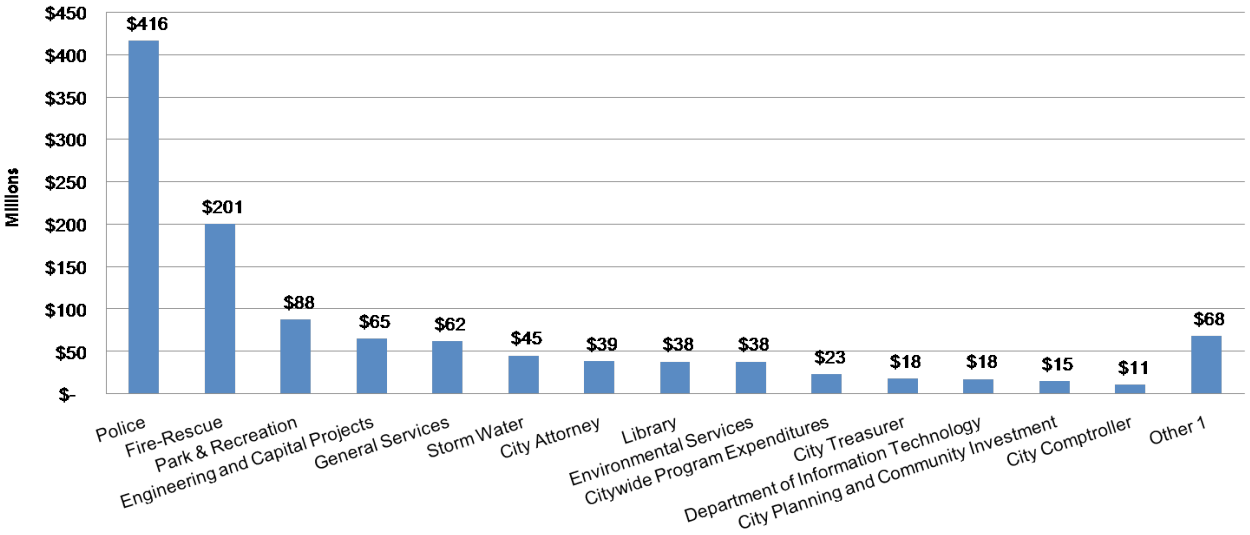
Figure 2 summarizes the Fiscal Year 2010 General Fund budgeted expenses by department. Only those departments with a total General Fund expenditure budget of over $10.0 million are displayed. All other General Fund departments are combined together in the "Other" category. For a complete review of the expenditures by department in the General Fund refer to the Financial Summary and Schedules Section of this Volume.

Figure 2 – Fiscal Year 2010 Proposed General Fund Expenditures by Department



Debt Service and Tax Funds

Debt Service Funds are used for the payment of principal and interest on the General Obligation Public Safety Communication Bonds. Costs related to the financing and issuance of bonds are budgeted in the debt service funds. Tax Funds contain monies that are borrowed from the sale of Tax and Revenue Anticipation Notes (TRANs) on a short-term basis to meet the cash-flow requirements of the City prior to the receipt of property and sales tax revenues. The Fiscal Year 2010 Proposed Budget for Debt Service and Tax Funds totals $15.1 million.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include TransNet, Gas Tax, and Special Promotional Programs. The Fiscal Year 2010 Proposed Operating Budget for Special Revenue Funds is $276.3 million, representing a decrease of $386,514 or 0.1 percent from the Fiscal Year 2009 Annual Budget.

[1] The Other category includes: City Council, Neighborhood Code Compliance, Personnel, Community & Legislative Services, City Clerk, Purchasing & Contracting, Financial Management, Administration, Real Estate Assets, City Auditor, Debt Management, Human Resources, Reservoir Recreation, Business Office, Administration, Office of Homeland Security, Office of the IBA, Ethics Commission, Office of the Chief Financial Officer, Office of the Mayor and COO, Office of the Assistant COO, and Public Works.

Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Metropolitan Wastewater, Development Services, Refuse Disposal, Recycling, Golf, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2010 Proposed Operating Budget for all Enterprise Funds is $900.7 million, representing an increase of $24.7 million or 2.8 percent from the Fiscal Year 2009 Annual Budget.

- The Metropolitan Wastewater Department budget decreased by $34.4 million.
- The Water Department budget increased by $59.0 million.

Internal Service Funds

Internal Service Funds are created to finance and account for services provided by one City department to another City department. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The Fiscal Year 2010 Proposed Operating Budget for Internal Service Funds totals $147.6 million, which is an increase of $10.1 million or 7.4 percent from the Fiscal Year 2009 Annual Budget. This increase of $10.1 million is primarily due to the newly created SAP Support Department to manage the integrated ERP System.

Capital Improvement Funds

The Capital Improvements Program (CIP) Budget allocates existing funds and anticipated revenues to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This budget supports the design and construction of a wide range of infrastructure improvement projects and other significant capital infrastructure investments. Projects include the development of park land, construction of water and sewer facilities, acquisition of land for City use, installation of traffic signals or street lighting systems, seismic retrofit of bridges, improvement of street and drainage systems, construction or renovation of City facilities, and acquisition of information technology infrastructure. These funds are derived from various sources, including sewer and water fees, a one half-cent local sales tax for transportation improvements (TransNet and TransNet Extension), development impact fees, sale of City-owned property, and State and federal grants. The City typically issues bonds for large and costly projects such as sewer and water treatment plants, pump stations, and pipe replacement or rehabilitation; and capital projects to address deferred maintenance.

The Fiscal Year 2010 Proposed CIP Budget totals $480.7 million. This is a reduction of $106.3 million or 18.1 percent from the Fiscal Year 2009 Annual CIP Budget of $587.0 million. The Proposed CIP Budget includes funding for deferred maintenance capital projects and Americans with Disabilities Act (ADA) obligations, two of the eight significant areas identified in the Five-Year Financial Outlook. Included in the Fiscal Year 2010 Proposed CIP Budget is $11.8 million for facilities deferred maintenance capital projects funded by proceeds from land sales and $11.1 million for ADA improvements funded by proceeds from land sales and Community Development Block Grants (CDBG).

Summary of Major General Fund Budget Changes

This section shows the major contributors to the 3.9 percent decline in revenues and expenditures in the General Fund in the Fiscal Year 2010 Proposed Budget. Major General Fund revenues–property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees–account for approximately $761.5 million or 66.4 percent of the total General Fund revenues. The decline in major revenues in the Fiscal Year 2010 Proposed Budget accounts for approximately $31.9 million or 68.6 percent of the total General Fund decline of $46.5 million compared to the Fiscal Year 2009 Annual Budget. Property tax is budgeted in Fiscal Year 2010 at $399.3 million, down $11.8 million or 2.9 percent from the Fiscal Year 2009 Annual Budget due to the decline in the housing market, including the drop in the median price of homes in San Diego. Sales tax revenue budgeted in the Fiscal Year 2010 Proposed Budget is $210.1 million, which represents a decline of $11.9 million or 5.4 percent from the Fiscal Year 2009 Annual Budget due to the decline in per capita income and consumer spending and increased unemployment rates in the City. TOT is budgeted at $78.3 million, down $12.3 million or 13.6 percent less than the Fiscal Year 2009 Annual Budget due to the decline in consumer spending on discretionary items such as leisure and travel, in addition to a decline in business spending on conferences in the City and related business travel. Franchise Fees are budgeted at $73.7 million, up $4.1 million or 5.9 percent from the Fiscal Year 2009 Annual Budget. Franchise fee revenue includes $1.7 million from an anticipated rate increase in Refuse Collection franchise fees and $2.6 million from facility franchise fees.

Table 3 displays the overall net changes to both General Fund revenues and General Fund expenditures from Fiscal Year 2009 to Fiscal Year 2010.

TABLE 3 GENERAL FUND REVENUE DECLINE OVER FISCAL YEAR 2009 ANNUAL BUDGET	
MAJOR REVENUE CATEGORIES	(IN MILLIONS)
Property Tax	$ (11.8)
Sales Tax	$ (11.9)
Safety Sales Tax	$ (1.1)
Transient Occupancy Tax	$ (12.3)
Property Transfer Tax	$ (2.9)
Franchise Fees	$ 4.1
Interest Earnings	$ (5.5)
Motor Vehicle License Fees	$ (3.0)
Other Revenue Increases and Budgetary Adjustments	$ (2.1)
TOTAL REVENUE DECLINE[1]	$ (46.5)
[1] Refer to General Fund Revenue section of this document for more detailed information regarding General Fund revenue decline.	
GENERAL FUND EXPENDITURE DECLINE OVER FISCAL YEAR 2009 ANNUAL BUDGET	
MAJOR EXPENDITURE ADJUSTMENTS	(IN MILLIONS)
Public Safety	
Increase in Contracted Salaries and Benefits (includes all departments within the Public Safety Business Center)	$ 9.5
Additions	$ 3.8
Subtotal Public Safety	$ 13.3
Non-Public Safety	
Increase in Contracted Salaries and Benefits	$ (2.5)
New Facility and Annualization of Facility Operating Costs	$ 2.2
Additions	$ 8.8
Subtotal Non-Public Safety	$ 8.5
Expenditure Requirements	
Non-Discretionary (insurance, energy, vehicle usage, information technology, etc.)	$ 15.5
Public Liability	$ (2.9)
Terminal Leave	$ 4.3
Business Process Reengineering	$ (0.2)
Other Department Transfers/Swaps/Reductions	$ (0.7)
Subtotal Expenditure Requirements	$ 16.0
Total Subtotal	$ 37.8
Expenditure Reductions	
Department Funding Reductions	$ (2.3)
Fiscal Year 2009 Budget Amendment	$ (30.2)
One-Time Reductions	$ (22.0)
Projected Concessions from Labor Negotiations	$ (29.8)
Total Expenditure Reductions	$ (84.3)
TOTAL EXPENDITURE DECLINE	$ (46.5)

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Table 4 represents the expenditure change in the General Fund over the last three fiscal years.

TABLE 4 GENERAL FUND EXPENDITURE SUMMARY FISCAL YEARS 2008 – 2010			
	FY 2008 ANNUAL BUDGET	FY 2009 ANNUAL BUDGET	FY 2010 PROPOSED BUDGET
Total General Fund Budget	$ 1,106,330,952	$ 1,192,608,391	$ 1,146,118,656
Percent Change from Previous Year	8.3%	7.8%	-3.9%

Table 5 identifies the allocation of General Fund dollars to the Police and Fire-Rescue Departments compared to the other General Fund departments. In Fiscal Year 2010, the General Fund proposed budget decreased by approximately $46.5 million or approximately 3.9 percent from Fiscal Year 2009 with the Police and Fire-Rescue Departments receiving approximately 53.8 percent of the total General Fund expenditures and other General Fund departments receiving 46.2 percent of the total General Fund expenditures.

TABLE 5 GENERAL FUND EXPENDITURE SUMMARY FISCAL YEARS 2008 – 2010 BY CATEGORY			
	FY 2008 ANNUAL BUDGET	FY 2009 ANNUAL BUDGET	FY 2010 PROPOSED BUDGET
Police and Fire-Rescue Budgets	$ 572,279,793	$ 601,367,622	$ 616,728,740
Percent of Total General Fund Budget	51.7%	50.4%	53.8%
Other General Fund Department Budgets	$ 534,051,159	$ 591,240,769	$ 529,389,916
Percent of Total General Fund Budget	48.3%	49.6%	46.2%

Total City Personnel

The Fiscal Year 2010 Proposed Budget includes a total of 10,579.55 FTE positions with 7,414.83, or 70.1 percent, of these positions budgeted within the General Fund. **Table 6** presents the change in positions from Fiscal Year 2009 to Fiscal Year 2010 including positions for the Maintenance Assessment Districts by fund type.

TABLE 6 TOTAL CITY FTE POSITION CHANGES FISCAL YEARS 2009 – 2010							
FUND TYPE	FY 2009 ANNUAL BUDGET	ADDI-TIONS	REDUC-TIONS	REORGANI-ZATIONS	FY 2010 PROPOSED BUDGET	CHANGE	PER-CENT CHANGE
General Fund	7,545.22	36.06	(161.95)	(4.50)	7,414.83	(130.39)	-1.7%
Special Revenue Funds[1]	255.13	20.00	(7.38)	7.50	275.25	20.12	7.9%
Enterprise Funds	2,485.22	2.00	(40.00)	(20.00)	2,427.22	(58.00)	-2.3%
Internal Service Funds	378.25	2.50	(0.50)	17.00	397.25	19.00	5.0%
Other Funds	65.00	0.00	0.00	0.00	65.00	0.00	0.0%
TOTAL	10,728.82	60.56	(209.83)	0.00	10,579.55	(149.27)	-1.4%

[1] Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

Table 7 further illustrates the proposed budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type. A total of $687.8 million has been allocated for salaries and wages, and $382.4 million allocated for fringe expenditures resulting in a total budget of $1.07 billion in personnel expenditures (PE) citywide.

TABLE 7
FISCAL YEARS 2010 PROPOSED PERSONNEL EXPENDITURES BUDGET

FUND TYPE	BUDGETED FTE POSITIONS	BUDGETED SALARIES AND WAGES	BUDGETED FRINGE	BUDGETED PERSONNEL EXPENSE
General Fund	7,414.83	$ 502,133,016	$ 287,412,263	$ 789,545,279
Special Revenue Funds[1]	275.25	$ 19,360,042	$ 9,391,076	$ 28,751,118
Enterprise Funds	2,427.22	$ 139,770,851	$ 71,884,953	$ 211,655,804
Internal Service Funds	397.25	$ 21,352,460	$ 11,321,209	$ 32,673,669
Other Funds	65.00	$ 5,209,820	$ 2,362,031	$ 7,571,851
TOTAL	10,579.55	$ 687,826,189	$ 382,371,532	$ 1,070,197,721

[1] Total number includes positions and personnel expenditures from Maintenance Assessment Districts (MADs).

The Fiscal Year 2010 Proposed Budget includes 10,579.55 FTE positions that represent a net reduction in the City's budget of 149.27 FTE positions[2] from the Fiscal Year 2009 Annual Budget of 10,728.82 FTE positions. The net reduction is a result of eliminating approximately 210 positions, both vacant and filled, and the addition of approximately 61 positions for new facilities, facilities that received partial staffing last fiscal year, and other priorities. The position reductions are positions no longer funded in the City's budget and represent a real reduction in labor costs.

As shown on Table 6, of the nearly 130 position net change to the General Fund, approximately five positions were transferred to other funds, 36 are new positions, 147 positions were removed per the Fiscal Year 2009 Revised Budget (for a detailed look at the reductions please refer to the Fiscal Year 2009 Budget Amendment portion of this section), and 15 positions per the Fiscal Year 2010 reductions. Of the nearly 20 positions that were added to the Special Revenue Funds, 20 positions are new, approximately seven positions were reduced from the budget, and eight positions were transferred from other funds. Of the nearly 58 positions that were reduced from Enterprise Funds, approximately 20 positions were transferred to other funds, two positions are new, and 40 positions were removed from the budget. Of the 19 positions that were added to the Internal Service Funds, approximately 17 positions were transferred from other funds, three positions are new, and one position was removed from the budget.

[2] This net reduction of positions includes the elimination of 150.95 FTE positions as part of the Fiscal Year 2009 Revised Budget approved by City Council.

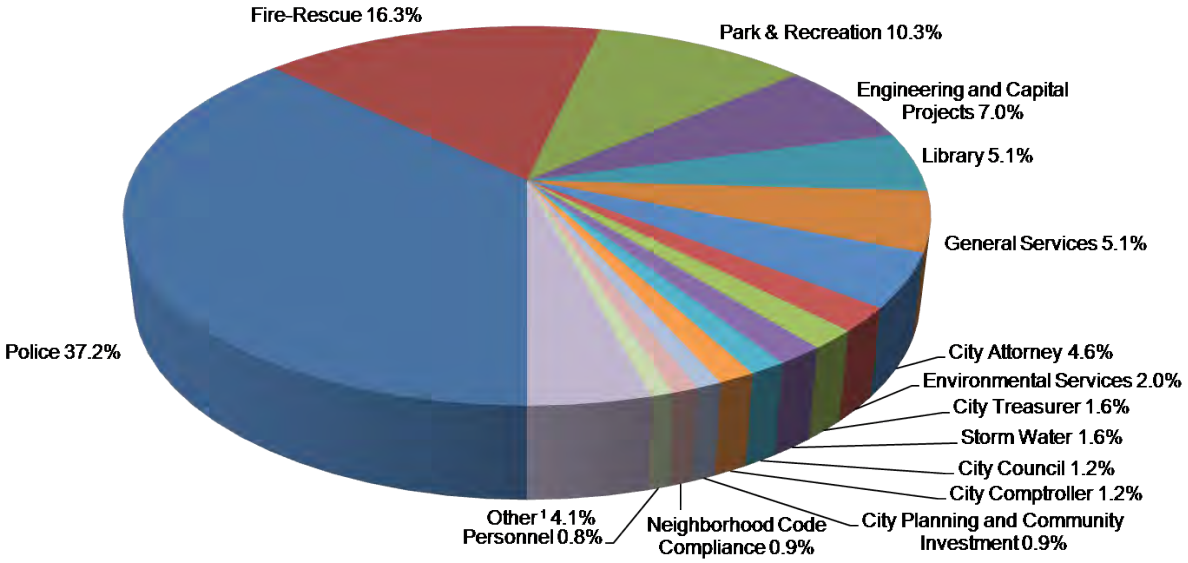
Table 8 shows the change in the number of budgeted positions in the General Fund over the last three fiscal years. In Fiscal Year 2010, General Fund positions decreased by 130.39 FTE positions, or approximately 1.7 percent from the Fiscal Year 2009 Annual Budget. This net decrease is due to several factors including the reductions identified in the Fiscal Year 2009 Revised Budget, the addition of staff for new facilities and facilities that received partial staffing last fiscal year, the addition of other priority staff, and the elimination of positions. **Figure 3** summarizes the Fiscal Year 2010 General Fund FTE positions by department. Only those departments with General Fund budgeted FTE positions over 50 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.

TABLE 8
GENERAL FUND FTE POSITION SUMMARY FISCAL YEARS 2008 – 2010

	FY 2008 ANNUAL BUDGET	FY 2009 ANNUAL BUDGET[1]	FY 2010 PROPOSED BUDGET
Total General Fund Budgeted FTE Positions	$ 7,257.93	$ 7,545.22	$ 7,414.83
Percent Change from Previous Year	-3.5%	4.0%	-1.7%

[1] The Fiscal Year 2009 General Fund Annual Budget included 273.42 FTE position additions resulting from the Engineering & Capital Projects Department and Trench Restoration function restructures.

Figure 3 – Fiscal Year 2010 General Fund FTE Positions by Department



[1] The Other category includes: Purchasing & Contracting, City Clerk, Community & Legislative Services, Real Estate Assets, Financial Management, Debt Management, Administration, Human Resources, City Auditor, Reservoir Recreation, Business Office, Administration, Office of Homeland Security, Office of the IBA, Ethics Commission, Office of the Chief Financial Officer, Office of the Mayor and COO, Office of the Assistant COO, and Public Works.

Table 9 represents the allocation of FTE position per employee labor group within each budgeted fund type. The largest employee labor group, Municipal Employees Association (MEA), represents 38.4 percent of General Fund employees and 43.8 percent of all employees.

TABLE 9
FISCAL YEAR 2010 PROPOSED FTE POSITIONS BY LABOR GROUP AND FUND TYPE

LABOR GROUP	GENERAL FUND	ENTERPRISE FUND	INTERNAL SERVICE FUND	SPECIAL REVENUE FUND	OTHER FUNDS	LABOR GROUP TOTALS
MEA	2,845.07	1,469.49	162.25	111.75	43.00	4,631.56
POA	2,108.10	0.00	0.00	0.00	0.00	2,108.10
IAFF LOCAL 145	966.62	2.00	0.00	45.40	0.00	1,014.02
ASFCME LOCAL 127	897.94	837.68	204.00	63.00	0.00	2,002.62
Unrepresented	149.12	75.88	25.00	36.00	5.00	291.00
Unclassified	302.12	42.17	6.00	19.10	17.00	386.39
DCAA	135.86	0.00	0.00	0.00	0.00	135.86
Elected Officials	10.00	0.00	0.00	0.00	0.00	10.00
FUND TOTALS	7,414.83	2,427.22	397.25	275.25	65.00	10,579.55

Table 10 displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2010 proposed budgets for the Police and Fire-Rescue Departments include 3,967.38 FTE positions or approximately 53.5 percent of total General Fund FTE positions. The budgeted positions in the Police Department decreased from 2,787.00 FTE positions in Fiscal Year 2009 to 2756.75 FTE positions in the Fiscal Year 2010 Proposed Budget due to the reduction in civilian positions. For the Fire-Rescue Department, the number of FTE positions increased from 1,200.63 FTE positions to 1210.63 FTE positions primarily due to a transfer of 15 positions from the Development Services Department to support the Fire Plan Check and Inspection Program.

TABLE 10
GENERAL FUND FTE POSITION SUMMARY FISCAL YEARS 2008 – 2010 BY CATEGORY

	FY 2008 ANNUAL BUDGET	FY 2009 ANNUAL BUDGET[1]	FY 2010 PROPOSED BUDGET
Police and Fire-Rescue Budgets	3,994.00	3,987.63	3,967.38
Percent of Total General Fund Budget	55.0%	52.8%	53.5%
Other General Fund Department Budgets	3,263.93	3,557.59	3,447.45
Percent of Total General Fund Budget	45.0%	47.2%	46.5%

[1] The Fiscal Year 2009 General Fund Annual Budget included 273.42 FTE position additions resulting from the Engineering & Capital Projects Department and Trench Restoration function restructures.

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The Fiscal Year 2010 Proposed Budget reduces 149.27 FTE positions from the City's payroll, saving $14.2 million compared to the Fiscal Year 2009 Annual Budget. This is in addition to the $54.7 million in permanent savings that has already been accomplished by eliminating 726 positions in the previous three fiscal year budgets. The Fiscal Year 2010 position cuts that have been included in this budget are part of the Mayor's ongoing effort to streamline the City's workforce. **Table 11** shows the total number of net FTE position reductions over Fiscal Years 2007 through Fiscal Year 2010.

TABLE 11
TOTAL CITY FTE POSITION REDUCTIONS BY FISCAL YEAR

FY 2007 ANNUAL BUDGET	FY 2008 ANNUAL BUDGET	FY 2009 ANNUAL BUDGET	FY 2010 PROPOSED BUDGET[1]	TOTAL
(38.00)	(629.71)	(57.82)	(149.27)	(874.80)

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

Total Budgeted Fringe Allocations

Table 12 displays the citywide fringe allocation which totals $382.4 million for Fiscal Year 2010 of which $287.4 million, or 75.2 percent, is budgeted in the General Fund. Fixed fringe costs are expenditures that meet specific obligations established through agreements with the labor unions, City ordinances, or the City's Reserve Policy. Fixed fringe costs include the San Diego City Employees' Retirement System's (SDCERS) Annual Required Contribution (ARC), Workers' Compensation, Long-Term Disability, Retiree Health Care, and Other Post-Employment Benefits (OPEB). These expenditures account for $240.9 million, or 63.0 percent, of budgeted fringe in Fiscal Year 2010. Remaining fringe allocations vary with salaries or positions.

TABLE 12
FISCAL YEAR 2010 PROPOSED BUDGETED FRINGE BY FUND

FRINGE TYPE	GENERAL FUND	ENTER-PRISE FUND	INTERNAL SERVICE FUND	SPECIAL REVENUE FUND	OTHER FUNDS	FRINGE TOTALS
SDCERS ARC	$ 125,276,908	$ 21,604,007	$ 3,198,656	$ 3,318,678	$ 779,111	$ 154,177,360
Flexible Benefits	$ 41,640,231	$ 13,284,585	$ 2,159,795	$ 1,614,138	$ 409,935	$ 59,108,684
Retiree Health Care Contribution	$ 22,344,593	$ 7,468,492	$ 1,225,487	$ 849,114	$ 200,524	$ 32,088,210
Workers' Compensation	$ 20,657,479	$ 3,738,463	$ 730,100	$ 408,219	$ 80,180	$ 25,614,441
Retirement Offset Contribution	$ 18,853,143	$ 5,569,215	$ 905,880	$ 690,417	$ 171,677	$ 26,190,332
Other Post-Employment Benefits	$ 17,403,157	$ 5,816,896	$ 954,476	$ 661,358	$ 156,185	$ 24,992,072
Supplemental Pension Savings Plan	$ 13,970,074	$ 8,036,930	$ 1,191,980	$ 938,455	$ 290,333	$ 24,427,772
Employee Offset Savings	$ 10,218,899	$ 1,203,766	$ 159,427	$ 286,513	$ 106,312	$ 11,974,917
Medicare	$ 7,018,597	$ 2,029,952	$ 300,585	$ 254,924	$ 73,213	$ 9,677,271
Risk Management Administration	$ 6,063,318	$ 1,984,832	$ 324,845	$ 225,099	$ 53,160	$ 8,651,254
Long Term Disability	$ 2,952,675	$ 853,996	$ 126,452	$ 107,246	$ 30,803	$ 4,071,172
Unemployment Insurance	$ 726,050	$ 209,977	$ 31,088	$ 26,370	$ 7,569	$ 1,001,054
Unused Sick Leave	$ 287,139	$ 83,842	$ 12,438	$ 10,545	$ 3,029	$ 396,993
FUND TOTALS	$ 287,412,263	$ 71,884,953	$ 11,321,209	$ 9,391,076	$ 2,362,031	$ 382,371,532

City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2010 is budgeted at $181.6 million and is described below:

- The Annual Required Contribution (ARC), which was determined by the San Diego City Employee Retirement System's (SDCERS) actuarial valuation as of June 30, 2008, is $154.2 million and assumes no negative amortization and the use of a 20 year amortization schedule of the Unfunded Actuarial Accrued Liability (UAAL). Approximately $125.3 million or 81.3 percent of the ARC is budgeted in the General Fund.
- The Retirement Offset Contribution "pick-up" in Fiscal Year 2010 is budgeted at $26.2 million, which is a $7.1 million increase over the Fiscal Year 2009 budget, and represents the amount of City employees' retirement contributions that the City pays or offsets for employees. The pick-up for MEA represented employees changed in Fiscal Year 2009 and was increased by 2.0 percent in an executed settlement with the City related to the Employee Offset Savings agreement that took effect September 20, 2008.
- In addition, $1.2 million is budgeted in the Citywide Program Expenditures Department for SDCERS to pay benefit payments in excess of Internal Revenue Service (IRS) limits.

The Other Post-Employment Benefits (OPEB) costs for retiree health are budgeted at $57.1 million in Fiscal Year 2010, an increase of $7.1 million over Fiscal Year 2009. This amount provides for the annual health coverage (pay-as-you-go portion estimated to be $32.1 million) for City of San Diego retirees and a contribution of $25.0 million to pre-fund the OPEB future liabilities. The ARC for Fiscal Year 2010 for the City's post-retirement medical benefit program as of June 30, 2008 is estimated at $113.4 million and assumes a 6.69 percent discount rate based on the City's current level of pre-funding. The City is a participant in the CalPERS Employer Retiree Benefit Trust (CERBT) and will transfer $25.0 million to CERBT in Fiscal Year 2010.

Employee Offset Savings (EOS)

During the labor negotiations for Fiscal Year 2006, agreements with labor unions and impasses resulted in the reduction of the City's "pick-up" (Retirement Offset Contribution). These agreements specify that the savings the City realizes, as a result of this reduction, must be used to address the Unfunded Actuarial Accrued Liability (UAAL). This account was created to capture the amount required to support a leverage mechanism to reduce the UAAL. The expenditure is charged to departments and a portion is used to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006. The Fiscal Year 2010 amount budgeted is $12.0 million.

Executive Summary

Workers' Compensation

State Workers' Compensation laws ensure that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws are intended to reduce litigation and to provide benefits for dependents of workers who suffer work-related accidents or illnesses. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2010 Proposed Budget is $25.6 million. This contribution includes $5.0 million to build the City Workers' Compensation Fund reserve level in accordance with the City's Reserve Policy.

Long-Term Disability

The Long-Term Disability (LTD) contribution in the Fiscal Year 2010 Proposed Budget is $4.1 million. This contribution includes funding of $2.3 million toward the Long-Term Disability Reserves in accordance with the City's Reserve Policy.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible, while employees in hourly status are not eligible. The Fiscal Year 2010 Proposed Budget for Flexible Benefits is $59.1 million.

Supplemental Pension Savings Plan (SPSP)

The City opted out of Social Security in January 1982 and replaced it with the Supplemental Pension and 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 must pay a mandatory 3.0 percent and can voluntarily contribute up to an additional 3.05 percent for employees hired after 7/1/86, or 4.5 percent for employees hired on or before 7/1/86. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions up to 3.05 percent and this amount is deposited into the employee's SPSP account. The Fiscal Year 2010 Proposed Budget for SPSP is $24.4 million.

Risk Management Administration

The Risk Management Administration 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 2010 Proposed Budget for Risk Management Administration is $8.7 million.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers must pay for anyone hired after 1996. 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 2010 Proposed Budget for Medicare is $9.7 million.

Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed through no fault of their own and meet other State law eligibility requirements. The Fiscal Year 2010 Proposed Budget for Unemployment Insurance is $1.0 million.

Unused Sick Leave

Employees hired prior to July 1, 1975 who have accrued sick leave on the City Comptroller's Payroll records upon termination will be paid out an amount not to exceed 50.0 percent of their balance at their current salary rate. An employee may also use this sick leave in the same manner as annual leave while employed. The Fiscal Year 2010 Proposed Budget for Unused Sick Leave is $0.4 million.

Funding of Terminal Leave

In the past, the City had not completely funded the additional expense of Terminal Leave paid to employees who end their employment with the City with leave balances. While a portion of terminal leave expense has been absorbed in departmental budgets, there will be a large number of employees with high leave balances expected to retire over the next several years. Budgeting for this expense is a necessary fiscal responsibility. The Fiscal Year 2010 Proposed Budget includes $4.3 million and is based on anticipated exits from the Deferred Retirement Option Plan (DROP) within the fiscal year and the projected value of the accrued leave balance.

Executive Summary

Salary & Wages and Vacancy Savings

The budgeted salaries and wages in the Fiscal Year 2010 Proposed Budget total $687.8 million, of which $502.1 million is budgeted within the General Fund. The Fiscal Year 2010 Proposed Budget also incorporates the "annualization" of the salary raises for members of Firefighters Local 145 effective September 1, 2008 of 2.0 percent increase as well as the "annualizations" of the salary raises for members of the Police Officer Association (POA) of the 3.0 percent salary increase, effective December 28, 2008. The annualized amount applied to the Fiscal Year 2010 budget is approximately $2.9 million in salaries and is inclusive of impacts to special pays and projected overtime that are variable to salary.

Estimates of the savings in personnel expenses attributable to vacancies, attrition, leaves of absence, etc. throughout the fiscal year (vacancy savings) are budgeted as projected savings in the proposed budget. Budgeted positions are generally not filled at all times throughout the fiscal year, resulting in savings from short-term vacancies, under-filled positions, and newly hired employees who may start at a lower salary than the average budgeted salary for a given position. These estimates of vacancy savings will be reviewed throughout the fiscal year and adjusted if warranted to give departments as much flexibility as possible to fill approved, budgeted positions.

For Fiscal Year 2010, General Fund departments project savings from position vacancies. An overall 3.0 percent vacancy factor was established for all General Fund departments. The Police, Fire-Rescue, and Development Services all have higher vacancy rates above 3.0 percent based on the departments' projected vacancies and attrition trends. General Fund and non-general fund departments with less than 11.00 budgeted FTE positions had no vacancy factor applied. The budgeted vacancy savings in the General Fund for Fiscal Year 2010 is $33.6 million, while the projected citywide vacancy savings is $47.6 million. **Table 13** displays a summary of each department's budgeted vacancy savings.

TABLE 13 FISCAL YEAR 2010 PROPOSED VACANCY SAVINGS BUDGET		
DEPARTMENT	GENERAL FUND	NON-GENERAL FUND
Administration	$ (49,558)	$ -
Airports	$ -	$ (31,077)
City Attorney	$ (849,636)	$ -
City Auditor	$ (44,948)	$ -
City Clerk	$ (80,634)	$ -
City Comptroller	$ (219,969)	$ -
City Council	$ (33,635)	$ -
City Planning & Community Investment	$ (168,819)	$ (129,089)
City Treasurer	$ (236,592)	$ -
Debt Management	$ (55,316)	$ -
Department of Information Technology	$ -	$ (50,748)
Development Services	$ (128,548)	$ (9,214,290)
Engineering and Capital Projects	$ (1,272,259)	$ -
Environmental Services	$ (293,548)	$ (458,486)
Financial Management	$ (81,546)	$ -
Fire-Rescue	$ (9,021,159)	$ (124,311)
General Services	$ (636,707)	$ (556,159)
Human Resources	$ (45,290)	$ -
Library	$ (594,768)	$ -
Metropolitan Wastewater	$ -	$ (1,635,362)
Office of Homeland Security	$ (29,597)	$ -
Park & Recreation	$ (1,012,537)	$ (125,623)
Personnel	$ (129,647)	$ -
Police	$ (18,184,611)	$ -
Purchasing & Contracting	$ (86,732)	$ (26,255)
QUALCOMM Stadium	$ -	$ (62,590)
Real Estate Assets	$ (80,073)	$ -
Risk Management	$ -	$ (142,137)
SAP Support	$ -	$ (41,192)
Storm Water	$ (234,355)	$ -
Water	$ -	$ (1,402,150)
TOTAL VACANCY SAVINGS	$ (33,570,484)	$ (13,999,469)

Executive Summary

Projected Labor Negotiation Concessions

In order to balance the Fiscal Year 2010 General Fund budget, the City is seeking approximately $29.8 million in concessions from its labor organizations via contract negotiations as well as from unclassified/ unrepresented employees. The total City impact is estimated to be $41.3 million. The City has been engaged in these negotiations with its five labor organizations since late January 2009 with an estimated target date for completion being April 15, 2009. The City's labor organizations are the Police Officers Association (POA), the International Association of Firefighters Local 145 (IAFF Local 145), the Municipal Employees Association (MEA), the Deputy City Attorneys Association (DCAA), and the American Federation of State, County, and Municipal Employees Local 127 (AFSCME Local 127). In February, the City presented a menu of options to each of the labor organizations which identified various ways in which the City could achieve the approximately $29.8 million in General Fund concessions necessary to balance the budget. Some examples of these options are the implementation of a mandatory work furlough of up to 12 days during the fiscal year, a reduction in the City's payment of the employee's retirement contribution (also referred to as the "pick up"), reducing the City's costs associated with providing healthcare to employees by basing benefits on a different HMO provider, reducing the City's contribution to the employees' supplemental pension savings plan (SPSP), and reducing employee salaries. This is by no means an exhaustive list and is subject to change given the fact that the City is still engaged in negotiations at the date of this publication.

One-Time Revenues and Expenditures

Internal Stabilization Reserves

In accordance with the bond indentures, for all General Fund backed City bond financings, a cash funded debt service reserve or a surety policy (in place of a cash reserve) is established with the bond trustees at the time of the issuance of bonds equal to the maximum annual debt service payment. This reserve is established to insulate bondholders against shortfalls in the revenues pledged for bond issuance. In addition to this reserve, at its sole discretion, the City in the past also established internal stabilization reserves equal to one-half of annual debt service of outstanding bond financings funded from the Special Promotional Fund, or TOT revenue, for the Ballpark Refunding Bonds, City/MTDB Authority Trolley Bonds, Balboa Park/Mission Bay COPs, and the Convention Center Expansion Bonds. The combined reserve is equal to half of the current fiscal year's debt payments or a total amount of $17.8 million in Fiscal Year 2009. This combined internal stabilization reserve is different from the General Fund reserve in that it has been established as a contingency back up to the required debt service reserve for those

debt service obligations paid from the Special Promotional Fund. This reserve, unlike the reserve that is an obligation of the City under the bond covenants, is discretionary and can be used by the City for any purpose available under the Municipal Code.

This reserve should not be confused with the General Fund Reserve, which is the primary reserve for the General Fund that is being steadily increased according to the City's Reserve Policy and is one of the eight significant funding priorities of the Mayor. The General Fund Reserve is to be used for qualifying emergencies, revenue shortfalls or unexpected expenses. The amount of the General Fund Reserve is an important factor in how the credit rating agencies evaluate the City's fiscal strength in determining the credit rating.

The Fiscal Year 2010 Proposed Budget includes the use of the internal stabilization reserves and the use of funds from the Library System Improvement Program Fund to pay for one-time expenditures budgeted in the General Fund. Since these reserves/funds were established with TOT revenue, an ordinance amending the Municipal Code will be required to allow the use of the $17.8 million in internal stabilization reserves and the $4.3 million in funds from the Library System Improvement Fund for general government purposes.

One-Time Revenues

The Fiscal Year 2010 Proposed Budget includes $42.4 million in one-time revenue additions. The proposed budget includes transfers from the Concourse and Parking Garages Fund, the Helicopter Program Fund, the Library System Improvement Program Fund, funds from the release of internal stabilization reserves, and funding related to Proposition 42 in the Transportation Relief Fund (AB 2928). **Table 14** displays the one-time revenue additions included in the Fiscal Year 2010 Proposed Budget.

TABLE 14
TOTAL CITY ONE-TIME REVENUE ADDITIONS FOR FISCAL YEAR 2010 BY DEPARTMENT

ONE-TIME REVENUE ADDITIONS	
Community and Legislative Services	
EZPay Program	$ 75,000
General Services – AB2928	
Funding Related to Proposition 42	$ 15,535,558
Fire-Rescue	
Transfer from the Helicopter Program Fund	$ 1,074,000
Reimbursement from FEMA	$ 490,000
Major General Fund Revenues	
Transfer from Concourse and Parking Garages	$ 1,695,140
Transfer from Funds with Internal Rate Stabilization Reserves	$ 17,836,967
Transfer from Library System Improvement Program Fund	$ 4,339,833
Park and Recreation – Developed Regional Parks	
Funding for Personnel Maintaining the Fire Pits	$ 172,875
Park and Recreation – Open Space Division	
Funding from FEMA Brush Management Grant	$ 1,160,315
TOTAL ONE-TIME REVENUE ADDITIONS	$ 42,379,688

One-Time Expenditures

The Fiscal Year 2010 Proposed Budget includes $58.3 million in one-time expenditure additions. The expenses are primarily due to an increase in community plan updates throughout the City, reserve contributions (Workers' Compensation, Long Term Disability, and Public Liability), and expenses for street maintenance associated with the Proposition 42 funding. **Table 15** displays the one-time expenditure additions included in the Fiscal Year 2010 Proposed Budget.

TABLE 15 TOTAL CITY ONE-TIME EXPENSE ADDITIONS FOR FISCAL YEAR 2010 BY DEPARTMENT	
ONE-TIME EXPENDITURE ADDITIONS	
City Planning & Community Investment	
Public Use Lease Adjustment	$ 376,674
Mission Valley/Ocean Beach Community Plan Update	$ 1,450,000
Otay Mesa Community Plan Update	$ 287,500
Uptown/North Park/Golden Hill Community Plan Update	$ 1,176,000
Skyline/Paradise Hills Community Plan Update	$ 500,000
Citywide Expenses	
Public Liability Reserve Contribution	$ 7,071,350
Workers' Compensation Reserve Contribution	$ 5,046,594
Long Term Disability Reserve Contribution	$ 2,250,000
Citywide Elections	$ 2,000,000
City Treasurer	
Pre-Paid Parking Card System	$ 50,000
Community and Legislative Services	
Automated System for the EZPay Program	$ 75,000
Fire-Rescue	
Annual Flight Simulator Training	$ 74,000
Station Alerting System	$ 1,600,000
General Services – Communication	
Antenna Movement for Police Communications Backbone	$ 57,039
General Services – AB2928	
Expense Associated with Funding from Proposition 42	$ 15,535,558
Park & Recreation – Developed Regional Parks	
Non-Personnel Expenses for a New Facility	$ 290,000
Re-Budgeting of Balances on Open Purchase Orders from Fiscal Year 2007 and 2008	$ 97,551
Balboa/Mission Bay Park Improvement Fund	
Transfer of the Internal Stabilization Reserve to the General Fund	$ 3,286,878
Concourse and Parking Garages Fund	
Transfer to General Fund	$ 1,695,140

Convention Center Expansion Project Fund		
Transfer of the Internal Stabilization Reserve to the General Fund	$	6,849,219
City Airport Fund		
Re-Budgeting of Balances on Open Purchase Orders from Fiscal Year 2007 and 2008	$	42,228
Development Services Enterprise Fund		
Re-Budgeting of Balances on Open Purchase Orders from Fiscal Year 2007 and 2008	$	7,033
PETCO Park Fund		
Transfer of the Internal Stabilization Reserve to the General Fund	$	5,657,279
Transient Occupancy Tax Fund		
Re-Budgeting of Balances on Open Purchase Orders from Fiscal Year 2007 and 2008	$	25,000
Trolley Extension Reserve Fund		
Transfer of the Internal Stabilization Reserve to the General Fund	$	2,043,591
Metropolitan Waste Water Department Funds		
Re-Budgeting of Balances on Open Purchase Orders from Fiscal Year 2007 and 2008	$	170,305
Seized & Forfeited Assets Fund		
Re-Budgeting of Balances on Open Purchase Orders from Fiscal Year 2007 and 2008	$	8,000
Water Fund		
Re-Budgeting of Balances on Open Purchase Orders from Fiscal Year 2007 and 2008	$	595,379
TOTAL ONE-TIME EXPENDITURE ADDITIONS	$	58,317,318

Funding for Operations of Facilities

The Fiscal Year 2010 Proposed Budget includes $2.2 million in operating funds for new and enhanced facilities and for new facilities that were open for only part of Fiscal Year 2009. Establishing an annual operating budget to enhance a partial year budget for staff and other operational costs is referred to as an “annualization.” This funding will support start-up costs and operations of new Park & Recreation facilities or provide annual support to facilities that opened during Fiscal Year 2009 and received partial funding.

Typically, the costs of new and enhanced facilities are paid from restricted funds which support construction or acquisition costs, referred to as capital expenses. These types of funds include Facilities Benefit Assessment (FBA) Fees, Development Impact Fees (DIF), and Community Development Block Grants (CDBG). In most cases, these fees are restricted for capital projects only and cannot be used for operating expenses, including maintenance. As a result, the General Fund must support the operations of the facility (such as a new library, playground, or an expanded grass field) once the project is completed.

Park & Recreation – Annualizations and New Facilities

The Park & Recreation Department's Fiscal Year 2010 Proposed Budget will include funding for the entire year for the following facilities that opened in Fiscal Year 2009 (the Fiscal Year 2010 Proposed Budget includes funding for an additional 0.73 FTE position and operational funding totaling $120,156 for these facilities):

- Mira Mesa Hourglass Community Park Field House
  - Additional 0.50 FTE position to complete the annual staffing requirement
  - The full-year's operational needs are 2.00 FTE positions (1.50 FTE positions were included in the Fiscal Year 2009 Annual Budget
- Carmel Valley Skate Park
  - Additional 0.13 FTE position to complete the annual staffing requirement
  - The full-year's operational need is 0.39 FTE position (1.88 FTE positions were included in the Fiscal Year 2009 Annual Budget; however, skate parks were converted to unsupervised sites as part of the revisions to the Fiscal Year 2009 budget resulting in the reduction of recreational staffing. The remaining staff is for the maintenance of the skate park).
- La Mirada Elementary School Joint Use
  - Additional 0.10 FTE position to complete the annual staffing requirement
  - The full-year's operational need is 0.20 FTE position (0.10 FTE position was included in the Fiscal Year 2009 Annual Budget)

The Park & Recreation Department plans to open the following facilities in Fiscal Year 2010. The Fiscal Year 2010 Proposed Budget includes funding for an additional 12.48 FTE positions and operational funding totaling $1.5 million for these facilities.

- Mt. Hope Cemetery
  - Additional 1.00 FTE position to fund the annual staffing requirements for increased burial areas
- Ocean Air Recreation Center and Park (formerly Carmel Valley South Recreation Center)
  - Additional 3.64 FTE positions to fund nine months of operations
  - The full-year's operational needs are 4.85 FTE positions
- Naval Training Center Liberty Station (Phase II)
  - Additional 2.15 FTE positions to fund eight months of operations
  - The full-year's operational needs are 3.20 FTE positions
- Alice Birney Elementary School Joint Use
  - Additional 0.05 FTE position to fund three months of operations
  - The full-year's operational need is 0.20 FTE position

- Roosevelt Middle School Joint Use
  - Additional 0.07 FTE position to fund three months of operations
  - The full-year's operational need is 0.24 FTE position
- Hilltop Community Park (Phase III)
  - Additional 0.52 FTE position to fund four months of operations
  - The full-year's operational need is 0.63 FTE position
- Additional Open Space Acreage - 200 Acres
  - Additional 1.00 FTE position to fund a full year of operations
- Rancho Encantada Open Space Acreage - 962 Acres
  - Additional 1.00 FTE position to fund a full year of operations

In addition to the 9.43 FTE positions listed above, 3.05 FTE positions were added for irrigation maintenance, aquatic maintenance, and pesticide management at City-owned parks for a total of 12.48 FTE positions.

Library – New Facility

The Library Department plans to open the Logan Heights Library in August 2009. The Fiscal Year 2010 Proposed Budget includes funding for an additional 4.25 FTE positions and operational funding totaling $599,215 for this facility. This will fund the facility for a full year of operations.

Citywide Reorganization/Restructuring

The Fiscal Year 2010 Proposed Budget restructuring of several departments is a result of executive management and department-initiated reorganizations. Reorganization includes restructuring of departments, major divisions, and/or activity groups within a department and is intended to increase the overall efficiencies and effectiveness of City operations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2010 Proposed Budget. This also includes the reorganization that occurred during the Fiscal Year 2009 Revised Budget.

Fiscal Year 2009 Reorganization

- Human Resources Department: The Labor Relations Department was renamed Human Resources and several activities and programs from various departments were transferred to this department. Citywide Training was transferred from the Customer Services Department, and the Disability Services, Diversity, and the Human Relations Commission were transferred from the Office of Ethics and Integrity.
- Community Services: The Customer Services Department was dissolved. The Environmental Services Department was transferred to the Public Works Business Center. The public information function was transferred to the Administration Department.
- Office of Ethics and Integrity: The Disability Services, Diversity, and the Human Relations Commission were transferred to the Human Resources Department. The Citizens' Review Board was transferred to the Administration Department
- City Planning and Development: The Real Estate Assets Department was transferred to the Public Works Business Center.
- Public Safety: Emergency Medical Services was transferred to the Administration Department. The Family Justice Center and the Gang Commission were transferred to the Police Department.
- Office of the Assistant COO: This newly created department will oversee the Office of CIO, the Human Resources Department, the Business Office, and the Administration Department.
- Economic Growth Services: The Business Expansion and Retention and Government Incentives functions of the City Planning & Community Investment Department were transferred to the Community & Legislative Services Department under the Economic Growth Services activity.

Fiscal Year 2010 Reorganization

- Office of the City Attorney: The Office of the City Attorney was restructured after the new City Attorney took office. The Criminal Division was split into the Criminal Division and the Community Justice Division. The Civil Division was split into the Civil Advisory Division and the Civil Litigation Division. The Administration Division was not significantly changed.
- Office of the Chief of Staff: The Community and Legislative Business Center has been renamed Office of the Chief of Staff.

- HUD Programs Administration: In order to better comply with U.S. Department of Housing and Urban Development (HUD) audit recommendations, the Economic Development Division's Community Development Block Grant (CDBG) Administrative Group has been transferred from City Planning & Community Investment's General Fund budget into its own fund. This new HUD Programs Administration Fund will provide oversight for various HUD programs as well as the CDBG allotments and spending throughout the City, allowing for improved efficiencies, transparency, and oversight of the program.
- General Services - Communications: The Communications Division of the Office of the CIO transferred to the General Services Department.
- SAP Support: The newly created SAP Support Department will report to the Chief Financial Officer. This department was created to provide support to all departments citywide after the City's new ERP system goes live.
- Office of the Chief Information Officer: The Office of the CIO was renamed Department of Information Technology and will report to the Assistant Chief Operating Officer.
- Purchasing and Contracting: This Department was transferred to the Office of the Assistant COO Business Center.
- Reservoir Recreation Program: The Reservoir Recreation Program was transferred from the Park & Recreation Department to the Water Department.
- Environmental Services Department: The Construction and Demolition Ordinance, City Recycling Ordinance, Miramar Greenery Marketing/Outreach, School Education/Outreach, and Waste Composition Studies Programs were transferred from the Recycling Fund to the Refuse Disposal Fund.

Fiscal Year 2009 Budget Amendment

In response to a prolonged, economic downturn, the City reduced its General Fund revenue projections that were the basis for the Fiscal Year 2009 budget and restricted departmental spending. Upon review of preliminary first quarter data, the City forecasted a General Fund budget deficit of approximately $42.8 million for Fiscal Year 2009. The Mayor addressed the projected deficit and the Mayor presented a revised Fiscal Year 2009 budget proposal to the City Council on November 12, 2008 to reduce expenditure appropriations by $41.2 million. City Council adopted a Fiscal Year 2009 Revised Budget on December 9, 2008 that balanced the General Fund by including most of the proposed expenditure reductions totaling $36.8 million. City Council added back $4.2 million in expenditures and funded these costs with one-time revenues in Fiscal Year 2009. On February 3, 2009, City Council added back $207,125 using one-time revenues to restore three painter positions in General Services, and through a generous donation to the City, the Fire Pit Program in the Park & Recreation Department was restored. Adjustments were carried forward into Fiscal Year 2010 and are reflected in **Table 16**, which illustrates a total FTE position reduction of 150.95, decreased personnel and non-personnel expenditures of $30.8 million, and increased revenues of $1.1 million[1]. The most significant of these adjustments are also highlighted below:

- The Customer Services Department reduced all department functions except for Citywide Training, including 18.00 FTE positions with a personnel expense savings of $1.6 million, and a non-personnel expense cost savings of $234,332. Consequently, revenues associated with these services decreased by $704,021.

[1] Note that these figures are based on Fiscal Year 2010 annualized amounts.

- The Environmental Services Department reduced 2.00 Sanitation Driver II, 1.00 Area Refuse Collection Supervisor, and 1.00 Grounds Maintenance Worker II positions, and suspended extra summer refuse collection at Mission Beach resulting in total personnel expense cost savings of $376,098. Additionally, the establishment of a Preferred Landfill Disposal Fee Rate for all tonnage delivered or brought to the Miramar Landfill, resulted in a cost savings of $1.4 million.
- The Fire-Rescue Department reduced 2.00 Clerical Assistant II, 1.00 Senior Clerk/Typist, 2.00 Code Compliance Officers, 1.00 Project Assistant, 2.00 Lifeguard II positions, and Lifeguard Seasonal Hours were reduced at a personnel expense savings of $691,811. Additionally, the department's vacancy savings was increased by maintaining 1.00 vacant Deputy Fire Chief at a personnel cost savings of $213,587. A multitude of reductions that included the cross-staffing of one helicopter during non-wildfire season, the cancellation of one Fire Rescue Academy class, the reversal of funding for supplies and services in the Lifeguard Division, reduced funding for community outreach activities, and the reclassification of 1.00 Fire Captain to a Building Services Supervisor, and reclassifying a Marine Safety Captain to a Marine Safety Lieutenant, resulted in total cost savings of $1.3 million. Lastly, revenue gains of $109,764 were realized by increasing fees for the Junior Lifeguard Program in the Lifeguard Division.
- The General Services Department adjustments in Street Division includes the reduction of 1.00 Public Works Supervisor, 1.00 Electrician Supervisor, and 1.00 Associate Engineer—Traffic position for a savings of $305,637. Reductions in street maintenance total $1.5 million in non-personnel expense savings. Expenditure adjustments in the Facilities Division reduced 1.00 Custodian II, 1.00 Plasterer, 1.00 Refrigeration Mechanic, 1.00 Painter Supervisor, and 1.00 Painter position for a total personnel savings of $375,539 and a savings in non-personnel expenditures of $30,800. The Contracts Division of the department reduced 1.00 Principal Engineering Aide position for a savings of $89,305, and non-personnel expenditures were also reduced for an additional savings of $170,000.
- The Park & Recreation Department executed numerous reductions including the reversal of funding for capital improvement projects, the conversion of skate parks to unsupervised facilities, reduced hours of operations for 14 gyms and activity centers, reduced security services at three recreation center locations, eliminated the competitive level swim team program, and the power washing and sweeping at Ocean Beach Pier. The cumulative result of these adjustments was a reduction of 22.95 FTE positions, total cost savings of $2.1 million, and increased revenues of $166,100.
- The Police Department increased its vacancy factor and reduced 35.00 vacant civilian positions resulting in a savings of $3.8 million. Reductions in the supplies and services accounts total $1.8 million. Additionally, the limiting of Police Academy attendance to 25 recruits resulted in a savings of $3.2 million, and the reduction of the department's equipment outlay budget saves $0.5 million.
- The Storm Water Department reduced funding for storm drain repairs saving $2.3 million in non-personnel expenditures. Reduced funding for pollution prevention education and outreach activities resulted in an additional savings of $1.1 million in non-personnel expenditures. The reduction of 1.00 Administrative Aide II, 1.00 Associate Engineer—Civil, 1.00 Biologist II, 2.00 Biologist III, 1.00 Information Systems Analyst II, 1.00 Senior Zoning Investigator, 2.00 Zoning Investigator II, and 1.00 Word Processing Operator resulted in a personnel expenditure savings of $940,570.

TABLE 16 FISCAL YEAR 2009 BUDGET AMENDMENT					
DEPARTMENT TITLE	FULL TIME EQUIVALENT POSITIONS	PERSONNEL EXPENSE[1]	NON-PERSONNEL EXPENSE[1]	EXPENDITURE[1]	REVENUE[1]
Administration	(1.00)	$ (93,862)	$ -	$ (93,862)	$ -
Business Office	(2.00)	$ (214,309)	$ -	$ (214,309)	$ -
City Clerk	0.00	$ -	$ (26,000)	$ (26,000)	$ -
City Planning and Community Investment	(1.00)	$ (135,379)	$ (50,000)	$ (185,379)	$ -
City Planning and Development	(1.00)	$ (170,624)	$ (42,661)	$ (213,285)	$ -
City Treasurer	(5.00)	$ (452,294)	$ (304,500)	$ (756,794)	$ -
Citywide Program Expenditures	0.00	$ -	$ (187,929)	$ (187,929)	$ -
Citywide Revenues	0.00	$ -	$ -	$ -	$ 1,985,000
Community & Legislative Services	(4.00)	$ (341,923)	$ (119,250)	$ (461,173)	$ -
Community Services	(2.00)	$ (312,531)	$ (29,741)	$ (342,272)	$ -
Customer Services	(18.00)	$ (1,615,958)	$ (234,332)	$ (1,850,290)	$ (704,021)
Department of Information Technology	0.00	$ -	$ (198,340)	$ (198,340)	$ -
Development Services	(4.00)	$ (275,607)	$ -	$ (275,607)	$ -
Engineering and Capital Projects	0.00	$ -	$ (209,496)	$ (209,496)	$ -
Environmental Services	(4.00)	$ (376,098)	$ (1,445,811)	$ (1,821,909)	$ -
Ethics Commission	(1.00)	$ (93,862)	$ (2,848)	$ (96,710)	$ -
Family Justice Center	(2.00)	$ (190,055)	$ -	$ (190,055)	$ -
Financial Management	(2.00)	$ (187,724)	$ (223,464)	$ (411,188)	$ (136,000)
Fire-Rescue	(8.00)	$ (2,222,682)	$ (12,400)	$ (2,235,082)	$ 109,764
General Services	(9.00)	$ (770,481)	$ (1,700,800)	$ (2,471,281)	$ -
Library	(1.00)	$ (93,862)	$ (250,000)	$ (343,862)	$ -
Office of Ethics & Integrity	(6.00)	$ (657,546)	$ (132,565)	$ (790,111)	$ -
Office of Homeland Security	0.00	$ -	$ (83,801)	$ (83,801)	$ -
Office of the Chief Financial Officer	(1.00)	$ (136,886)	$ -	$ (136,886)	$ -
Office of the IBA	(1.00)	$ (110,471)	$ -	$ (110,471)	$ -
Park & Recreation	(22.95)	$ (1,405,640)	$ (715,370)	$ (2,121,010)	$ (166,100)
Personnel	(1.00)	$ (99,084)	$ (7,500)	$ (106,584)	$ -
Police	(35.00)	$ (6,986,212)	$ (2,300,000)	$ (9,286,212)	$ -
Public Safety	(2.00)	$ (312,531)	$ (24,581)	$ (337,112)	$ -
Purchasing & Contracting	(1.00)	$ (176,275)	$ (50,000)	$ (226,275)	$ -
Real Estate Assets	(2.00)	$ (156,909)	$ (38,600)	$ (195,509)	$ -
Storm Water	(10.00)	$ (940,570)	$ (3,304,250)	$ (4,244,820)	$ -
GENERAL FUND TOTAL	(146.95)	$ (18,529,375)	$ (11,694,239)	$ (30,223,614)	$ 1,088,643
Department of Information Technology	(2.00)	$ (215,988)	$ (139,000)	$ (354,988)	$ -
Commission for Arts and Culture	(1.00)	$ (93,862)	$ -	$ (93,862)	$ -
Real Estate Assets	(1.00)	$ (93,862)	$ -	$ (93,862)	$ -
NON-GENERAL FUND TOTAL	(4.00)	$ (403,712)	$ (139,000)	$ (542,712)	$ -
TOTAL	(150.95)	$ (18,933,087)	$ (11,833,239)	$ (30,766,326)	$ 1,088,643

[1] Figures are based on Fiscal Year 2010 annualized amounts.

Executive Summary

General Fund Revenues

General Fund revenues are dependent on the financial health of the local economy in addition to State and nationwide economies. As the local, State, and nationwide economic outlook continues to decline for the upcoming fiscal year, General Fund revenue growth rates are reviewed and revised. Based on updated period revenue reports, economic trends that affect specific revenues within the General Fund, forward looking indicators, and guidance provided by the State and other sources, the budget for Fiscal Year 2010 has been updated to reflect this continually updated economic information.

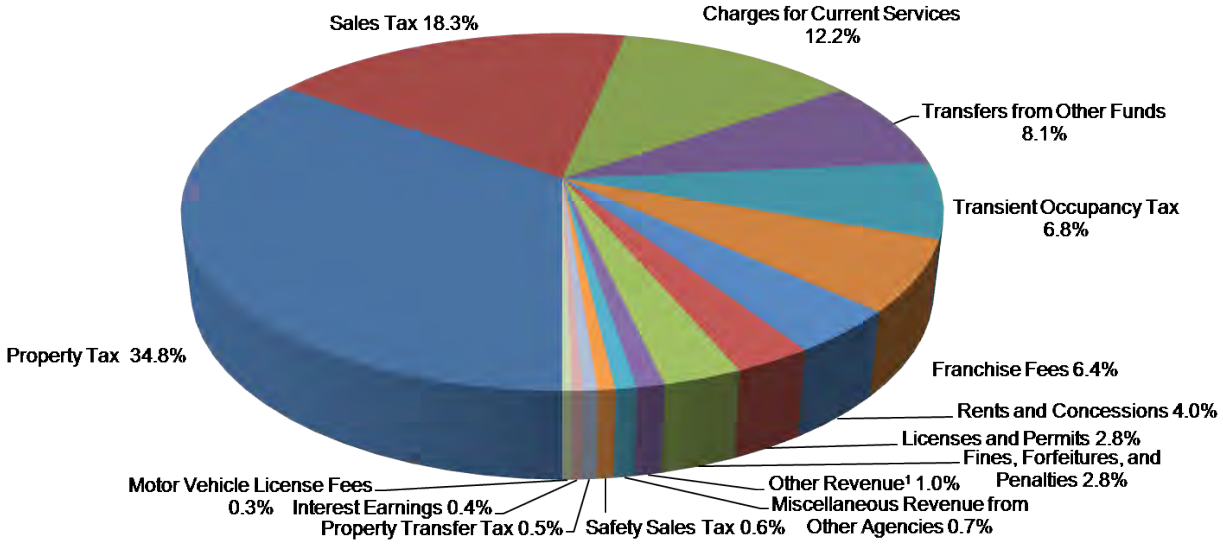
Key economic and demographic assumptions for revenue estimates for the Fiscal Year 2010 Proposed Budget[1]:

- The median price of homes in San Diego County is estimated to have declined 45.1 percent from its peak in November 2005 ($518,000) to the end of January 2009 ($284,345). With the continued economic recession, prices are expected to continue to drop over the next fiscal year.
- National stock indices have dropped 40.0 percent since January 2008 (through March 24th as measured by the DJIA), reducing retirement wealth and discretionary income.
- California's unemployment rate at the end of February 2009 was 10.5 percent, from 5.7 percent in February 2008. San Diego County's unemployment level, which is historically below that of the State level, was 8.8 percent in February 2009 compared to 5.0 percent in February 2008.
- National consumer confidence has declined to lowest recorded levels (started in 1967), which has led to an increase in consumer savings rates to provide a hedge against fiscal problems. Combined with the drop in housing equity, retirement wealth, and increased unemployment, the increase in savings rate has led to large declines in consumer spending. City consumer confidence has dropped in excess of 47.0 percent in 2008 to the lowest levels since the San Diego Union Tribune started measuring confidence in 1996.
- San Diego's Gross Metro Product (as estimated by the Bureau of Economic Analysis), the estimated value of San Diego metro area's total economic activity, is expected to decline by 0.3 percent in calendar year 2009.
- Leading economic indicators for San Diego have dropped 18.5 percent from the beginning of 2008 to February 2009, and are forecasted to continually decline during 2009 (University of San Diego, Index of Economic Indicators).
- San Diego County tourism is expected to continue to decline in Fiscal Year 2010, including both recreational tourism and convention or business visitors.
- Initial unemployment claims in January 2009 exceeded 30,000 applications for the first time ever in a single month in the City as the unemployment rate has exceeded 8.0 percent and grown 67.0 percent from March 2008 to February 2009.

[1] The following sources were used for the forecasted growth rates and assumptions in the budget publication: City of San Diego City Planning and Community Investment Department, San Diego Regional Chamber of Commerce, California Employment Development Department, San Diego Convention and Visitors Bureau, University of San Diego, San Diego Union Tribune, and DataQuick Information Systems.

The Fiscal Year 2010 General Fund Revenue Budget totals $1.15 billion including property tax, sales tax, Transient Occupancy Tax, and franchise fees, comprising 66.4 percent of the General Fund. **Figure 4** displays the Fiscal Year 2010 General Fund Revenues by Major Revenue Category.

Figure 4 – Fiscal Year 2010 General Fund Revenues



[1] Other Revenue includes Employee Offset Savings (EOS) and Other Revenue category

Table 17 demonstrates the growth rates for Fiscal Years 2008 to 2010 for the major General Fund revenues. Forecasting of revenue growth rates is important in determining funding for most General Fund expenditures. It should be noted that for the purpose of revenue forecasting, budgeted growth rates listed below are applied to current fiscal year projections of actual year- end results and do not represent the percentage increase from one year's budget to the next.

TABLE 17
MAJOR REVENUE GROWTH RATE

MAJOR REVENUE SOURCES	FY 2008 ANNUAL BUDGET	FY 2009 ANNUAL BUDGET	FY 2009 REVISED BUDGET	FY 2010 PROPOSED BUDGET
Property Tax	6.0%	5.8%	3.2%	1.0%
Sales Tax	3.0%	0.8%	-5.2%	-2.8%
Transient Occupancy Tax	7.5%	6.0%	-1.8%	-2.0%
Franchise Fees[1]				
SDG&E	8.5%	7.5%	5.0%	2.8%
Cable Franchise Fees	7.5%	7.5%	8.1%	4.3%

[1] Does not reflect the growth of the Utility Underground Surcharge

User Fees

User fees, which are charges for services provided by the City to residents and businesses, were evaluated in an effort to bring fees to the level of cost recovery. The majority of these fees are not charged at a rate that allows the City to recover the costs of providing services. The User Fee Policy (Policy) was adopted by the City Council on March 10, 2009, which includes guidelines for establishing a comprehensive user fee schedule. In addition, it requires that the full cost of services be identified and all fees be categorized according to the level of cost recovery. The objective of the Policy is to bring existing fee levels in-line with service costs to ensure that all reasonable costs incurred in the provision of services are being recovered.

According to the adopted User Fee Policy, fees will be adjusted annually during the budget development process based on Consumer Price Index (CPI) inflation to maintain the cost recovery level. On April 1, 2009, the Budget and Finance Committee approved forwarding the user fees increase for City Council consideration. As a result, the Fiscal Year 2010 Proposed Budget includes adjusted user fees for a total of $6.7 million.

Table 18 shows total increase in user fee revenue generated by each department in Fiscal Year 2010.

TABLE 18
FISCAL YEAR 2010 USER FEE ADJUSTMENTS

DEPARTMENT	INCREASE FROM NEW FEES	INCREASE FROM REVISED FEES	TOTAL REVENUE INCREASE
City Clerk	$ -	$ 875	$ 875
City Treasurer	$ 120,000	$ -	$ 120,000
Community & Legislative Services	$ -	$ 225,000	$ 225,000
Engineering and Capital Projects	$ -	$ 44,750	$ 44,750
Fire-Rescue	$ 30,576	$ 2,344,438	$ 2,375,014
Neighborhood Code Compliance	$ -	$ 16,000	$ 16,000
Park and Recreation	$ 383,350	$ 784,015	$ 1,167,365
Police	$ -	$ 2,708,765	$ 2,708,765
TOTAL	$ 533,926	$ 6,123,843	$ 6,657,769

Examples of fees that are new in the Fiscal Year 2010 Proposed Budget are the alarm permit fees administered by the Police Department and the service permit and inspection fees in the Fire-Rescue Department.

Environmental Services Department Fee Increases

Revisions to existing fees associated with the City's Solid Waste System (Recycling Fund, Refuse Disposal Fund, and portions of the General Fund associated with the City's Non-Exclusive Solid Waste Collection Franchise Fee and the Preferred Government Disposal Rate) have been proposed. On March 25, 2009, the Natural Resources and Culture Committee approved forwarding the proposal to the City Council to be discussed on April 21, 2009. Each fee has a distinct basis for assessment which is outlined in each of the following descriptions.

Refuse Hauler Franchise Fee

Revenue from private refuse haulers is based on the tons of refuse collected annually in the City by Franchised Haulers. The Mayor proposes increasing the fee charged per ton by $4, bringing it to $15/ton for Class I haulers and $16/ton for Class II haulers beginning on July 1, 2009. This results in an anticipated increase to the General Fund of $1.7 million for Fiscal Year 2010.

AB 939 Fee

Revenue assessed on tons of refuse collected in the City or disposed of at the Miramar Landfill has been used since 1998 to fund the Department's State-mandated recycling programs. The Fiscal Year 2010 Proposed Budget includes an increase to the fee of $3/ton, which means the fee will be $10/ton beginning July 1, 2009. This results in a revenue increase to the Recycling Fund of $3.2 million in Fiscal Year 2010 to support these mandated programs. In addition, expenses in the General Fund will increase by approximately $1.1 million.

Refuse Disposal Fee

Revenue assessed on refuse disposed of at the Miramar Landfill is used to fund the current landfill's operations and maintenance of eight closed landfill sites within the City along with other waste management programs. The Fiscal Year 2010 budget includes an increase to this fee by $2/ton beginning on July 1, 2009. This results in an estimated $1.9 million revenue increase to the Refuse Disposal Fund in Fiscal Year 2010. In addition, expenses in the General Fund will increase by $0.7 million.

Preferred Disposal Rate

All City Departments that currently dispose of refuse at the Miramar Landfill are charged a per ton fee. Since the City is the landfill's largest customer, the Fiscal Year 2010 budget includes $5/ton discount Citywide on refuse disposed effective January 1, 2009. Based on current tonnage estimates, this is anticipated to save the General Fund $1.8 million in Fiscal Year 2010.

State Budget Impacts

California's Proposition 1B (known as the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act), passed in 2006 for the improvement of roadway infrastructure throughout the State, has allocated and distributed $550.0 million to cities throughout the State; of which, the City received $21.2 million in Fiscal Year 2008. The second round of disbursements was expected to occur in Fiscal Year 2010; however, with the deterioration in the national credit markets, the $187.0 million in Proposition 1B bonds that were to be issued by the State to raise the monies for this distribution were not sold. These bonds that were attempted to be sold on the open market in December 2008 faced difficulties due to California's budget shortfalls and downgraded credit ratings. The State is expected to issue the bonds once the State's credit rating and the overall debt market improves. The City of San Diego does not expect any Proposition 1B funds from this $187 million second round of State distributions in fiscal year 2010; however, the City may receive Proposition 1B funds in Fiscal Year 2011.

Executive Summary

The City is expected to receive State funds related to Proposition 42 in Fiscal Year 2010. These funds, like Proposition 1B, are set aside for the improvements of local streets and roads as well as interstate highways. The City expects to receive $15.5 million in Proposition 42 payments in Fiscal Year 2010. The Proposition 42 funds have been budgeted in the Special Revenue Fund AB2928.

In Fiscal Year 2010, the City is expected to receive State money restricted for specific purposes. The expected annual payment for the Citizen's Options for Public Safety (COPS) was reduced from $2.1 million to $1.3 million. This money will support public safety programs in the Police Department.

Staff will closely monitor the State's budget for further impacts to the City's budget and will incorporate any known changes or reasonable projections in the Mayor's May Revision. Potential budgeted impacts to the City of San Diego from State funding are summarized in **Table 19**.

TABLE 19
TOTAL CITY STATE BUDGET IMPACTS (IN MILLIONS)

	FY 2009 ANNUAL BUDGET	FY 2010 PROPOSED BUDGET	CHANGE
General Fund			
Citizen's Option for Public Safety	$ 1.5	$ 1.3	$ (0.2)
Proposition 1B[1]	$ 5.8	$ -	$ (5.8)
Non-General Fund			$ -
Proposition 42	$ 12.6	$ 15.5	$ 2.9
Capital Improvement Program			$ -
Proposition 1B[1]	$ 15.4	$ -	$ (15.4)
TOTAL	$ 35.3	$ 16.8	$ (18.5)

[1] In Fiscal Year 2009 the City received $21.2 million in Proposition 1B funding.

Fiscal Policies

The City of San Diego has made progress in developing sound fiscal policies to guide decision making. The City has established new policies for reserves, user fees, modified existing policies, and procedures to foster responsible fiscal management. A detailed explanation of these fiscal policies is in the Fiscal Policies Section of this Volume.

Reengineering

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

The City has completed, or is in the process of completing, 25 BPR studies and three efficiency studies. From Fiscal Year 2007 to present, BPRs have resulted in reductions of over 400 full-time-equivalent positions and has produced savings of over $32.0 million in personnel expenditures. In addition, BPRs have resulted in millions of dollars in non-personnel savings and nearly $4.6 million in cost avoidance (effectiveness savings), which—while not actual budget reductions—are efficiencies that permit staff to focus on other productive work.

Managed Competition

The voters expressed support for a managed competition program through approval of Proposition C in November 2006. In Fiscal Year 2008, the City negotiated and imposed the implementing ordinance for Proposition C and developed a Managed Competition Guide with labor organization input. During Fiscal Year 2009, a significant setback in implementation of the Managed Competition Program occurred due to the filing of an Unfair Labor Practice Charge by AFSCME Local 127 (later joined by MEA) and the subsequent decision of the California Public Employment Relations Board (PERB). This decision required the City to renegotiate the Proposition C implementing ordinance and negotiate the Managed Competition Guide with both labor organizations. Since September 2008, the City has invested significant resources in negotiating on the Managed Competition Program. The City continues to negotiate in good faith while remaining anxious to move forward in implementing the program.

City Management Program

The City Management Program (CMP) integrates strategic planning and performance monitoring efforts with the budget decision-making process. Its goal is to create a more strategically-oriented organization that optimizes its operations to serve the City's residents in the most effective and efficient way possible. Founded on Balanced Scorecard principles, the CMP is designed to infuse accountability for performance into City services at every level of the organization. In addition, the CMP improves communication within the City and to the residents of the City and it instills accountability into our actions and supports data-based decision making.

As part of the CMP, all of the Mayoral departments participate in a planning process to develop and maintain a plan which includes: mission, vision, goals, objectives, performance measures, and targets. The departmental plans were initially created in advance of the Fiscal Year 2009 budget and excerpts of these plans were published in the Proposed and Annual Budget documents. The plans have been reviewed and updated in advance of this Fiscal Year 2010 budget cycle. The annual review enables departments to determine the strategic direction of where the department is headed in Fiscal Year 2010 and ensures that direction is aligned with the City's overall strategic direction as well as the departments' resource requests. Excerpts from the departmental plans are included in the departments' budget narratives (Volume II of the Fiscal Year 2010 Proposed Budget).

Conclusion

The Fiscal Year 2010 Proposed Budget for the City totals $3.01 billion, with $1.15 billion budgeted in the General Fund. A total of 149.27 net FTE positions have been removed from the City's Fiscal Year 2010 Proposed Budget. This decrease is mainly due to the elimination of 150.95 FTE positions from the budget as a result of the Fiscal Year 2009 Revised Budget approved by City Council on December 9, 2008 and February 3, 2009. The budget incorporates the fiscal policies and initiatives outlined in the Mayor's updated Five-Year Financial Outlook which was released in November 2008. The proposed budget funds the eight significant areas outlined in the Financial Outlook and maintains the City's core services.