A Citizen’s Guide to the Budget Process & FY 2021 Adopted Budget

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Introduction

Each year the City must forecast the revenues it will receive and the expenditures it will incur for the upcoming fiscal year. The resulting official document is known as the Municipal Budget.

The budget is a management and planning tool. Because the City is limited by the amount of resources available, the budget aids officials in determining which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact in the community. The annual budget document serves as a plan for how the monies that come into the City of San Diego will be spent to operate and maintain the City.

This guide, created by the Office of the Independent Budget Analyst (IBA), is designed to help interested residents gain a better understanding of the City of San Diego's Fiscal Year (FY) 2021 Adopted Budget, and the process by which the annual operating budget is developed each year. This guide provides residents with the following:

- An overview of the FY 2021 Adopted Budget
- A description of the annual budget process
- Information about how you can become more involved in the City’s budget process
- Assistance in how to access and interpret budget documents

This year also provided many budgetary challenges and constraints due to the impacts the worldwide COVID-19 pandemic has had on the economy. This will be discussed in detail at several points throughout the guide.

Since this guide focuses on the FY 2021 operating budget, it excludes details regarding the FY 2021 Capital Improvements Program (CIP) budget. Capital infrastructure projects funded by the CIP budget are generally large and expensive, take multiple years to complete, and are supported by financing sources outside the City's General Fund (the main funding source for core City functions and services included in the operating budget). The IBA’s Guide to Infrastructure provides an in-depth explanation of the CIP and its annual budget process. It may be used in conjunction with this guide to learn more about how the City formulates and funds major components of the annual budget.

This guide to the budget will also be available on the IBA’s website:

www.sandiego.gov/iba

For additional information regarding the City’s annual budget and other important topics, contact our office at:

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FY 2021 Adopted Budget at a Glance

How large is the City’s FY 2021 Budget?

Total FY 2021 Budget
$4.02 Billion

Operating Budget (all funds)
$3.65 Billion

Capital Improvements Program Budget
$367.5 Million

What are the City’s major General Fund resources?

FY 2021 General Fund Revenue
(Total: $1.62 Billion; $ in millions)

- Licenses & Permits $40.7
- Revenue from Money & Property $61.0
- Transfers In $104.6
- Charges for Current Services $149.5
- Sales Tax $374.4
- Property Tax $630.6
- Revenues from Federal Agencies $126.1
- Franchise Fees $69.3
- Transient Occupancy Tax $90.5
- Fines, Forfeitures, & Penalties $24.5

* The other revenue category is composed of a number of ongoing and one-time revenue sources including property transfer tax, revenue from other agencies, and interest earnings.

How many full time-equivalent (FTE) positions are included in the budget?

11,726.93 Total FTE Positions

7,640.02 General Fund FTE Positions
How much is budgeted for operations and capital expenditures?

FY 2021 Expenditures by Fund Type/Program
(Total: $4.02 Billion; $ in millions)

How much is budgeted to carry out General Fund Department Programs and Services

FY 2021 General Fund Expenditures by Department
(Total: $1.62 Billion; $ in millions)

*Other includes: READ–Facilities Services, Economic Development, Department of Finance, Purchasing & Contracting, City Treasurer, City Council, Personnel, Development Services, Planning, City Clerk, Human Resources, Communications, Real Estate Assets, Performance & Analytics, City Auditor, Office of Race & Equity, Office of the Mayor, Mobility, Public Utilities, Smart & Sustainable Communities, Office of Homeland Security, Office of the IBA, Debt Management, Ethics Commission, Government Affairs, Office of the COO, Office of Boards & Commissions, Sustainability, Department of Information Technology, Office of the Assistant COO, Office of the CFO, Neighborhood Services, General Services, Public Works & Utilities, and Internal Operations.
FY 2021 Adopted Budget

The focus of this year’s budget is the significant impact that the COVID-19 pandemic is projected to have on the City’s current year budget as well as future financial positions. This includes a discussion of mitigating actions used to address the revenue shortfalls in Fiscal Year 2021 and the ongoing uncertainty of where the state of the economy is headed should positive cases of COVID numbers continue to rise.

Due to the COVID-19 pandemic, several measures were taken to balance the budget. This includes a total of $41.8 million in budgetary reductions from General Fund departments that were submitted by City departments as part of the budget development process this year. A total reduction of 150.77 budgeted full time equivalent (FTE) positions are included in this amount. Other major mitigating actions include but are not limited to, waiving the infrastructure fund contribution for one fiscal year, delaying contributions to the General Fund Reserves, and the use of $14.5 million in Stadium sale proceeds for capital financing costs. A detailed overview of these mitigating actions can be found in the Citywide Budget Overview section of the FY 2021 Adopted Budget.

Also new this year was the introduction of federal and state Coronavirus, Aid Relief, and Economic Security (CARES) Act funding to assist in mitigating the impacts of COVID-19 with priority given to public safety, rental relief, homeless services, and small business support. The FY 2021 Adopted Budget includes the use of $156.2 million in COVID-19 State and Federal Relief funds of which $146.1 million was used by the General Fund. This funding is discussed in more detail on page 15 of this guide.

The City of San Diego’s FY 2021 Adopted Budget totals $4.02 billion, with approximately $367.5 million budgeted in the Capital Improvements Program (CIP) for capital projects across the City. Approximately $3.65 billion is allocated

<table>
<thead>
<tr>
<th>Challenges in Balancing the Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>This year’s budget process was challenging and unique due to the impact that the worldwide COVID-19 pandemic has had on the economy and the population. Despite these fiscal challenges, the Mayor and Council were able to propose a balanced budget for FY 2021 at $4.02 billion, which is an estimated 7% decrease from the FY 2020 Adopted Budget.</td>
</tr>
</tbody>
</table>

**One-time vs. Ongoing Funding**

When forming the City’s annual budget, it is considered best practice to fund ongoing expenses with ongoing funding resources. For instance, when adding new facilities or programs to the budget, the City must consider what ongoing operational costs are associated, and find an appropriate ongoing revenue source (e.g. an anticipated increase in property tax revenues) to fund it.

By utilizing this best practice, the City can avoid using “temporary fixes” to fund ongoing programs, resulting in a more stable financial environment and a structurally balanced budget.

For more information about the City’s best practices regarding budget formation, refer to the financial policy descriptions later in this report, and to [IBA Report 10-18](#).
FY 2021 Adopted Budget Highlights

in the operating budget for essential City functions and services such as public safety (including police and fire), parks and recreation, water and wastewater, and the operation of City landfills.

In the Mayor’s FY 2021–2025 Five-Year Financial Outlook (Outlook), which was released in November 2019, the FY 2021 General Fund budget was projected to have a deficit of approximately $83.7 million after taking into account the Mayor’s Critical Strategic Expenditures.

This projected deficit was largely attributable to compensation agreements with the Police Officers Association (POA) and other Recognized Employee Organizations (REO), an increase in Citywide IT services related to application development, and required contributions to the Infrastructure Fund and General Fund reserves. Additionally, the Outlook also included projections for critical strategic expenditures with the largest items including; homeless services and programs, infrastructure maintenance, public safety associated with ongoing funding for neighborhood policing overtime as well as Clean San Diego, funding for fire-rescue peak hour engines (PHE), and operational costs for new facilities.

While the FY 2021 Adopted Budget is balanced, we are heading into the new fiscal year with uncertainty due to the continuous dramatic impact the COVID–19 crisis is having on City revenues. This includes potential further decreases in City revenues such as Sales Tax and Transient Occupancy Tax (TOT) primarily associated with a decline in the tourism industry if COVID numbers continue to rise. A detailed overview and analysis of impacted revenues caused by the COVID–19 pandemic are provided in the IBA’s Review of the FY 2021 Proposed Budget.

Moving forward, economic conditions are still uncertain as the world is slowly adapting with new innovations such as the expansion of outdoor areas on sidewalks and parking lots to accommodate dining services. Based on what we know today, we could potentially face a similar deficit situation for FY 2022 due to a number of financial conditions such as the continuous decrease in General Fund revenues which could require more expenditure reductions, department operational efficiencies, and/or new revenue sources in order to balance the budget.

The City’s Operating Budget

The $3.65 billion operating budget provides a plan for how the monies coming into the City (revenues) will be spent in order to operate and maintain City functions and services, such as police, fire, parks, and libraries. In addition to the $3.65 billion operating budget, $367.5 million is set aside for the Capital Improvements Program (CIP) budget, which allocates available revenue for the rehabilitation, improvement or construction of new public infrastructure such as streets, libraries, parks, and water pipes. It is common for cities to sepa-
rate the operating budget and the CIP budget as capital infrastructure projects are large and costly, require multiple years to complete, and generally utilize financing sources outside of the City's main operating fund, the General Fund. In contrast, the operating budget focuses on revenues and expenditures to carry out City services & programs for a specific fiscal year. For more information regarding the CIP, refer to the IBA's Guide to Infrastructure.

The operating budget consists of five types of funds including the General Fund. It is necessary to have multiple fund types as certain monies can only be utilized for specific purposes. For example, revenue generated by the Gas Tax is deposited in a Special Revenue Fund and is used to repair streets, and maintain street lights, signals, and markings. The pie chart below depicts the portion of the operating budget that is comprised of each fund type.

The General Fund

The General Fund is the most commonly discussed fund in the municipal budget. It is the largest of the five types of funds that the City of San Diego maintains, representing approximately 44% of the operating budget for FY 2021. The General Fund is usually at the forefront of budget discussions because it is the City's main operating fund and is funded through the City's general tax revenue. Fiscal impacts to the General Fund play a large part in the City's ability to pay for and maintain core community services such as public safety, roads and storm drains, parks and recreation, library services, and trash collection, which use most of the City's tax revenue. Each year the Mayor, City Council and City staff must forecast the coming year's General Fund expenditures and incorporate those estimates into
the budget, taking into account available funds that are projected to be collected from tax revenue.

**FY 2021 General Fund Expenditures by Department**
(Total: $1.62 Billion; $ in millions)

<table>
<thead>
<tr>
<th>Department</th>
<th>Expenditures</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>$568.2</td>
<td>35%</td>
</tr>
<tr>
<td>Other* <code>$199.2</code></td>
<td>$199.2</td>
<td>12%</td>
</tr>
<tr>
<td>Storm Water</td>
<td>$47.5</td>
<td>3%</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>$50.2</td>
<td>3%</td>
</tr>
<tr>
<td>Library</td>
<td>$59.7</td>
<td>4%</td>
</tr>
<tr>
<td>City Attorney</td>
<td>$62.4</td>
<td>4%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$75.3</td>
<td>5%</td>
</tr>
<tr>
<td>Citywide Program</td>
<td>$99.9</td>
<td>6%</td>
</tr>
<tr>
<td>Park &amp; Recreation</td>
<td>$122.0</td>
<td>7%</td>
</tr>
<tr>
<td>Fire-Rescue</td>
<td>$287.4</td>
<td>18%</td>
</tr>
</tbody>
</table>
| Other includes: READ-Facilities Services, Economic Development, Department of Finance, Purchasing & Contracting, City Treasurer, City Council, Personnel, Development Services, Planning, City Clerk, Human Resources, Communications, Real Estate Assets, Performance & Analytics, City Auditor, Office of Race & Equity, Office of the Mayor, Mobility, Public Utilities, Smart & Sustainable Communities, Office of Homeland Security, Office of the IBA, Debt Management, Ethics Commission, Government Affairs, Office of the COO, Office of Boards & Commissions, Sustainability, Department of Information Technology, Office of the Assistant COO, Office of the CFO, Neighborhood Services, General Services, Public Works & Utilities, and Internal Operations.

**General Fund Expenditures**
The General Fund is the largest operating fund with $1.62 billion in budgeted expenditures for FY 2021. This is a $31.0 million or 1.9% increase from the FY 2020 Adopted Budget. The money is expended through departments within the General Fund that provide core community services. The pie chart above illustrates the main General Fund expenditures by department for FY 2021. Approximately 53% of the City’s General Fund resources are dedicated to Police and Fire-Rescue services, a vital function of City government.
The FY 2021 General Fund budget includes costs associated with 7,640.02 budgeted full-time equivalent (FTE) positions, a decrease of 87.84 FTE positions from the FY 20 General Fund budget.

Additionally, due to impacts of the COVID-19 pandemic and in order to help offset the increases in General Fund expenditures, City departments were requested to submit programmatic reductions which totaled $41.8 million and included the reduction of 150.77 FTE positions in the FY 2021 Adopted Budget.

**General Fund Revenue**

The FY 2021 Adopted Budget for the General Fund includes approximately $1.62 billion in revenues, a $71.7 million or 4.6% increase from the previous fiscal year.

A review of the revenues projected in the FY2021 Adopted Budget, compared to the prior year Outlook illustrates the impact COVID-19 has had on the City’s revenue sources, with primary losses in Sales Tax and Transient Occupancy Tax (TOT) revenue. This is largely attributed to stay at home orders which began in March, cancellation of major conventions, and the resulting decline of the tourism industry.

Core City services funded through the General Fund’s budget are supported by a variety of revenue sources as shown in the pie chart above. Four major General Fund revenues—property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees—account for...
FY 2021 Adopted Budget Highlights

66.0% of the General Fund’s revenue. These revenue sources are dependent on the economic environment and can fluctuate from year-to-year. The FY 2021 Adopted Budget projects a decrease of 4.8% or $53.8 million in General Fund revenues from the FY 2020 Adopted Budget primarily due to the impacts COVID-19 has on the economy as mentioned previously.

Other General Fund revenue sources are impacted by the economic environment as well, but not to the same degree. Other sources of revenue for the General Fund include charges for current services; transfers in (from other funds); revenue from money and property; fines, forfeitures, and penalties; licenses and permits; and other smaller revenues such as property transfer tax. See pages 81–86 in Volume 1 of the FY 2021 Adopted Budget for a detailed description of these revenue sources.

General Fund Tax Dollars at Work
The diagram above depicts General Fund services provided by the City of San Diego and how they are funded by your tax dollar for FY 2021.

Highlights of Services Included in the FY 2021 Budget
In FY 2021, the Adopted Budget includes a number of public services, some of which are highlighted in the following sections. Due to the impacts COVID-19 has had on the budget, departments were requested to submit budget reduction proposals equal to 4% of the departments FY 2020 Adopted Budget. The resulting reductions to the General Fund was $41.8 million, and 150.77 FTE positions. Should additional reductions be necessary to balance the budget during FY 2021, residents may experience accompanying operational or public service impacts.

Parks, Recreation Centers, and Libraries
The City operates and maintains over 42,000 acres of park assets, 59 recreation and visitor centers, 13 pools and 7 skate parks. A list of recreation centers and details about hours and services at each location can be found on Park & Recreation’s website.
For FY 2021, the Parks and Recreation department received $10.2 million in CARES Act federal funding for reassigned staff and supplies. The Adopted Budget also includes additional expenditures for the staffing and maintenance of the following new joint use facilities and parks: 14th Street Promenade, Bay Terraces Senior Center, and Harriot Tubman Charter Joint Use Park. Reductions include a total of 20.00 FTE which includes citywide park maintenance staff, developed regional parks support in Balboa Park & Mission Bay, Grounds Maintenance Workers, and 1.00 Park Ranger related to Mission Trails.

The Library Department’s FY 2021 budget includes $893,000 of CARES Act federal funding to support staffing and supplies which were impacted during the COVID-19 pandemic. Additionally, staffing levels have remained consistent with the FY 2020 Adopted Budget. Reductions include adjustments to maintenance & repair services related to library equipment which includes, but is not limited to, heating ventilation and air condition (HVAC), camera maintenance, elevator inspection, and incidental building material replacement.

A list of all the branches and their respective hours can be found on the Library’s website.

Public Safety

Ensuring public safety is a primary function of the City's General Fund, with over half of the General Fund budget being utilized by the Police and Fire-Rescue Departments.

The FY 2021 budget includes $42.2 million in CARES Act federal funding related to payroll staffing and supplies in the Police Department. General Fund budget reductions include 25.00 FTEs consisting of various civilian and sworn positions most notably in staffing used to maintain the STAR/PAL program as well as officers associated with the Trolley Team. Budget has also been added for expenditures related to maintaining the Clean SD program, and additional expenditures for the Police Crime Lab for the processing of Sexual Assault Kits as required by Senate Bill 22 which requires rapid turnaround DNA testing.

The Fire-Rescue Department received $38.9 million in CARES Act federal funding primarily to support public safety payroll expenses as well as upstaffing and overtime impacts related to the Department's response to the pandemic. The FY 2021 budget also provides funding for 12.00 FTE positions to support operations of the new North University Fire Station. Other notable items include funding for the replacement of personal protective equipment (PPE), addition of a Deputy Fire Chief to oversee the Emergency Command and Data Center Battalion Chiefs, and purchase of a new lifeguard vessel. Budget reductions were primarily associated with the elimination of the South University City Fast Response Squad.
Community Needs and Neighborhood Services

The FY 2021 budget includes $7.5 million in funding to support the Clean SD program which includes but is not limited to, the frequency of litter removal, encampment & waste abatement, sidewalk sanitizing, street sweeping, and riverbed clean-ups. Of that amount, $3.2 million was added to the Environmental Services department for contractual services to expand the hours of operation as well as add additional positions to manage contractor performance related to litter removal. Additionally, the Police Department received $3.6 million to support neighborhood policing focusing on homeless outreach and providing security during abatement cleanups. The remaining $718,000 is allocated to the Refuse Disposal Fund for vehicles to support abatement activities and add 2.00 Utility Workers to service waste containers related to Clean SD activities.

The City provides a wide variety of services to maintain a healthy and safe neighborhood environment. A few other notable increases or additions in the FY 2021 Adopted Budget are:

- $12.8 million of CARES Act funding in the Economic Development Department for the Small Business Relief Fund, which provides support to eligible small businesses in the form of grants and forgivable to zero to low interest rate loans.

- $3.0 million in a Community Equity Fund to support the newly created Office of Race & Equity

- $1.2 million of CARES Act revenue in the Environmental Services Department to support refuse collection during the COVID-19 pandemic.

- $500,000 in one-time non personnel expenditures to support a pilot program which will provide internet access for low income communities

- $300,000 in the Transportation Department to support new tree plantings

Infrastructure Funding

Infrastructure includes the basic physical structures, systems, and facilities needed to provide critical services to the community such as sidewalks, streets, parks, fire stations, police facilities, and water and wastewater systems. Funding for the City’s infrastructure supports a variety of needs, including new infrastructure projects, repairing or maintaining existing infrastructure, condition assessments to determine the state of the City’s current assets, and employees to manage and implement these infrastructure projects. Infrastructure funding was created on June 2016 as a result of voter approved measure, Proposition H, which requires that the City appropriate major revenue sources to fund general fund infrastructure projects such as streets, sidewalks, bridges, buildings, and the maintenance and repair of other infrastructure projects.
Due to the negative impacts COVID-19 has had on revenue growth in Fiscal Year 2020 & 2021, City Council approved the Mayor’s requested suspension of the required contribution amounts to the Infrastructure Fund under section 77.1 of the City Charter for one Fiscal Year. As defined in the City Charter, the amounts would have come from major revenue fund sources such as Property Tax, Transient Occupancy Tax, and Franchise Fees. The amount available for appropriation in the Adopted Budget is $5.7 million and proposed to be used as follows:

- $3.3 million for Sidewalk Repair & Reconstruction
- $1.4 million for the installation of City owned streetlights
- $1.0 million for streetlight circuit upgrades

Additional information on infrastructure funding in the FY 2021 budget can be found in the IBA’s Guide to Infrastructure.

**Funding for Homeless Programs and Services**

The City provides funding for Homeless Programs and Services in several ways. Funding is provided in the City's annual adopted budget, the San Diego Housing Commission’s annual adopted budget, and through approval of individual funding requests outside of the budget process. Funding for these programs also come from a variety of funding sources. In total, over $100 million was provided in FY 2021 for Homeless Programs and Services, some of which will be spent over multiple years.

The most significant homelessness program being funded in FY 2021 began in FY 2020 in response to the COVID–19 pandemic. Partnering with the San Diego Housing Commission, County of San Diego, and the Regional Task Force on the Homeless, the City moved more than 800 individuals from City shelters into the San Diego Convention Center. This allowed for consolidation of service provider staff and proper spacing to meet social distancing requirements to mitigate the spread of the virus. The FY 2021 Adopted Budget includes $30.0 million in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to support this initiative, which has been named Operation Shelter to Home. Included in this allocation, is $10 million to support permanent housing units for individuals to exit the Convention Center. The City’s about $19 million budget for its four bridge shelters followed the individuals to the Convention Center to also support Operation Shelter to Home. Finally, about $33.0 million was included within the San Diego Housing Commission’s Budget to support hotel acquisitions, rental assistance, and services to further facilitate successful placements out of the Convention Center.

Homelessness spending in FY 2021 is expected to change from the FY 2021 Adopted Budget as plans to exit the Convention Center and reinstate the City’s shelters take shape, needs continue to become more defined, and additional federal CARES Act funds have been made available.
New Departments

The FY 2021 Adopted Budget introduced the creation of several new departments through citywide restructuring & reorganization of existing departments and divisions as well as some new additions. Detailed information of these departments can be found in Volume 1, pages 32—34 of the FY 2021 Adopted Budget. Although these departments were included as part of the FY 2021 Adopted Budget, per Charter Section 26, new departments included in the Adopted Budget must be approved via ordinance by a majority, or two-thirds vote by council. A table summarizing the General Fund expenditures as well as brief descriptions of the functions of these departments are provided in the following pages.

Transportation Department & Storm Water Department
The Transportation & Storm Water Department (TSW) is separated in the Storm Water Department & Transportation Departments in order to provide for more focus and attention on each department’s respective issue areas. The Transportation Department is responsible for the operations and maintenance of streets, sidewalks, street trees, plans and coordinates the City’s rights-of-way, and performs traffic and transportation engineering. The Storm Water Department is responsible for the maintenance and upkeep of storm drains as well as leads efforts to protect and improve water quality in the City’s waterways and the ocean.

Homelessness Strategies Department
The Homelessness Strategies department is responsible for managing the City’s homelessness related programs and services. The department is also responsible for providing oversight over state grant funds related to homelessness programs and initiatives.

Office of Race & Equity
The Office of Race & Equity was created to manage racial equity issues and address structure inequality through the implementation of new policies, practices, and procedures. The department also manages the newly created Community Equity Fund which is currently budgeted at $3.0 million for Fiscal Year 2021. The fund is to be use for job opportunities and training in underserved communities.

Mobility Department
The Mobility Department was created by pulling from existing departments which includes Planning, Economic Development, and the Office of ADA Compliance. The goal of this newly created department is to implement the City’s shared mobility plan in one consolidated department.

General Services Branch
The General Services Branch manages the Engineering and Capital Projects Department, Fleet Operations, and the 101 Ash Street project. This branch was created as result of restructuring and shifting duties at the executive management level.
Cultural Affairs Department
The new Cultural Affairs Department merges the Arts and Culture Commission program staff (A&C) with the Office of Special Events & Filming (OSEF). The department is responsible for providing permitting services, technical support, and promotional services for special events & filming. This includes major sporting events, holiday events such as December Nights in Balboa Park and conventions held at the Convention Center such as the Comic Convention.

Other Funds
In addition to the General Fund, the City of San Diego’s FY 2021 Adopted Budget includes four other fund types and the CIP. It is necessary to have separate funds due to specific restrictions on how certain funds may be used. The following descriptions summarize the operating budgets of the other four types of funds, what they may be used for, and how they acquire revenue. New this year was also the addition of Coronavirus Aid Relief and Economic Security (CARES) Act funds. For additional information regarding these funds, please refer to Volume 1 of the FY 2021 Adopted Budget.

Enterprise Funds
These funds apply to specific services that are funded directly through user fees. Enterprise Funds are intended to be fully self-supporting and are not subsidized by the General Fund. Examples include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airport Funds. For FY 2021, Enterprise Funds are budgeted at $1.13 billion, an increase of $12.7 million or 1.1% over the FY 2020 Adopted Budget.

Special Revenue Funds
Special Revenue Funds account for revenue that is received for a specifically identified purpose. Examples include the Gas Tax Fund that is used for the repair of streets and the maintenance of street lighting, traffic signals, traffic signs, and markings; TOT Funds for Special Promotional Programs that are used to promote tourism in the City of San Diego; and the Infrastructure Fund which can be used for the acquisition of real property, and the construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure. The FY 2021 Adopted Budget includes $703.2 million for these Special Revenue Funds, which is a decrease of $52.7 million or 7% from the FY 2020 Adopted Budget. This reduction is primarily due to the negative impacts COVID-19 pandemic has had on the tourism industry resulting in a $47.6 million decrease in the TOT fund related to special events.

Internal Service Funds
Internal Service Funds were created to finance and account for services provided by one City department or division to another such as fleet maintenance. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The FY 2021 Adopted Budget for these funds total $166.4 million, an increase of $14.9 million or 9.8% from the FY 2020 Adopted Budget.

Capital Project Funds
Capital Project Funds which includes the Capital Outlay fund and Transportation Improvement Program (TransNet) Extension funds, support the acquisition or construction
of capital facilities which are maintained and managed by asset owning departments. For FY 2021, the Adopted Budget for Capital Project Funds is $32.4 million which is a $14.8 million increase from the FY 2020 Adopted Budget. This increase is primarily due to the addition of debt service payments for deferred capital (DC) bonds resulting from the sale of the Mission Valley stadium site which had been previously funded through the General Fund.

For more information about Capital Project Funds and how they fund the CIP, refer to the IBA’s Guide to Infrastructure.

**Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding**

The federal government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. This Act provides funding for eligible City expenditures in response to the pandemic. While the CARES Act will provide relief funding for COVID-19 related City expenditures, it is not available to backfill City revenues attributable to the pandemic.

The FY 2021 Adopted Budget includes the use of $156.2 million in COVID-19 State and federal relief funds of which $146.1 million was spent in the General Fund and the remaining $10.1 million to Non-General Funds. General Fund uses include funding for staffing and supplies for Police, Fire-Rescue, Parks & Recreation, Environmental Services, Library, Economic Development, and Code Enforcement. Other uses include funding for Operation Shelter to Home, the Small Business Relief Fund, and the COVID-19 Rent Relief Fund which provides rent assistance to low income tenants facing financial hardship due to COVID-19. A breakdown of these expenditures are provided in the table below:

<table>
<thead>
<tr>
<th>General Fund</th>
<th>$ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>42.19</td>
</tr>
<tr>
<td>Fire-Rescue</td>
<td>38.91</td>
</tr>
<tr>
<td>Operation Shelter to Home</td>
<td>30.00</td>
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<tr>
<td>Small Business Relief Fund</td>
<td>12.85</td>
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<td>Parks and Recreation</td>
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<td>COVID-19 Rent Relief Fund</td>
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<td>Library</td>
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<tr>
<td>Economic Development</td>
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<tr>
<td>Code Enforcement</td>
<td>0.05</td>
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<tr>
<td>General Fund Total</td>
<td>146.11</td>
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</table>

<table>
<thead>
<tr>
<th>Non-General Funds</th>
<th>$ in Millions</th>
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<tbody>
<tr>
<td>Information Technology Fund Expenditures</td>
<td>8.52</td>
</tr>
<tr>
<td>Public Utility Fund</td>
<td>1.30</td>
</tr>
<tr>
<td>Emergency Medical Services</td>
<td>0.31</td>
</tr>
<tr>
<td>Non-General Fund Total</td>
<td>10.13</td>
</tr>
</tbody>
</table>

| Total FY 2021 COVID-19 State & Federal Relief Funds | $ 156.24 |
Overview of the Budget Process

How is the Budget Created?

The City of San Diego’s fiscal year runs from July 1 through June 30. As shown in the chart below, the budget process typically begins in November with the release of the Five-Year Financial Outlook, and concludes in June with Council’s adoption of the Budget Resolution and the Appropriation Ordinance.

The Mayor, City Council, City staff, Office of the IBA, and residents of San Diego all play a significant role in the formation of the budget.
Overview of the Budget Process

**Mayor’s Role**
The Mayor is the Chief Executive Officer of the executive branch of the City’s government. The Mayor and his or her staff are responsible for:

- Developing the City’s Five-Year Financial Outlook, which outlines the Mayor’s fiscal priorities for the next five years and presents a forecast for anticipated revenues and expenditures
- Creating the Proposed Budget by working with the Chief Financial Officer (CFO), Chief Operating Officer (COO), and other City staff
- Providing the City Council with a May Revision to the Proposed Budget for its consideration
- Implementing the Adopted Budget
- Monitoring the Adopted Budget throughout the year and proposing modifications as necessary to ensure that it is balanced
- Managing the City’s day-to-day operations

**City Council’s Role**
The City Council serves as the legislative branch of the City’s government, and is responsible for setting policy. Each Councilmember represents the residents that live in his or her district. The Council’s responsibilities include:

- Reviewing the Mayor’s Proposed Budget
- Holding public hearings to gather input from residents and understand City department priorities and needs
- Considering and recommending changes to the Proposed Budget after public budget hearings
- Adopting the annual budget after consideration of public input, research, and policy priorities
- Accepting or rejecting proposed budget modifications throughout the year
- Providing policy direction for the governance of City operations through legislative actions

**IBA’s Role**
The Office of the IBA assists the City Council throughout the budget process by providing research, objective analysis, and recommendations for the budget. The IBA performs the following functions:

1. Analyzes and issues a report on the Mayor’s Five-Year Financial Outlook
2. Reviews and analyzes quarterly budget monitoring reports produced by the Department of Finance and prepares reports for the Council and the Public
Overview of the Budget Process

3. IBA prepares the City Council Budget Priority Resolution in January based on individual budget priorities of the Council members and their communities which is released to the Mayor for his consideration.

4. Prepares preliminary and final reports on the Mayor’s Proposed Budget for consideration by the City Council

5. Provides analysis and recommendations year-round on legislative items that have financial and policy impacts to the City of San Diego

6. Attends and participates in City Council Town Halls on the Mayor’s Proposed Budget, and meets with citizens groups as requested to better understand the budget process and the Mayor’s budget.

Additionally, the Office of the IBA, working with various key departments releases a draft timeline of the FY 2022 Budget Development Process & FY 2021 Budget Monitoring Calendar. This includes key dates related to the release of budget-related reports from both the operating and Capital Improvements Program (CIP) budgets and are based on timelines required by the City Charter.

Public’s Role
In order for the Mayor and City Council to discern which programs and issues are of the highest priority to residents, it is important for members of the public to play an active role in the budget process. Residents are encouraged to provide their input through multiple forums including:

- Contacting the Office of the Mayor and relevant City staff as the Proposed Budget is being developed
- Contacting your City Councilmember to weigh in on important issues in your community
- Attending and participating in City Council meetings, Budget & Government Efficiency Committee meetings, and annual Budget Review Committee hearings to provide input to the City Council as budget discussions are being held

In order to fully understand what is important to the residents of San Diego, the Mayor, City Council, and City staff need input from residents like yourself. Writing, calling, or emailing any of these officials is the first step in solving problems that are important to you. Additionally, becoming involved by attending public meetings provides an opportunity to provide input, make suggestions, and become more knowledgeable about City affairs.

Please refer to the Important Resources section of this guide to find out how to contact the Mayor’s office, your City Councilmember, and other key City staff.

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1This includes Department of Finance, Engineering & Capital Projects, Public Utilities, Human Resources, the Budget and Government Efficiency Committee Consultant, the Active Transportation and Infrastructure Committee Consultant, the Office of the City Attorney, and the Director of Legislative Affairs.
What are the Key Components of the Budget Documents?

Annual budget documents (including the Proposed and Adopted Budgets) are produced by the Department of Finance with direction from the Mayor. There are three main parts to the City of San Diego’s annual budget. These parts include:

Volume 1: Budget Overview and Schedules
Volume 1 provides an overview of the operating budget and CIP budget. Schedules are included that provide quick access to some of the general financial information for the City. It is an easy reference point for information about all components of the annual budget.

Volume 2: Department Detail for the City’s Operating Budget
The Operating Budget contains estimates of the total value of resources required for the City to provide services to its residents, and estimates of how much revenue the City will collect. This volume is broken down by department, and includes total budgeted revenues, expenditures, and positions for the fiscal year, noting any change from the prior fiscal year. A guide to reading the Operating Budget can be found at the beginning of Volume 2.

Volume 3: The Capital Improvements Program (CIP) Budget
A capital improvement is a project that refurbishes or improves City infrastructure, for example, the replacement of street lights or the development of a new City park. The Capital Improvements Program (CIP) budget is the long range plan for all individual capital improvements projects and funding sources. Further explanation of the CIP Budget, its process, funding sources, and other details can be found in the IBA’s Guide to Infrastructure. Additionally, the beginning of Volume 3 includes an introduction to facilitate comprehension of this component of the annual budget.

Does the Annual Budget Have to be Balanced?

The City is required by law to balance its budget each year. The budget is monitored throughout the year to determine whether the city is spending more or less than its revenues. The City then makes adjustments to its spending in order to ensure that at the end of the year there are sufficient resources to cover the expenditures and the budget is in balance.
Who Monitors the Budget?

In order to maintain a high level of transparency and accountability in government, the City of San Diego has multiple methods to ensure that taxpayer dollars are being used to achieve the best results from the resources available.

**City Council**
As the Legislative Branch of City government, the City Council is responsible for setting policy direction; enacting, reviewing, and modifying legislation as appropriate; and adopting the annual budget. The Council provides a check and balance to the City's Executive Branch, which is run by the Mayor.

Nine committees are comprised of City Councilmembers to help the Council analyze specific legislative matters in a focused and efficient manner. Four of the Council Committees are specifically charged with overseeing major components of City financial operations.

**Audit Committee**
The Audit Committee was created in January 2007 to oversee the City’s finances. Members of the Audit Committee provide independent legislative oversight for the City’s accounting, financial reporting processes, internal controls, as well as the results of program audits.

**Budget & Government Efficiency Committee**
The Budget and Government Efficiency Committee was created to oversee legislative issues that directly impact the annual budget. Committee responsibilities include the annual budget, financial reports, purchasing and contracting, and equal opportunity contracting, among other issues.

**Budget Review Committee**
The Budget Review Committee, which is composed of all members of the City Council, is responsible for reviewing the annual budget, and includes the public budget hearings held each May. These Committee meetings allow members of the City Council to receive feedback from the public relating to budget priorities, and provide an opportunity for the Council to study, analyze, and evaluate the budget.

**Active Transportation and Infrastructure Committee**
The Active Transportation & Infrastructure Committee began meeting in 2013 and is focused on the condition of the City's capital assets—such as streets, sidewalks, parks and libraries—and identifies resources for addressing different capital needs. It is charged with reviewing the Five-Year Capital Infrastructure Planning Outlook (CIP Outlook), and oversees asset management, additional streamlining opportunities, infrastructure financing strategies, among other related topics.
Overview of the Budget Process

City Attorney
The City Attorney serves the residents of San Diego as both the Chief Legal Advisor and misdemeanor prosecutor. The office is divided into divisions, including: the Advisory Division provides advice to City Departments; the Civil Litigation Division prosecutes or defends civil lawsuits in which the City is a party; the Criminal Division prosecutes criminal misdemeanors and infractions committed within the City limits; and the Community Justice Division prosecutes cases that the community has identified as important to quality of life.

City Auditor
The City Auditor is charged with providing audit services to promote accountability to the public and to improve the economy, efficiency, and effectiveness of City government. Through performance audits, financial audits, and special investigations, this office provides essential information to assist the City Council in its decision-making process.

Office of the IBA
The Office of the IBA assists the City Council by providing analysis, reports, and recommendations on issues that affect the budget. Reports on numerous fiscal and policy matters are presented at City Council meetings, and during budget hearings and Committee meetings.

Office of the Mayor
The Mayor serves as the City's Chief Executive Officer. Through the Chief Operating Officer, the Mayor oversees the City's daily operations, and implements programs and initiatives to carry out the City's policy objectives. The Mayor is also responsible for proposing the City's Annual Budget by April 15th of each year, revising it as appropriate after input from the public and City Council through the May budget hearings, and producing the final Adopted Budget that is approved by the City Council in June.

Chief Financial Officer (CFO)
The CFO provides the City with quality public services in the areas of financial reporting, auditing, management, and stewardship of City assets. All financial departments are organized under the CFO. The CFO is responsible for maintaining the financial records of the City, the development of the City's financial statements, external audit functions, preparing annual budgets, developing debt financing proposals, managing the City's investments, revenue collection and tracking, and long-range financial planning.

Department of Finance
The Department of Finance (DOF) provides services to the Mayor and serves as an internal fiscal consultant to other City Departments. DOF prepares the Proposed and Adopted Budgets in accordance with the City Charter each year. During the fiscal year, DOF monitors the City's expenditures and revenue receipts, oversees budget transfers and adjustments, and reviews requests for City Council and Mayoral actions for both the operating budget and the Capital Improvements Program. The DOF also prepares the City's Comprehensive Annual Financial Report (CAFR) at the end of each fiscal year and updates the City's Five-Year Financial Outlook for future years.
Overview of the Budget Process

Performance & Analytics
The Performance & Analytics Department (P&A) supports the improvement of City operations and customer service through its Citywide Engagement, Data and Analytics, Operational Excellence, Performance Management, and 311 Customer Experience programs. P&A directly supports the annual budget in a number of ways, such as working with DOF to develop the online budget visualization tool that displays budget information from 2011 and later, and its performance management team coordinates the inclusion of department narratives and Key Performance Indicators in Volume 2 of the Proposed and Adopted Budgets.

What Financial Policies Guide the Budget Process?
The City of San Diego has adopted several financial policies that serve as a guide to the Mayor and City Council in making policy decisions that affect the fiscal health of the City. They can be found on the Department of Finance’s website at:

www.sandiego.gov/finance/about

City Budget Policy
The City’s Budget Policy (Council Policy 000-02) assists the City in achieving its current and future goals in a fiscally responsible and sustainable manner. These policies establish guidelines for developing and monitoring the City’s annual operating and capital budgets.

City Reserve Policy
Appropriate reserves is a key attribute of a financially stable organization. The City’s reserve policy (Council Policy 100-20) recommends that the City establish and maintain appropriate reserves for its major funds. Adequate reserve levels allow 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, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the organization.

User Fee Policy
The City charges a range of fees for services provided to residents and businesses. These fees are imposed as a result of a public need, such as recreational services, rental uses, and other types of services. The User Fee Policy (Council Policy 100-05) outlines the method for establishing fees and the extent to which they recover the cost of the service provided.

City Debt Policy
The City’s CFO executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. Debt is an equitable means of financing projects and represents an important means of meeting fiscal responsibilities. The Debt Policy (2017 Update via Resolution R-311057) primarily addresses debt instruments and securities issued by the City in public or private bond markets.

Structural Budget Deficit Elimination Guiding Principles
These principles, adopted by the City Council in February 2010, guided the development of a comprehensive plan to eliminate the City’s structural budget deficit. The Mayor’s Office
Overview of the Budget Process

worked with the Office of the IBA, the Budget & Finance Committee (now the Budget & Government Efficiency Committee) and the full City Council in the development and implementation of this plan. Although the City is in a better financial position than it was at the time of adoption, these principles for fiscal responsibility continue to be an important structure when formulating and making decisions about the annual budget. These principles can be found in IBA Report 10-18 or by referring to Resolution R-305615.
Important Resources

Contact Information

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  Phone: (619) 236–5587
  Email: panda@sandiego.gov
City Council Offices

City Council offices are located on the 10th floor of the City Administration Building at: 202 C Street, San Diego, CA 92101. For more information about the City Council, or to find your Council District, please visit https://www.sandiego.gov/citycouncil.
Important Resources

Locating Budget Documents

The Annual Budget
Annual budget documents, including the Proposed and Adopted budgets of current and prior fiscal years, can be found on the Department of Finance’s website: www.sandiego.gov/finance. You can also find budget monitoring reports and the City’s Five-Year Financial Outlook on this website.

City Council & Committee Meeting Agendas
City Council and Committee meeting agendas and related materials, including those for the Audit, Budget & Government Efficiency, Budget Review, and Active Transportation & Infrastructure Committees, can be found on the City Clerk’s website: www.sandiego.gov/city-clerk/councilcomm.

IBA Reports and Presentations
IBA reports and presentations on the budget and other fiscal and policy matters can be found at: www.sandiego.gov/iba. For updates when new reports are released, follow the IBA on Twitter @SanDiegoIBA, or sign up for email updates on our website.

Interactive Online Budget Visualization Tool
In April 2016, the City released an online budget visualization tool so residents can see how tax dollars are budgeted. You can access the City’s budget data from 2011 and later on the Open Data website at: https://data.sandiego.gov/
Glossary

Adopted Budget
The Mayor and City Council’s approved plan for the City’s financial operations, which includes an estimate of expenditures and revenues for a given fiscal year.

Appropriation
A legal authorization to make expenditures and to incur obligations for specific purposes.

Appropriation Ordinance
The official enactment by the City Council to establish legal authority for City officials to obligate and expend resources.

Balance (Fund Balance)
Revenues and assets in excess of the expenditure and reserve obligations of a fund at year end.

Balanced Budget
The amount of budgeted expenditures is equal to or less than the amount of budgeted revenues plus available fund balance.

Bond
A funding tool representing a written promise to pay a specific sum (face value or principal amount) in the future (maturity date), plus interest. In California, municipal government bonds are only used to finance capital improvements.

Budget
Proposed plan of expenditure and revenue over a specified period of time such as a fiscal year or accounting period.

Budget Priorities Resolution
A resolution in which the City Council has adopted a set of priorities for the annual budget. Priorities of each Councilmember are compiled by the Office of the IBA and transmitted to the Mayor for consideration when forming the proposed budget.

Capital Improvement Project
A capital improvement is generally a large construction project such as the development of park land, the construction of an overpass, the installation of a traffic signal, the acquisition of land, or the construction or remodeling of a City building.

Capital Improvements Program (CIP)
The long-range plan for all individual capital improvement projects and funding sources. CIP projects are unique construction projects that aim to install new, replace old, or rehabilitate existing infrastructure. Information regarding the City of San Diego’s CIP can be found in Volume 3 of the City’s Annual Budget document.

Comprehensive Annual Financial Report (CAFR)
A report prepared by the City Comptroller’s Office that summarizes financial data for the previous fiscal year in a standardized format. The CAFR is organized by fund and contains
two basic types of information: a balance sheet and an operating statement.

**Coronavirus, Aid Relief, and Economic Security (CARES) Act Funding**
CARES Act Funding was signed into law on March 27, 2020 and serves as a relief package to local governments with over 500,000 people. $150.0 billion was provided to states and local governments. The legislation allows funds to be used for costs related to COVID-19 between March 1, 2020 and December 30, 2020. Costs also must not have been planned for in the FY 2020 budget and may not backfill revenue losses.

**Expenditure**
The actual outlay of monies from the City treasury.

**Expenses**
Charges incurred for operations, maintenance, interest, or other charges.

**Fiscal Year (FY)**
A 12-month timeframe designating the beginning and ending period for recording financial transactions. The City of San Diego has specified July 1 through June 30 as the fiscal year.

**Five-Year Financial Outlook**
The Five-Year Financial Outlook includes revenue and expenditure forecasts which are based on various assumptions. It serves as a long-range planning tool which identifies priorities, economic trends, risks and opportunities, and guides the City in the development of future budgets.

**Franchise Fees**
Fees resulting from agreements with private utility companies in exchange for use of the City’s rights-of-way.

**Fund**
A fiscal and accounting entity with a self-balancing set of accounts to record revenue and expenditures.

**General Fund**
The City's main operating fund that pays for basic City services that use most of the City’s tax revenue, such as public safety, parks, and library services.

**Grant**
A contribution by a government or other organization to support a particular function.

**Infrastructure**
The basic structures and underlying facilities needed for the functioning of a community and its economy, such as public facilities, streets, roads, bridges, tunnels, parks, storm drains, and water and sewer systems.

**One-Time Expenditures and/or Revenues**
Expenditures and/or revenues for one-time projects or services. After the project or service is completed, expenditures and/or revenues are terminated and are not considered part of the budget for the following year.
Glossary

Ongoing Expenditures and/or Revenues
Expenditures and/or revenues that are recurring and continue over more than one fiscal year.

Operating Budget
Authorized expenditures for ongoing municipal services such as public safety, street maintenance, parks, and libraries. The detail of the City of San Diego’s operating budget can be found in Volume 2 of the City’s annual budget document.

Proposed Budget
The Mayor's recommendation for the City's financial operations, which includes an estimate of proposed expenditures and revenues for a given fiscal year.

Reserve
An account used to indicate that a portion of a fund’s balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Revenue
Funds received from various sources and treated as income to finance expenditures.

Schedules
Schedules provide a summary of revenues, expenditures, and positions for the operating budgets of all departments and budgeted funds, and reflect the funding sources and spending areas of the Capital Improvements Program.

Transient Occupancy Tax (TOT)
A tax that is imposed on occupants of hotel and motel rooms in the City of San Diego.

User Fee
A charge for services provided by the City to residents and businesses.