

THE CITY OF SAN DIEGO



A CITIZEN'S GUIDE TO THE CITY'S BUDGET PROCESS & THE FY 2015 ADOPTED BUDGET

This guide aims to provide a solid foundation of knowledge for understanding the City of San Diego's budget process and the FY 2015 Adopted Budget.

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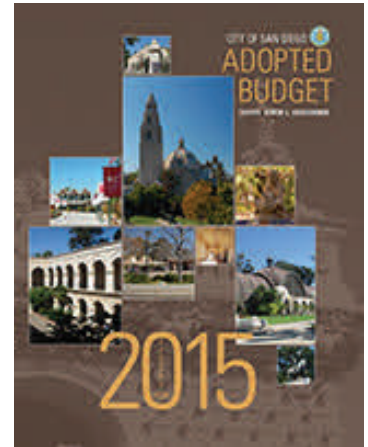
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Introduction

This guide, created by the Office of the Independent Budget Analyst (IBA), is designed to help interested citizens gain a better understanding of the City of San Diego's Fiscal Year (FY) 2015 Adopted Budget and the process by which the annual operating budget is developed each year. This guide provides citizens with the following for the FY 2015 Adopted Budget:

- 1) A description of the annual budget process;
- 2) FY 2015 Budget highlights;
- 3) Assistance in how to interpret budget documents; and
- 4) Information on how you can become more involved in City budget matters.



This guide focuses on the FY 2015 operating budget, but excludes detail regarding the FY 2015 Capital Improvements Program (CIP) budget, which is also a piece of the FY 2015 Adopted Budget. The IBA's [A Citizen's Guide to Infrastructure](#), found at www.sandiego.gov/iba/otherdocs, provides an in depth explanation of the CIP and its annual budget process. It may be used in conjunction with this guide to obtain well-rounded knowledge of how the City formulates and funds all components of the annual budget.

A municipality's budget is much more than an accounting document. It serves as an outline for how the City should best use its resources to benefit citizens. With an annual budget of approximately \$3.01 billion dollars, the City of San Diego must determine how to utilize its pool of resources to perform necessary City functions. It is with this understanding that elected officials make decisions regarding which services, programs, and other expenditure priorities to include in the annual budget.

The Mayor and Chief Operating Officer (COO) work with City Departments to develop and release the Proposed Budget by April 15th of every year. The Adopted Budget is approved by the City Council in June before the next fiscal year (FY) begins on July 1st.

The annual budget is first developed and released as the *Proposed Budget* by the Mayor no later than April 15th of each fiscal year. The City Council reviews the Mayor's budget proposal, holding community hearings and meetings with City departments, and requests the IBA to determine any need for budget modifications. Once this review is complete, the Council approves the Mayor's budget proposal, incorporating

their recommended modifications, creating the *Adopted Budget*.

After Council adoption of the annual budget, the Financial Management (FM) Department develops the annual budget document, integrating Council recommendations and mayoral direction. The budget document consists of three volumes:

Volume 1: Budget Overview and Schedules

Volume 2: Departmental Detail (Operating Budget)

Volume 3: Capital Improvements Program (CIP)



Introduction

These three documents outline the detail of the annual budget. Although released at the same time, the City's operating budget and CIP budget are separate documents. This is because capital infrastructure projects funded by the CIP budget are generally large and expensive, take multiple years to complete, and require special financing sources outside the City's General Fund, which is the main funding source for core City functions and services determined by the operating budget.

The Office of the IBA created this guide in 2009 in order to provide a solid foundation of knowledge of the City's budget process, and to highlight key FY 2015 budget details, for interested citizens. For additional information regarding the City's annual budget and other important topics, contact our office at (619) 236-6555 or visit our website at www.sandiego.gov/iba. Additionally, see the *Important Resources* section on page 24 for key City staff contact information and where to find City documents relating to the budget. Also refer to the *Glossary* on pages 27 - 28 for definitions of key terms used in this guide.

FY 2015 Adopted Budget at a Glance

FY 2015 Adopted Budget

Total FY 2015 Budget	\$3,007,271,243
Operating Budget (all Funds)	\$2,697,298,453
Operating Budget (General Fund only)	\$1,202,422,436
CIP Budget	\$ 309,972,790

FY 2015 Revenue

Total Revenue	\$2,771,681,931
Total General Fund Revenue	\$1,188,550,460

Major Revenue Sources (in millions)

Property Tax	Sales Tax
Total: \$472.0	Total: \$287.1
General Fund: \$445.4	General Fund: \$257.1
Transient Occupancy Tax (TOT)	Franchise Fees
Total: \$176.3	Total: \$135.8
General Fund: \$92.3	General Fund: \$72.0

FY 2015 Expenditures

General Fund

Expenditures _____ \$ 1,202,422,436

Enterprise Funds

Expenditures _____ \$ 933,722,420

Special Revenue Funds

Expenditures _____ \$ 383,284,395

Internal Service Funds

Expenditures _____ \$ 165,342,113

Capital Projects Funds

Expenditures _____ \$ 12,527,089

Debt Service and Tax Funds*

Expenditures _____ \$ 0

Total Expenditures _____ **\$2,697,298,453**

*Tax Revenue Anticipation Notes are not anticipated to be issued for FY 2015.

FY 2015 Adopted Budget Highlights

The City of San Diego's FY 2015 Adopted Budget totals \$3.01 billion, with approximately \$310 million budgeted in the Capital Improvements Program (CIP) for capital projects across the City. Approximately \$2.70 billion is allocated in the operating budget for essential City functions and services like public safety (including police and fire), parks and recreation, water and wastewater and the operation of City landfills.

Similar to FY 2013 and FY 2014, the FY 2015 Adopted Budget reflects San Diego's improved financial position as compared to just a few years ago. This annual budget benefits from an improved economy as well as recent implementation of financial reforms.

Over the last several years the City has been diligent about structurally balancing its budget and adhering to the Council adopted [Structural Budget Deficit Elimination Guiding Principles](#). When the City budget has relied on "one-time" funding solutions, the vast majority are matched to "one-time" needs. With negligible use of one-time resources and sound revenue assumptions, this adopted budget is structurally balanced. Commitment to the guiding principles will need to be continued so that structurally balanced budgets are maintained in the future.

One-time vs. Ongoing Funding

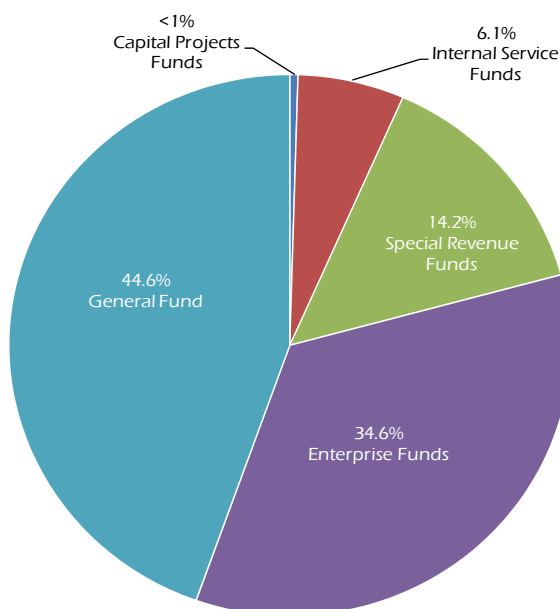
When forming the City's annual budget, it is considered best practice to fund any one-time expenses (e.g. legal settlements) with one-time funding resources. Additionally, when adding new facilities or programs to the budget, the City must consider what ongoing operational costs are associated, and find 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 any "temporary fixes" to fund ongoing programs, resulting in a more stable financial environment and a structurally balanced budget.

For more information on the City's best practices regarding budget formation, refer to the financial policy descriptions on page 20 and [IBA Report 10-18](#).

The City's Operating Budget

FY 2015 Operating Budget* = \$2.70 billion



*FY 2015 Operating Budget does not include funding for Debt Service and Tax Funds as no Tax Revenue Anticipations Notes anticipated for FY 15.

The operating budget provides a plan for how the monies coming into the City will be spent to operate and maintain City functions and services, such as police, fire, parks, and libraries. As mentioned above, the operating budget for FY 2015 amounts to \$2.70 billion of the \$3.01 billion total budget. The other \$310 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 separate the operating budget (\$2.70 billion for FY 2015) and the CIP budget (\$310 million for FY 2015) because capital infrastructure projects are generally large and expensive, take multi-

FY 2015 Adopted Budget Highlights

ple years to complete, and require special financing sources outside of the City's main operating fund, the General Fund. In contrast, the operating budget focuses on expenditures and revenues that will be coming and going for a particular fiscal year. For more information regarding the CIP, refer to the IBA's [A Citizen's Guide to Infrastructure](#).

The operating budget consists of six types of funds including the General Fund. It is necessary to have multiple fund types because certain monies can only be utilized for specific purposes. For example, monies generated by the Gas Tax are deposited in a Special Revenue Fund and can only be used for maintenance of street lighting, signals, and markings. The diagram on the previous page depicts the portion of the operating budget that is comprised of each fund type.

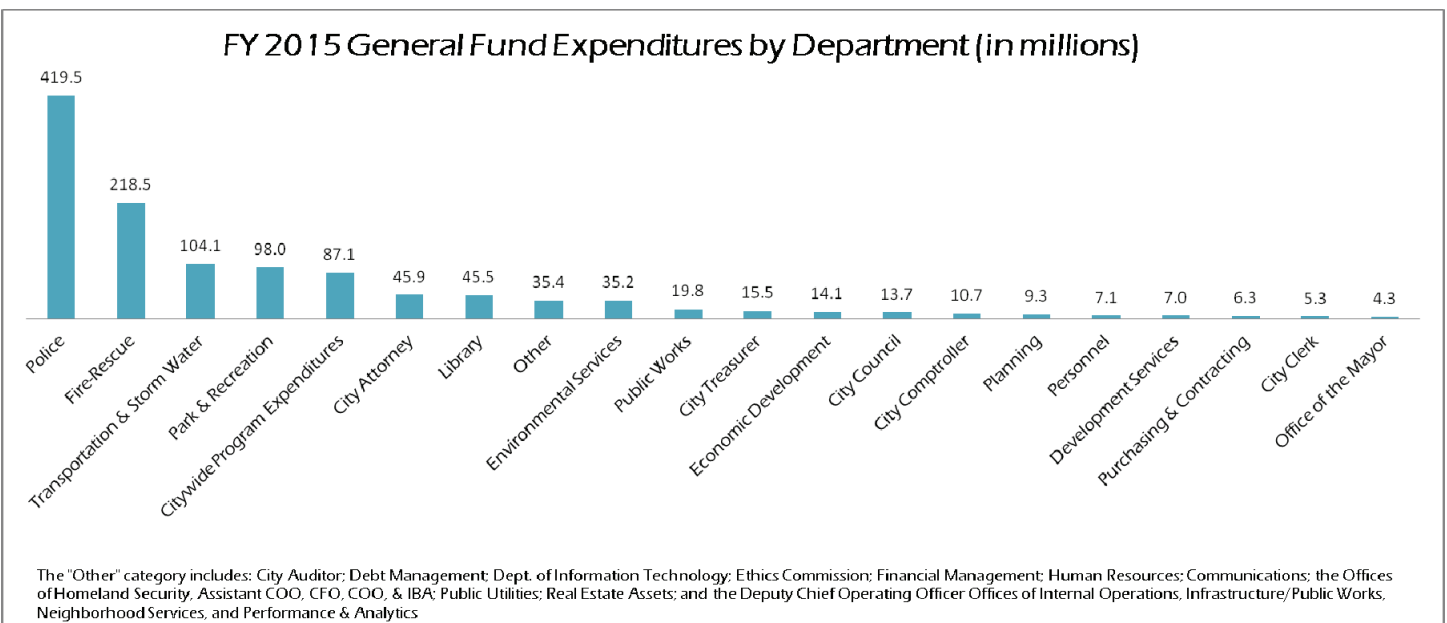
The General Fund

The General Fund is the most commonly discussed fund in the municipal budget. It is the largest of the six types of funds that the City of San Diego maintains, representing about 45% of the operating budget for FY 2015. The General Fund is usually at the forefront of budget discussions because it is the City's main operating fund 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, 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.

General Fund Expenditures

The General Fund is the largest operating fund with \$1.20 billion in budgeted expenditures for FY 2015. This is a \$23.1 million or a 1.9% decrease from the FY 2014 Adopted Budget. The money is expended through organized departments within the General Fund that are charged with providing core community services.

The FY 2015 Adopted General Fund budget includes the costs associated with 6,975.29 budgeted full-time equivalent (FTE) positions, a net decrease of 292.21 FTE positions from the FY 2014



FY 2015 Adopted Budget Highlights

Adopted General Fund Budget. The main reason for the decrease in General Fund positions is related to the reorganization of certain City departments to non General Fund departments, primarily the restructuring of the Engineering and Capital Projects (E&CP) Department to a newly established internal service fund (accounting for the decrease of approximately 450 positions). Additional programmatic changes to various departments such as the Police Department, Park and Recreation Department, and the Transportation and Storm Water Department resulted in a net addition of approximately 157 positions. The chart on the previous page illustrates the main General Fund expenditures by department for FY 2015. As evidenced in the chart, a majority of the City's resources are dedicated to Police and Fire-Rescue services, a vital function of City government.

General Fund Revenue

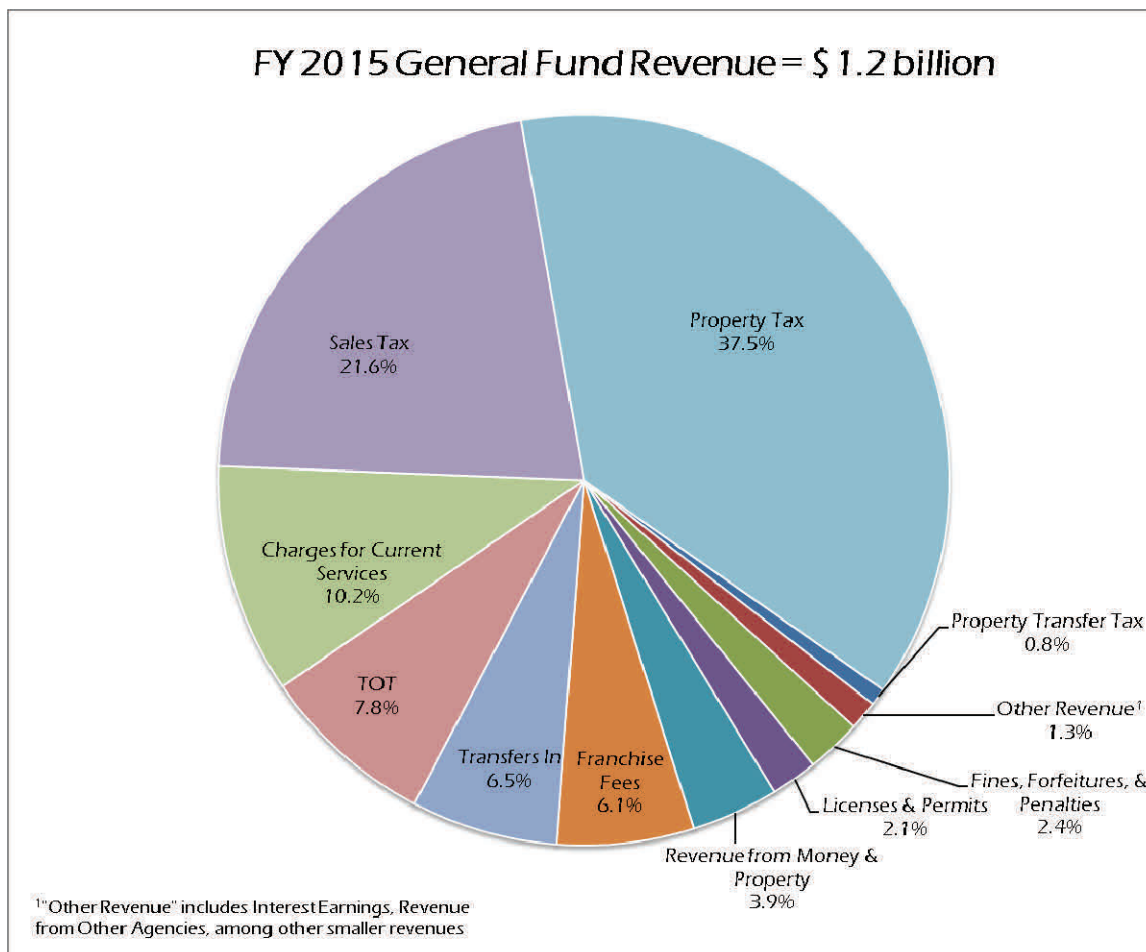
Core City services provided by the General Fund's budget are supported by a variety of revenue sources. The four major revenue sources for the General Fund are Property Tax, Sales Tax, the Transient Occupancy Tax (TOT) and Franchise Fees. These revenue sources are dependent on the economic environment and can fluctuate from year to year. 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 (transfers from other funds); revenue from money and property; licenses and per-

Transient Occupancy Tax (TOT)

City TOT revenue is generated based on a tax rate of 10.5% on the total rate charged for occupancy at lodging facilities within the City of San Diego.

Franchise Fees

The City receives fees from private utility companies in exchange for use of the City's rights-of-way, as dictated by their agreements.



FY 2015 Adopted Budget Highlights

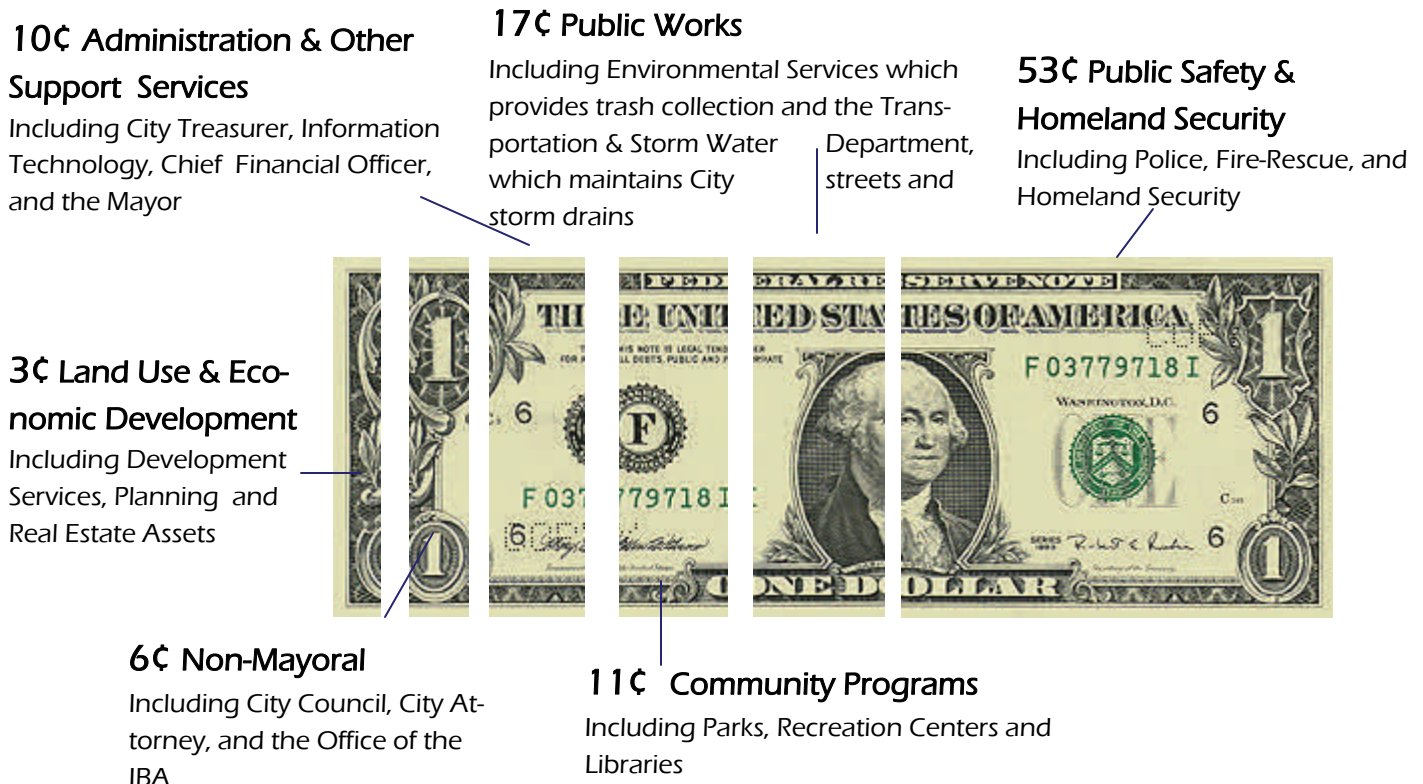
mits; fines, forfeitures, and penalties; property transfer tax; and other smaller revenues. See pages 95 - 120 in [Volume 1](#) of the FY 2015 Adopted Budget for a detailed description of these revenue sources.

General Fund revenue for FY 2015 amounts to \$1.2 billion, a \$14.5 million or 1.2% decrease from the previous fiscal year. The net decrease is attributable to the reduction of General Fund revenue related to the reorganization of City departments, offset in part by a gradual improvement in the economic environment. This has resulted in increases in sales tax revenue generated from higher consumer spending, an upswing in local tourism and business travel that contribute to TOT revenue collections, and reduced unemployment in the region. Though recent revenue increases have been experienced, there is uncertainty related to sequestration and federal spending cuts that may impact San Diego's economy. The City will continue to monitor General Fund revenues during the fiscal year. If necessary, the budget can be adjusted during the Mid-Year Budget Process, which occurs in February and March.

As shown in the figure on the previous page, Property Tax, Sales Tax, TOT and Franchise Fees make up a large portion of General Fund revenues. For FY 2015, Property Tax contributes about \$445 million, Sales Tax \$257 million, TOT \$92 million and Franchise Fees \$72 million, making up about 73% of General Fund Revenues.

General Fund Tax Dollars At Work

The diagram below depicts General Fund services provided by the City of San Diego and how they are funded by your tax dollar for FY 2015.



FY 2015 Adopted Budget Highlights

Increased General Fund Services for FY 2015

The recent uptick in retail sales and tourism revenues, coupled with years of City efficiencies and reduced spending, resulted in an ability to increase certain services for FY 2015 and continue the restoration of certain services that had been reduced in prior fiscal years. The following sections highlight some of these increased services.

Parks, Recreation Centers, & Libraries

Library hours continued to expand in FY 2015. About 16 positions were added to support operations at all branch locations. Additionally, funding was included in the budget for a new after school program called "[Do Your Homework @ the Library](#)". Refer to the following chart for library hours effective November 8, 2014.

CENTRAL LIBRARY:

Monday - Thursday : 10am –7:00pm

Friday - Sunday: Noon – 6:00pm

BRANCH LIBRARIES*:

Monday, Thursday & Friday: 9:30am – 6:00pm

Tuesday & Wednesday: 11:30am – 8pm

Saturday: 9:30am–3:00pm

Sunday: Closed

*Twelve branch libraries have extended weekend hours including Sunday hours. These branches and the extended operation schedule can be found on the City website.

Funding of \$1.7 million was included in the FY 2015 Adopted Budget to fully fund some park capital improvement projects. Projects include the development of Wightman Street Neighborhood Park and the implementation of the Chollas Creek Enhancement Program for Auburn Creek; construction of a security lighting system at Silver Wing Neighborhood Park; construction of a paved trail within the Black Mountain Open Space Park; and sport lighting system for the fields at the Tierrasanta Community Park.



Public Safety

Ensuring public safety is a primary function of the City's General Fund, with 53% of the General Fund budget being utilized by the Police Department, Fire Department, and lifeguard activities. This fiscal year, funding has been included for 36 Police sworn positions (18 equivalent to full time) allowing each of four academies to increase from 34 to 43 Police recruits. Additionally, \$1.4 million is included for the addition of 17 police civilian positions to support Police Department operations including enforcement of the Neighborhood Parking Protection Ordinance.



Funding of \$3.2 million has been included to continue a police retention program with the reinstatement of Holiday Premium Pay. Cameras worn by Police officers to record interactions with the public are also funded in this budget, utilizing \$1.1 million.

FY 2015 Adopted Budget Highlights

For Fire-Rescue, funding was included for a temporary fire station on Skyline Drive and Sychar Road while the City plans for a permanent station anticipated FY 2019. Two additional fire academies will be added for FY 2015, for a total of three to address current vacancies and anticipated attrition within the department.

Additionally, the FY 2015 Adopted Budget included approximately \$1.6 million in funding to staff and implement the pilot Fast Response Program (a two-person strategically located first responder team), provide four additional lifeguards to support the Boating Safety Unit, provide an additional full-time lifeguard position to support the Windansea Beach and Boating Safety Unit, and fund lifeguard facility improvements.

Community Needs and Neighborhood Services

For FY 2015 a variety of funding was included to support an array of community needs and neighborhood services. The following highlights several of the larger items included in the FY 2015 Adopted Budget:

- ◆ Approximately \$2.1 million in General Funds is included in the FY 2015 Adopted Budget to support updates to multiple community plans. Community plans lay the foundation for development within a specific community, and updating these plans is essential for continued development within communities.
- ◆ The CONNECT2Careers Program, which provides youth with summer employment opportunities, job-readiness training, and job placement is allocated \$200,000 in the FY 2015 Adopted Budget.
- ◆ Approximately \$190,000 is allocated in the FY 2015 Adopted Budget to support an Urban Forestry Program that would identify strategies and policies for proactively managing the City's tree services.
- ◆ Approximately \$200,000 is included in the FY 2015 Adopted Budget for the development of a Climate Action Plan and Sustainability Initiatives. Staff will provide leadership and coordination across City departments for a Climate Action Plan implementation and related sustainability initiatives including mobility, energy efficiency and conservation efforts.

Funding for Homelessness Programs and Services

The FY 2014 Adopted Budget included approximately \$1.9 million in General Funds to extend the operations of the Single Adult Emergency Winter Shelter and the Veterans Shelter through March 2014. While the FY 2015 Adopted Budget maintains the approximately \$1.9 million dedicated to homelessness programs and services, the FY 2015 funding redirects this funding toward outcome-focused services and critical program enhancements that result in the most effective use of resources and a coordinated system. The following highlights represent some the redirection of the funding for FY 2015.

- ◆ The FY 2015 Adopted Budget provides funding (\$800,000) for four months of operations of the Single Adult Winter Shelter and the Veteran's Shelter. The funding will augment the Community Development Block Grant (CDBG) funding for the Veterans Winter Shelter from November through March, during the coldest and wettest months of the year.
- ◆ One-time funding of \$400,000 in the FY 2015 Adopted Budget will support the Regional Continuum of Care's development of a coordinated intake and assessment system (applicable to all or-

FY 2015 Adopted Budget Highlights

ganizations throughout the City and region) to address the needs of critical homeless housing and service programs.

- ◆ Expansion of the Serial Inebriate Program (case management and housing for chronic homeless alcoholics) will be allocated \$120,000 to restore the program to pre-reduction funding levels and triple the number of individuals capable of being served.
- ◆ Funding of \$80,000 has been included in the FY 2015 Adopted Budget to enhance services, including case management, provided by the Neil Good Day Center.
- ◆ The FY 2015 Adopted Budget includes \$40,000 to support the City Police Department's Homeless Outreach Team (HOT).
- ◆ Funding of \$150,000 has been included for the Girls Think Tank storage facility (safe storage facility for homeless families and individuals to protect their personal belongings).
- ◆ The FY 2015 Adopted Budget includes \$300,000 to support the continuation of essential services provided by People Assisting the Homeless (PATH).
- ◆ An additional \$150,000 is included to provide 25 triage beds to be utilized by the City Police Department's Homeless Outreach Team (HOT).

Infrastructure Funding

Funding for City infrastructure can address a variety of needs. Expenditures may include money for 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 and plans. For FY 2015, a variety of funding has been included to address some of the City's infrastructure needs. The following illustrate some of the FY 2015 highlights:

- ◆ \$2.5 million in debt service payments related to a third bond issuance approved by the City Council in FY 2014 to fund \$120.0 million in capital improvement projects to address the deferred capital backlog.
- ◆ \$11.4 million (\$2.1 million in the General Fund) to conduct various condition/needs assessments of City infrastructure.
- ◆ \$2.1 million in landfill/storm water improvements.
- ◆ \$4.3 million in storm water infrastructure.
- ◆ \$2.6 million for sidewalk and street light improvements.
- ◆ \$2.1 million (approximately \$525,000 in General Fund) to support the SAP Enterprise Asset Management Project.
- ◆ \$1.7 million in General Fund contributions to fully fund various Park and Recreation capital projects.
- ◆ Approximately \$740,000 for facilities maintenance support.
- ◆ Approximately \$390,000 to support streets slurry and overlay projects.

Condition Assessments

A condition assessment is conducted to determine the state of an infrastructure asset, such as streets. This is an important step to identify an optimal schedule for maintenance, repair, rehabilitation, or replacement of the asset, as well as potential needed expansion. This will also identify any backlog of deferred maintenance or capital projects for the asset. For more information regarding the City's infrastructure and condition assessments refer to our office's [A Citizen's Guide to Infrastructure](#).

FY 2015 Adopted Budget Highlights

General Fund Resources

In recent years, competing priorities and limited funds have left City leaders facing tough decisions when it comes to forming the annual budget. Through efficiency savings and reduced spending, which included some cuts to City services, the City's budget picture has improved. As mentioned on page 5, now that the economy is gradually improving and better than expected growth is projected for major revenues, certain priority City services have been restored and some new programs have been funded. The City has also been able to substantially increase its reserves to guard against economic volatility in the future.

Other Funds

In addition to the General Fund, the City of San Diego utilizes five other fund types as mentioned on page 6. It is necessary to have separate funds due to specific restrictions on how certain funds may be used. The following descriptions summarize the other five types of funds, what they may be used for, and how they acquire revenue. For additional information regarding these funds, please refer to [Volume 1](#) of the FY 2015 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, Wastewater, Development Services, Golf Course, Refuse Disposal and Recycling Funds. For FY 2015, all Enterprise Funds equate to \$933.7 million.

Special Revenue Funds

These funds account for revenue that is received for a specifically identified purpose. Examples include the Gas Tax that can only be used for maintenance of street lighting, signals and markings, and TOT Funds for Special Promotional Programs that are used to promote tourism in the City of San Diego. The FY 2015 Adopted Budget includes \$383.3 million for these Special Revenue Funds.

Debt Service & Tax Funds

These funds are used for the payment of note interest and costs of issuance for the annual General Fund Tax and Revenue Anticipation Notes (TRANs) cash flow borrowing. For FY 2015, TRANs are not anticipated to be issued, therefore no funding is allocated in the FY 2015 Adopted Budget for this purpose. Debt service for General Fund lease revenues bonds are budgeted within the Citywide Program expenditures while debt service attributable to specific department financings, such as water and wastewater revenue bonds, are budgeted within the department's operating budgets.

Capital Project Funds

Capital project funds support the acquisition or construction of capital facilities. These funds typically make up a small portion of the Capital Improvement Program funding. For FY 2015, the Capital Project Funds include the Capital Outlay Fund and the TransNet Extension Fund, and total \$12.5 million. For more information about Capital Project Funds and how they fund the CIP, refer to the IBA's [A Citizen's Guide to Infrastructure](#).

FY 2015 Adopted Budget Highlights

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 2015 Adopted Budget for these funds total \$165.3 million, an increase of \$62.2 million over FY 2014 primarily due to the reorganization of the Engineering and Capital Projects Department from the General Fund to an Internal Service Fund.

The City of San Diego's Annual Budget

What is a Municipal Budget?

Each year a 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 City is required by law to balance its budget each year. The budget is constantly 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 the budget is in balance.

The budget is not just an accounting document—it is a management and planning tool.

What Does the City Budget Do?

Each year the Mayor, City Council, and City staff work together to develop an annual budget. While the budget is being created, all parties must make decisions on how to utilize the limited revenues that the City receives in order to produce the greatest benefit to its citizens.

The budget is not just an accounting document—it 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. The Mayor, City Council, City staff and the citizens of San Diego all serve as participants in its creation and execution.

San Diego's Form of Government

In November 2004, San Diego voters approved a change in the form of the City's government from City Manager to Strong Mayor - Strong Council (also known as Mayor-Council) for a trial period of five years. Previously, the Mayor sat on the Council with other Councilmembers setting policy direction, while the City Manager was responsible for managing the City's day-to-day operations and creating the Proposed Budget. The Mayor and Council would then decide which changes were necessary in the budget to achieve their policy objectives. In June 2008, the Strong Mayor-Strong Council form of government was made permanent by voter approval.

In the Strong Mayor - Strong Council form of government, the Mayor acts as the Chief Executive Officer (CEO) of the Executive Branch of government, similar to the governor or the president. He or she manages the City and creates the Proposed Budget. The City Council represents the Legislative Branch, setting policy direction. During April, May and June, the Council reviews the Mayor's budget proposal by holding community hearings, meeting with City departments, and working with the Independent Budget Analyst (IBA) to determine what modifications, if any, should be made to the Mayor's Proposed Budget. Council then makes final budget changes they deem necessary. The Mayor has the option to veto changes made by the Council, however, the Council may override a Mayoral veto with six votes. While the Mayor first proposes the budget, the City Council has ultimate authority over the City's budget in the Strong Mayor - Strong Council form of government.

The City of San Diego's Annual Budget

City Organization

Kevin Faulconer was inaugurated as Mayor of San Diego on March 3, 2014. The current organization chart, updated on March 20, 2015, can be found at www.sandiego.gov/orgchart/pdf/allcity.pdf.

In October 2013, the City Council approved a reorganization of departments and city management, including the addition of Deputy Chief Operating Officers (DCOOs), as shown in the chart. The implementation of this reorganization began in November 2013. For more information on the City's reorganization, refer to the Chief Operating Officer's [Report #13-076](#) to the City Council and [IBA Report #13-48](#).

Overview of the Budget Process

Key Roles in the Budget Process

The citizens of San Diego, the Mayor, City Council, City departments and the Office of the IBA all play a significant role in the formation of the budget.

Role of the Citizens of San Diego

In order for the Mayor and City Council to discern which programs and issues are of the highest priority to citizens, it is important for the residents of San Diego to play an active role in the budget process. Citizens are encouraged to provide their input through multiple forums including:

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

In order to fully understand what is important to the citizens of San Diego, the Mayor, City Council, and City staff need input from citizens 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 on pages 24 - 26 of this guide to find out how to contact the Mayor's office, your City Councilmember, and other key City staff, as well as how to find key meetings that involve discussions regarding the City's annual budget.

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), other City staff and the community
- ◆ Working with the City Council to finalize the Proposed Budget
- ◆ 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 body of the City's Government, and is responsible for set-

Overview of the Budget Process

ting policy. Each Councilmember represents the citizens that live in his or her district. The Council's responsibilities include:

- ◆ Reviewing the Mayor's Proposed Budget
- ◆ Holding community hearings to gather citizen input and understand City department priorities and needs
- ◆ Considering and recommending changes to the Proposed Budget after community meetings and public budget hearings
- ◆ Adopting the annual budget and proposing changes after consideration of public input, research, and policy priorities
- ◆ Monitoring, accepting or rejecting proposed budget modifications throughout the year
- ◆ Providing policy direction for the governance of City operations through legislative actions

Role of the Office of the Independent Budget Analyst (IBA)

The Office of the Independent Budget Analyst assists the City Council throughout the budget process by providing research, objective analysis, and recommendations for the budget. The IBA performs the following functions:

- ◆ Prepare preliminary and final reports on the Mayor's Proposed Budget for consideration by the City Council
- ◆ Analyze and issue a report on the Mayor's Five-Year Financial Outlook
- ◆ Provide analysis and recommendations year-round on legislative items that bear financial and policy impacts to the City of San Diego
- ◆ Review and make recommendations on quarterly budget monitoring reports produced by the Financial Management (FM) Department

Important Budget Process Dates

A summary and calendar of key dates is provided for reference and is intended to assist in determining when budget actions and deliberations take place. For more detailed information regarding when City Council and Committee meetings occur and to access their agendas, visit the [City Clerk's website](http://www.sandiego.gov/city-clerk) at www.sandiego.gov/city-clerk. Also refer to the [Key Budget Dates](#) found on the IBA's website to see important upcoming FY 2016 budget development and adoption dates.

FEBRUARY	FEB. & MAR.	APRIL	APRIL & MAY	JUNE	JULY 1
Council adopts Budget Priorities Resolution and transmits to Mayor	COO, Mayor & CFO develop Annual Budget working with City departments	Mayor releases Proposed Budget and IBA releases review 2 weeks later	Council holds public budget hearings and Budget & Government Efficiency Committee meetings to deliberate on the budget	Council & Mayor actions including Council final decisions, budget adoption, and veto periods if necessary	New fiscal year begins

Typical Budget Calendar

DATE	ACTION	COMMENT
February /March	Council adopts Budget Priorities Resolution and	
February/March	Mayor/COO/CFO develop annual budget work-	
April 15	Mayor Releases Proposed Budget	City Charter [265(b)(15)] requires the Mayor to propose a budget to Council and the public by April 15
April 29	Independent Budget Analyst releases report on the Proposed Budget	The IBA report is issued two weeks after the Mayor's Proposed Budget is released
April/May	<ul style="list-style-type: none"> • Budget & Government Efficiency Committee meetings & publicly held Council budget hearings • Full Council deliberations and recommendations on modifications to the Proposed Budget 	While City Charter [290(b)] requires Council to hold at least two public hearings before June 15, they generally hold many more
May	<ul style="list-style-type: none"> • Mayor releases the <i>May Revision</i> report • IBA issues final report and recommendations 	The <i>May Revision</i> highlights changes to the Proposed Budget that will be incorporated into the final Adopted Budget.
Early June	<ul style="list-style-type: none"> • Budget & Government Efficiency Committee considers final modifications • Full Council decisions on final budget modi- 	
June 15	Council must adopt or modify Budget	City Charter [290(b)] requires Council to either adopt or modify a Proposed Budget by June 15
June	<ul style="list-style-type: none"> • Mayor's veto period, if necessary 	Mayor & Council have 5 business days from receipt of changes to approve, veto, or modify
July 1	New Fiscal Year begins	
July	<ul style="list-style-type: none"> • Budget & Government Efficiency Committee review of Appropriation Ordinance • First public hearing of Appropriation Ordinance at Council • Second public hearing and adoption of Appropriation Ordinance 	<ul style="list-style-type: none"> • The Appropriation Ordinance is the official enactment by the City Council to establish legal authority for City officials to obligate and expend resources • According to the City Charter [71], two public hearings and adoption of the Appropriation Ordinance must be completed during the month of July

Understanding the City's Budget Documents

Components of the Annual Budget Document

The annual budget (both Proposed and Adopted) are produced by the Financial Management Department (FM) 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 2: Department Detail for the City's Operating Budget

Volume 3: The Capital Improvements Program (CIP) Budget

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.

Sections of Volume 1 of the Adopted Budget

The Mayor's Budget Message	A City Profile
Overview of the City's Budget Process	An Executive Summary
Information about Efficiency Initiatives	San Diego's Fiscal Policies
Performance Management	Detail of General Fund Revenues
Financial Summary & Schedules	Debt Obligations
Summary of the Capital Improvements Program (CIP)	Information about City Agencies
Glossary	Appendix Containing Legislative Budget Actions

Volume 2 - Department Detail (the Operating Budget)

The Operating Budget contains estimates of the total value of resources required for the City to provide services to its citizens and estimates of how much revenue the City will collect. This Volume is broken down by department, and includes total budgeted revenues, expenditures, and employee positions for the fiscal year, noting any change from the prior two fiscal years. A guide to reading the Operating Budget can be found at the beginning of [Volume 2](#).

Volume 3 - 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 [A Citizen's Guide to Infrastructure](#). Additionally, the beginning of [Volume 3](#) includes an introduction to facilitate comprehension of this component of the annual budget.

Overview of Financial Policies

Financial Policies & Guidelines

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 Financial Management's website at www.sandiego.gov/fm/financialpolicies.

City Budget Policy ([City Council Policy 000-02](#))

This adopted set of budget policies assists the City in achieving its current and future goals in a fiscally responsible and sustainable manner. These policies guide the creation of the City's budget and outline standards for revenue generation and the execution of operating and capital budget expenditures as recommended by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB). This Budget Policy outlines the requirements for a Five-Year Financial Outlook, and steps for budgetary review, adoption and monitoring.

City Reserve Policy ([City Council Policy 100-20](#))

One of the key components of a financially stable organization is the establishment and maintenance of appropriate reserves and the adoption of a prudent reserve policy. The City's reserve policy recommends that the City establish and maintain appropriate reserves for its major funds. Adequate reserve levels allow the City to withstand short-term revenue and expenditure swings, mitigate the impact of economic downturns that result in reduced municipal revenues from the State and respond to the budgetary affects of natural disasters or other catastrophic events.

City User Fee Policy ([City Council Policy 100-05](#))

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 outlines the method for establishing fees and the extent to which they recover the cost of the service provided, as recommended by the GFOA, NACSLB, and Federal Government Office of Management and Budget (Circular A-87).

City Debt Policy ([2012 City Debt Policy Update Resolution R-307375](#))

The City's Chief Financial Officer (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 primarily addresses debt instruments and securities issued by the City in public or private bond markets. This is consistent with examples of debt policies of other comparable municipalities, GFOA guidelines, and rating agency guidelines.

Structural Budget Deficit Elimination Guiding Principles ([Resolution R-305615](#))

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 has worked with the Office of the IBA, the Budget and Finance 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 their 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](#).

Accountability and Oversight

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.

The City Council

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

Eight committees comprised of City Councilmembers are in place which help the Council analyze specific legislative matters in a focused and efficient manner. Three 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 finances of the City. Members of the Audit Committee provide independent, legislative oversight of the City's accounting and financial reporting processes as well as the results of program audits.

Budget and Government Efficiency Committee

The Budget and Government Efficiency Committee was created to oversee legislative issues that directly impact the annual budget. This committee is also responsible for a legislative review of the annual budget and holding public budget hearings each May. These Committee meetings allow members of the public to ask questions of City staff, to provide input to Committee members relating to the annual budget, and provide an opportunity for the Council to thoroughly analyze any budget issues.

Infrastructure Committee

This committee started meeting in 2013 and focuses 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 overseeing the creation of a new Multi-Year Capital Plan (MYCP) and reviewing financing related to the MYCP, the Regional Transportation Improvement Program (RTIP) and Asset Management. It also serves as a forum for the community to provide input regarding priorities for the City's capital projects.

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 our 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.

The Eight Council Committees

- 1) Budget and Government Efficiency
- 2) Audit
- 3) Public Safety and Livable Neighborhoods (PS&LN)
- 4) Smart Growth and Land Use (SG&LU) Committee
- 5) Economic Development and Intergovernmental Relations (ED&IR)
- 6) Environment
- 7) Infrastructure
- 8) Charter Review

Accountability and Oversight

Office of the Independent Budget Analyst

The Office of the IBA is responsible for assisting the City Council by analyzing and reviewing proposals that affect the budget. The IBA objectively and independently provides analysis, reports, and recommendations on issues that affect the budget. Reports on numerous fiscal and policy matters are presented at City Council meetings, during budget hearings and Committee meetings.

City Attorney

The City Attorney serves the citizens of San Diego as both the Chief Legal Advisor and misdemeanor prosecutor. The office is divided into four divisions: 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. Prosecutors work with the community, police and other law enforcement agencies to establish and maintain security, fair business dealing and to promote justice.

Office of the Mayor

As mentioned previously, the Mayor serves as the City's Chief Executive Officer, similar to the governor or the president. Through the Chief Operating Officer, the office oversees the City's daily operations and implements programs and initiatives to carry out the City's policy objectives. This executive branch provides a check and balance to the City Council's legislative actions. This includes veto power over some of the issues that the City Council may approve, including modifications to the annual budget.

Chief Financial Officer (CFO)

The CFO provides the City of San Diego 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 Office of 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.

Financial Management Department (FM)

The Financial Management Department provides services to the Mayor and serves as an internal fiscal consultant to other City Departments. Financial Management prepares the Proposed and Adopted budgets in accordance with the City Charter each year. During the fiscal year, FM 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. Additionally, every year FM develops and updates the City's Five-Year Financial Outlook.

City Comptroller

The City Comptroller is responsible for providing oversight of City fiscal management through the City's Comprehensive Annual Financial Report (CAFR).

Accountability and Oversight

City Clerk

The City Clerk is responsible for maintaining the integrity of the legislative process and ensuring an informed citizenry by providing administrative and technical support to the City Council. Agendas for City Council and Committee meetings are available through the City Clerk's office.

Important Resources

Contact Information

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Important Resources

San Diego City Council

San Diego went through a redrawing of its Council District boundaries in 2012, also known as “redistricting”. Existing boundaries were changed and a 9th Council District was added. Contact information for specific Council Districts can be found at: www.sandiego.gov/citycouncil.

District 1—Council President Sherri Lightner

District 1 covers the Northwest part of the City of San Diego and includes the communities of Carmel Valley, Del Mar Mesa, Del Mar Heights, La Jolla, Pacific Highlands Ranch, Torrey Hills, Torrey Pines and University City. Councilmember Lightner chairs the Committee on Charter Review, serves as a member of the Economic Development and Intergovernmental Relations (ED&IR) Committee, and serves as the City’s Council President.

District 2—Councilmember Lorie Zapf

District 2 encompasses the communities of Bay Ho, Bay Park, Morena, Midway, North Bay, Mission Beach, Ocean Beach, Pacific Beach, and Point Loma. Councilmember Zapf chairs the Smart Growth and Land Use (SG&LU) Committee, is Vice Chair of the Audit Committee, and is a member of the Infrastructure Committee.

District 3—Councilmember Todd Gloria

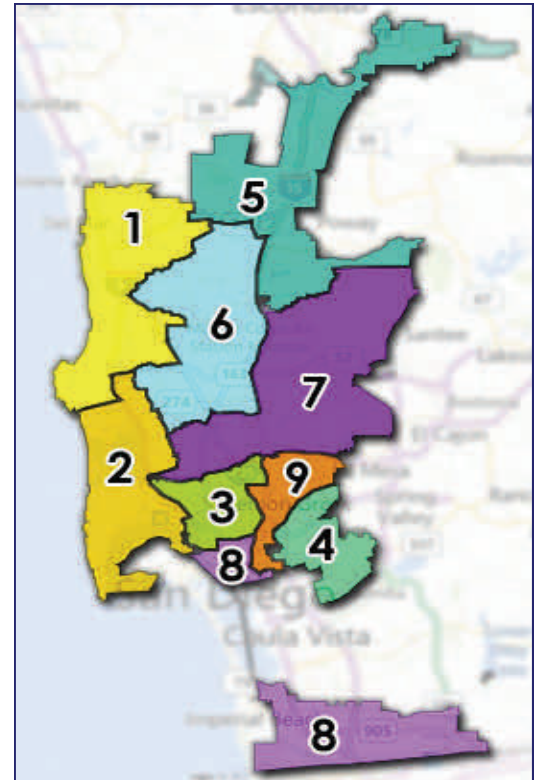
The communities of District 3 include Balboa Park, Banker’s Hill, Downtown, Golden Hill, Hillcrest, Little Italy, Middletown, Mission Hills, Normal Heights, North Park, Old Town, South Park, and University Heights. Councilmember Gloria chairs the Budget & Government Efficiency Committee, is Vice Chair of the SG&LU Committee, and is a member of the Environment and the Public Safety and Livable Neighborhoods (PS&LN) Committees.

District 4—Councilmember Myrtle Cole

The communities of Alta Vista, Broadway Heights, Chollas View, Emerald Hills, Encanto, Greater Skyline Hills, Jamacha, Lincoln Park, Lomita Village, North Bay Terrace, Oak Park, O’Farrell, Paradise Hills, Redwood Village, Ridgeview, Rolando Park, South Bay Terrace, Valencia Park, and Webster are all within District 4’s boundaries. Councilmember Cole chairs the ED&IR Committee, is Vice Chair of the Infrastructure Committee, and a member of the Budget and Government Efficiency and the PS&LN Committees.

District 5—Councilmember Mark Kersey

District 5 consists of San Pasqual, Rancho Bernardo, Black Mountain Ranch, Torrey Highlands, Carmel Mountain, Sabre Springs, Miramar Ranch North, Scripps Ranch, Rancho Peñasquitos and Rancho Encantada. Councilmember Kersey chairs the Infrastructure Committee, is Vice Chair of the ED&IR Committee, and is a member of the Charter Review and Budget & Government Efficiency Committees.



Important Resources

District 6—Councilmember Chris Cate

Council District 6 is comprised of the neighborhoods of Clairemont Mesa East, Clairemont Mesa West, Kearny Mesa, Mira Mesa, and Rancho Peñasquitos. Councilmember Cate is the Vice Chair of the Charter Review Committee, the PS&LN Committee, and the Environment Committee. Additionally, he serves as a member of the ED&IR Committee.

District 7—Councilmember Scott Sherman

District 7 is comprised of the community areas of Allied Gardens, Del Cerro, Grantville, Lake Murray, Linda Vista, MCAS Miramar, Mission Valley, San Carlos, Serra Mesa and Tierrasanta. Councilmember Sherman chairs the Audit Committee, is Vice Chair of the Budget and Government Efficiency Committee, and is a member of the SG&LU Committee.

District 8—Councilmember David Alvarez

Councilmember Alvarez represents the neighborhoods of Barrio Logan, Egger Highlands, Grant Hill, Logan Heights, Memorial, Nestor, Ocean View Hills, Otay Mesa East, Otay Mesa West, San Ysidro, Sherman Heights, Stockton, and the Tijuana River Valley. Councilmember Alvarez chairs the Environment Committee, and is a member of the Budget and Government Efficiency and SG&LU Committees.

District 9—Council President Pro Tem Marti Emerald

Councilmember Emerald previously represented District 7 before the district lines were redrawn. She now represents the neighborhoods of District 9 which include Alvarado Estates, City Heights, College Area, College View Estates, El Cerrito, Kensington, Mountain View, Mt. Hope, Rolando, Southcrest and Talmadge. Councilmember Emerald chairs the PS&LN Committee, is a member of the Charter Review, Infrastructure, and Environment Committees, and serves as the City's Council President Pro Tem.

Where to Find Budget Documents

The Annual Budget Document

The annual budget document including Proposed and Adopted budgets of current and prior fiscal years can be found on Financial Management's (FM) website: www.sandiego.gov/fm. The FM website also has budget monitoring reports such as the Five-Year Financial Outlook and Quarterly budget monitoring reports.

IBA Reports and Presentations

IBA reports and presentations on the budget and other fiscal policy matters can be found at www.sandiego.gov/iba. For updates on when new reports are released, follow the IBA on Twitter @SanDiegoIBA.

City Council & Committee Meeting Agendas

City Council and Committee meeting agendas and related documents, including the Audit, Budget & Finance and Infrastructure Committees that focus on City fiscal matters, can be found on the City Clerk's website: www.sandiego.gov/city-clerk/officialdocs/legisdocs.

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 incur obligations and to make expenditures 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) - Excess of monies when a fund's balance and revenues are over the accumulation of expenses and reserves.

Balanced Budget - The amount of budgeted expenditures is equal to or less than the amount of budgeted revenues plus other available sources.

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 - A proposed plan of expenditures and revenues over a given period of time.

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 his or her proposed budget.

Capital Improvement Project - The construction, purchase, or major renovation of buildings, utility systems, and other facilities as well as land acquisition and roadway projects.

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.

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 term designating the beginning and ending period for recording financial transactions. The City of San Diego has specified July 1 through June 30 as its 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.

Glossary

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 such as Police and Fire, parks, and library services which use most of the City's tax revenue.

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.

Managed Competition - Approved by San Diego voters in 2006, it is a structured, transparent process that allows public sector employees to be openly and fairly compared with independent contractors (normally private sector firms) for the delivery of services.

One-Time Expenditures and/or Revenues - Expenditures and/or revenues for one-time projects and 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.

Ongoing Expenditures and/or Revenues - Expenditures and/or revenues that are recurring and span 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.

Resolution - Formal expressions of opinion or intention of the City Council, resolutions typically become effective upon their adoption.

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

Transient Occupancy Tax (TOT) - City TOT revenue is generated based on a tax rate of 10.5% on the total rate charged for occupancy at lodging facilities within the City of San Diego.

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



IBA

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