



THE CITY OF SAN DIEGO

A Citizen's Guide to the City's Budget Process

This guide outlines the City's Fiscal Year 2012 budget process, how the City obtains and uses revenues and how your tax dollar is used; and provides an overview of budget documents, checks and balances in the budget process, and a list of important resources.



IBA

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INTRODUCTION

This guide, created by the Office of the Independent Budget Analyst, was designed to help any interested party in gaining a better understanding of the City of San Diego's budget process. The intent of this document is to not only inform citizens, but to also help citizens become more involved in municipal government. The Mayor, City Council, Citizens, other stakeholders, and anyone with an active interest in municipal budgeting, all play an integral role in determining how your tax dollars are spent. This guide will help you to better understand the budget process, budget documents, and how you can get involved.

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 the citizens. With an Annual Budget of just under \$3 Billion dollars, the City of San Diego has a pool of resources that it can utilize to perform the necessary City functions. It is with that understanding that elected officials make decisions on which items should be included in the Annual Budget.

The Office of the Independent Budget Analyst created this guide in an effort to provide a solid foundation of knowledge about the budget process for interested citizens. Please feel free to contact our office either by phone at (619) 236-6555 or visit our website at www.sandiego.gov/iba for additional information on the City's budget and other important topics.

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THE CITY OF SAN DIEGO ANNUAL BUDGET

What is a Municipal Budget?

Each year a city must forecast the revenues it will receive and the expenditures it will incur in the upcoming year. The resulting formalized document is known as the Municipal Budget.

Every 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.

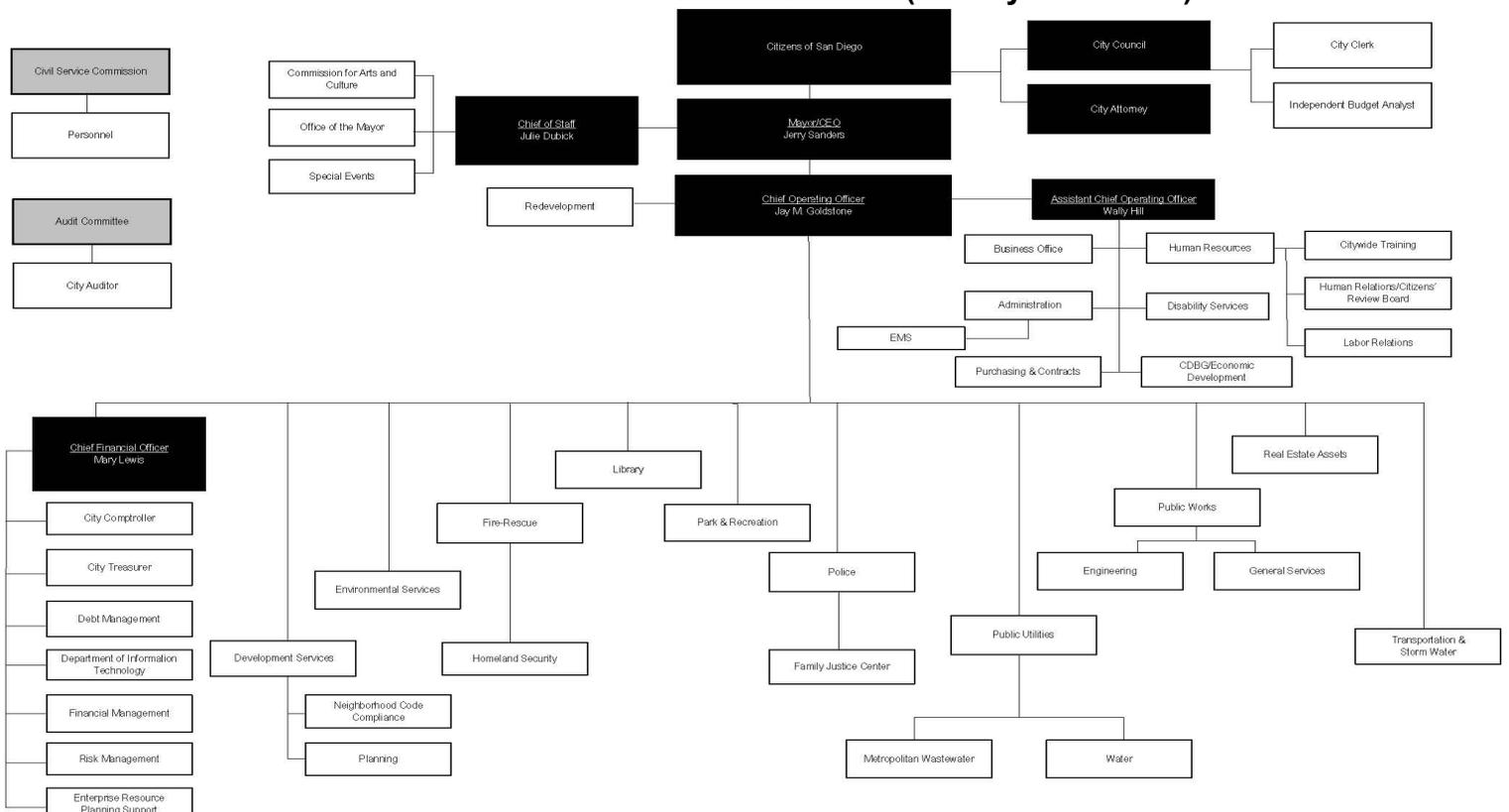
What does the City Budget Do?

Each year the Mayor, the 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 benefits for the citizens.

The Budget serves as an outline for how the monies that come into the City of San Diego should be spent to maintain and improve the City. The Mayor, City Council and interested Citizens of San Diego all serve as participants in its creation and execution.

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 and will produce the greatest positive impact in the community.

CITY OF SAN DIEGO ORGANIZATION (All City Functions)



WHERE DO CITY FUNDS COME FROM?

General Fund

One of the most commonly heard terms in municipal budget discussions is General Fund. The General Fund is the largest of six types of funds that the City of San Diego maintains.

The General Fund is the City's main operating fund. It pays for the core community services that use most of the City's tax revenue, such as public safety, parks and recreation, library services, and refuse collection as well as vital support functions.

The **three** major revenue sources for the General Fund are:

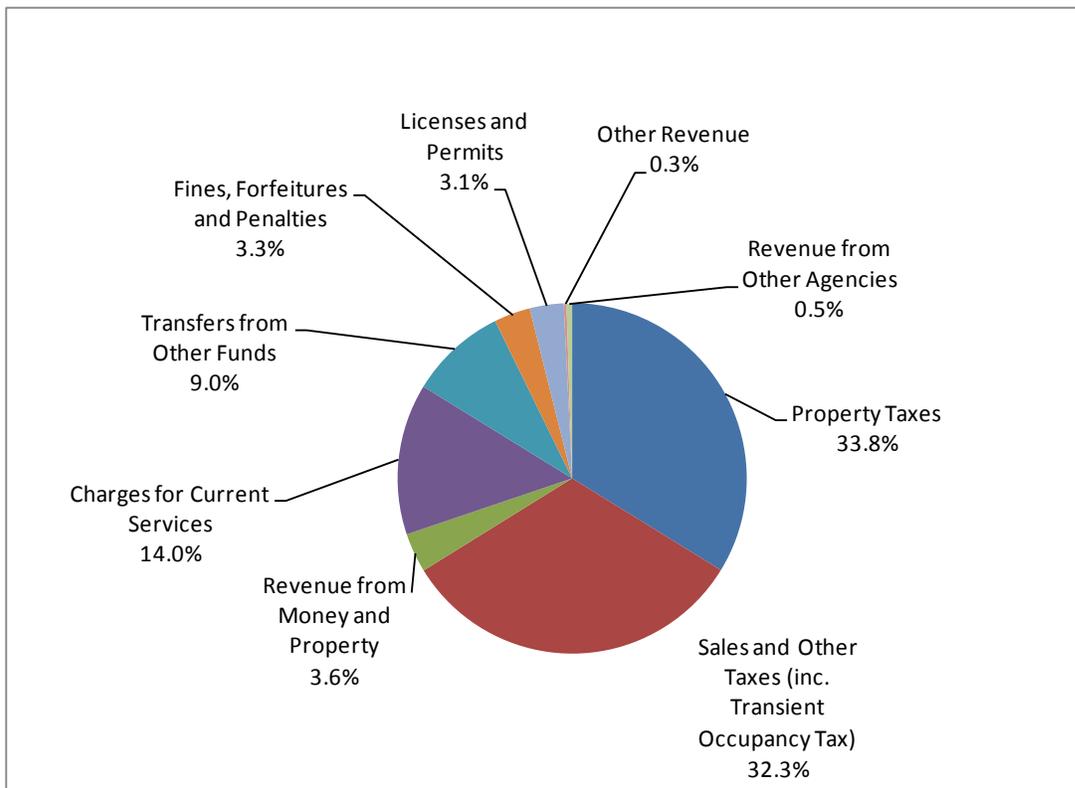
- Property Tax
- Sales Tax
- Transient Occupancy Tax

General Fund Revenue Resources

The three major revenue sources for the General fund are Property Tax, Sales Tax, and Transient Occupancy Tax. 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, but not to the same degree. These other sources include Franchise Fees; Licenses and Permits; Fines, Forfeitures, and Penalties; Revenue from Money and Property; Revenue from Other Agencies; Charges for Current Services; Other Financial Sources (Transfers from Other Funds); and Other Revenues.

FY 2012 General Fund Revenue = \$1.13 Billion



WHERE DO CITY FUNDS COME FROM?

Total Resources Available and Fund Types

In addition to the General Fund, the City of San Diego has five other fund types. The reason for having multiple fund types is that certain monies can only be utilized for a specific purpose. For example, monies generated by the Gas Tax are deposited in a Special Revenue Fund and can only be used for transportation. Below is a brief overview of each of the different fund types, as well as a diagram depicting the amount of the budget that is programmed in each fund type.

Enterprise Funds

Account for specific services that are funded directly through user fees. As the second largest fund type in the City, the Enterprise Funds are intended to be fully self-supporting and are not subsidized by the General Fund. Examples include Water, Metropolitan Wastewater, Development Services, Refuse Disposal and Recycling.

Special Revenue Funds

Account for revenues that are received for a specifically identified purpose. Examples include TransNet, Gas Tax, and Special Promotional Programs.

Debt Service Funds

Used for the payment of principal and interest on the General Obligation Public Safety Communication Bonds and for maintenance of zoological exhibits.

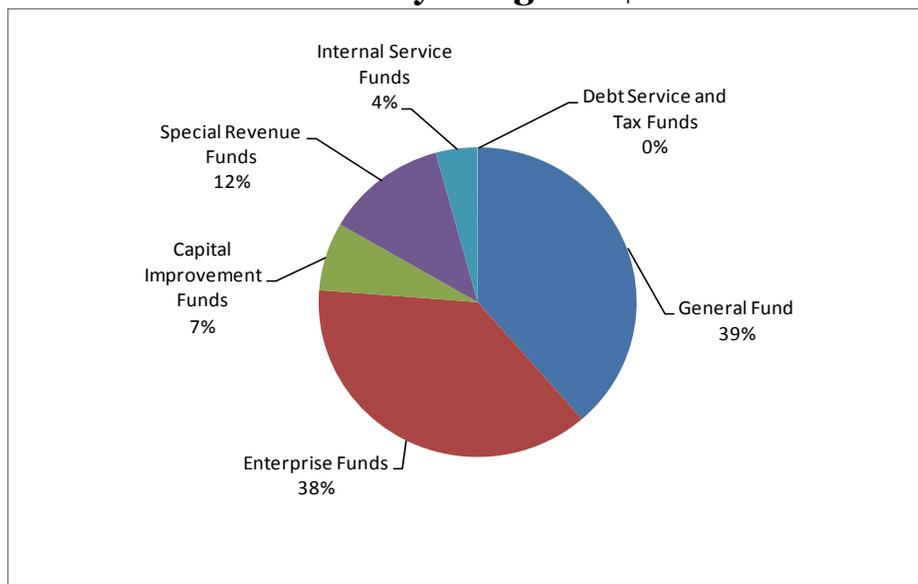
Capital Improvement Funds

Supports construction projects such as the development of parkland, the construction of a sewer pump plant, the installation of a traffic signal and street lighting, or the construction or remodeling of a City facility.

Internal Service Funds

Created to finance and account for services provided by one City department to another City department or division, such as fleet maintenance. Services provided by the Internal Service Fund departments are paid by fees or fund transfers.

FY 2012 Total City Budget = \$2.8 Billion

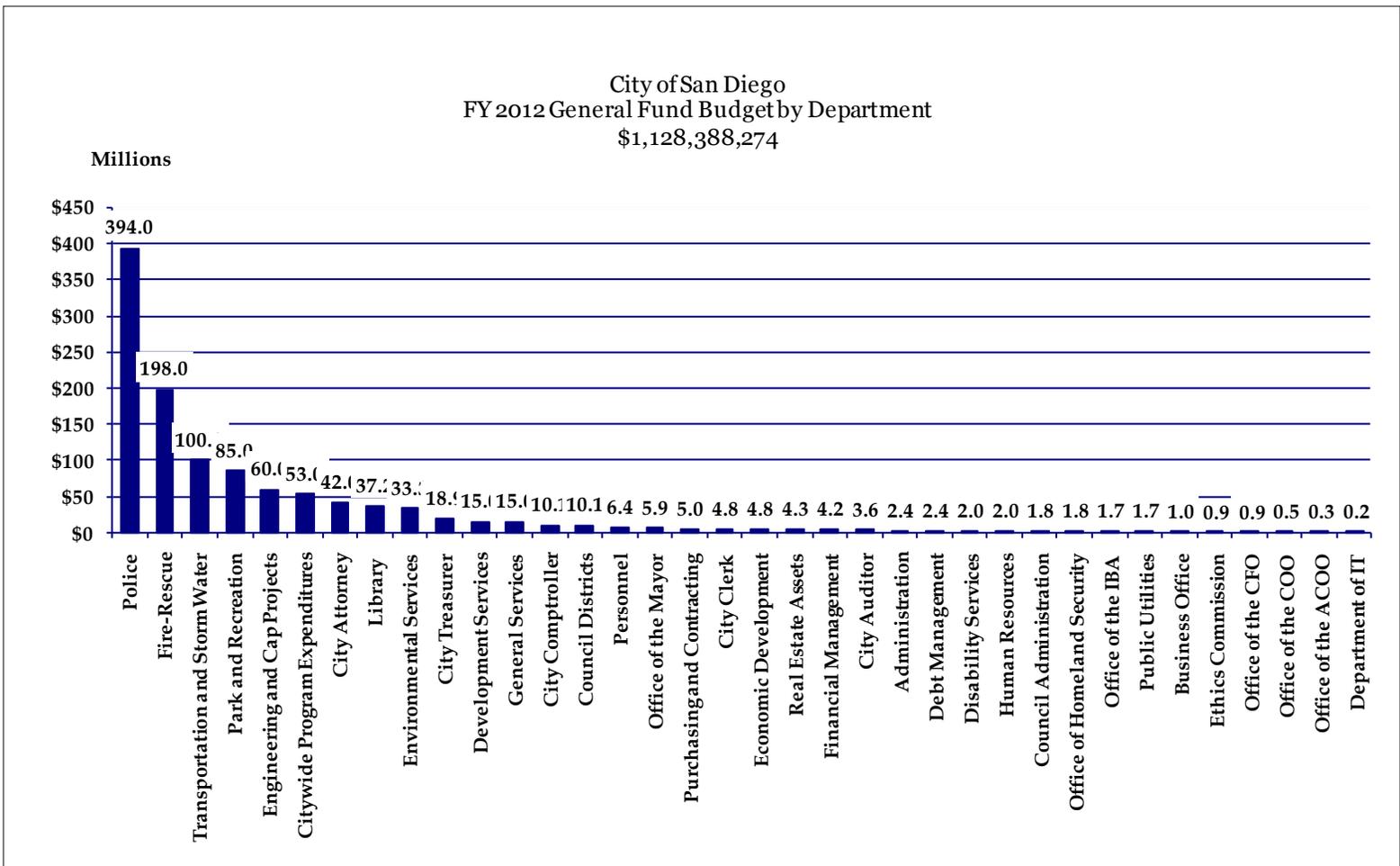


WHERE DOES THE CITY'S MONEY GO?

General Fund Expenditures

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. By California State Law, the City's budget must be balanced meaning revenues must equal estimated expenditures.

The bar graph below depicts the General Fund budget by department for Fiscal Year 2012. As evidenced in the graph, a majority of the City's resources are dedicated to Police and Fire Rescue services.



YOUR MUNICIPAL TAX DOLLAR AT WORK

The diagram below depicts the General Fund **services** that are provided by the City of San Diego and how those services are funded by your tax dollar for FY 2012.

10¢ Administration & Other

Support Services

Including City Treasurer, Chief Financial Officer, and Mayor

19¢ Public Works

Including Environmental Services i.e. trash collection and General Services i.e. street maintenance

53¢ Public Safety & Homeland Security

Homeland Security

Including Fire-Rescue, Police, and Homeland Security

2¢ Land Use & Economic Development

Including Development Services and Real Estate Assets



6¢ Non-Mayoral

Including City Council and City Attorney

11¢ Community Programs

Including Libraries and Park & Recreation

The diagram below depicts the **types of expenses** incurred for every tax payer dollar in order to provide the General Fund services identified above for FY 2012.

4¢ Data Processing and Supplies:

Includes costs for Information Technology, and supplies like street materials, dry goods, books, etc.

13¢ Contracts

Including contractual services, funding for equipment replacement and repair

47¢ Salaries & Wages

Funding for salaries & wages of city personnel

4¢ Energy & Utilities, Capital, and Debt:

Costs incurred for utilities including gas, electricity, water and sewer, and telephone, and for the purchase of equipment.



5¢ Other:

Monies for transfers between City funds, transfers for debt service payments, and matching funds for donation.

30¢ Fringe Benefits

Expenses incurred for benefits for city personnel i.e. health insurance, retirement, workers compensation, etc.

OVERVIEW OF THE BUDGET PROCESS

Form of Government

In November 2004, the voters approved a change in the form of the City's government from City Manager to Strong Mayor/ Strong Council for a trial period of five years. Previously, the Mayor sat on the Council with other Council Members setting policy direction, and the City Manager was responsible for managing the City's day to day operations and creating the Proposed Annual 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 form of government was made permanent by voter approval.

In the Strong Mayor/ Strong Council form of government, the Mayor manages the City and creates the Proposed Annual Budget. The Council then makes final Budget changes they deem necessary. The Mayor may veto changes made by the Council and the Council may override a Mayoral veto with five votes.

Mayor's Role

The Mayor is the Chief Executive Officer of the executive branch of the City's government. The Mayor and his/her staff is 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 Annual Budget by working with Chief Financial Officer, Chief Operating Officer, and other City Staff**
- **Working with the City Council on finalizing the Proposed Budget**
- **Implementing the Adopted Annual Budget**
- **Proposing modifications to the Adopted Budget throughout the year**
- **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 responsible for policy setting. Each Council member represents the citizens that live in his or her district. The Council provides checks and balances to the Mayor. The Council's responsibilities include:

- **Receiving and reviewing the Mayor's Proposed Annual Budget**
- **Considering changes to the Proposed Annual Budget after community meetings and public 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**

OVERVIEW OF THE BUDGET PROCESS

Independent Budget Analyst

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

- **Prepare preliminary and final reports on the Mayor’s Proposed Annual 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 any legislative items that bear financial and policy impacts to the City of San Diego**
- **Review and make recommendations on the Office of Financial Management’s quarterly Budget Monitoring Reports**

Citizens of San Diego

In order for the Mayor and City Council to discern which programs and issues are of the highest priority to the Citizens of San Diego, it is important for the residents of San Diego to play an active role in the budget process.

- **Provide input to the Mayor and his staff as the Budget is being developed**
- **Provide input to the City Council as Budget discussions are being held**
- **Participate in public hearings**

In order to fully understand what is important to the citizens, 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.

KEY DATES

February	Feb/March	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 Annual Budget	Council holds public hearings and Committee meetings to deliberate the Budget	Council/Mayor action periods including: Council final decisions, budget adoption, and veto periods if necessary	New Fiscal year begins

TYPICAL BUDGET CALENDAR

DATE	ACTION	COMMENT
February 1	Council adopts Budget Priorities Resolution and sends to Mayor	Adopted February 1st each year
February/March	Mayor/COO/CFO develop Annual Budget working with City Departments	
April 15	Mayor Releases Proposed Annual Budget	City Charter [265(b)(15)] requires the Mayor to propose a budget to Council/Public by April 15
April 29	Independent Budget Analyst's Preliminary Report on the Proposed Budget	IBA report is issued two weeks after Mayor's Proposed Budget is released
April/May	<ul style="list-style-type: none"> • Budget & Finance Committee Meetings/publicly held Council Hearings • Full Council deliberations • IBA analysis • IBA releases Final Report 	While City Charter [290(b)] requires Council to hold at least two public hearings before June 15, they generally hold many more
Early June	<ul style="list-style-type: none"> • Budget & Finance Committee consider final modifications • Full Council decisions on final Budget modifications 	
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 • Council action 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 9	Budget & Finance Committee review of Appropriation Ordinance	The Appropriation Ordinance is the official enactment by the City Council to establish legal authority for City officials to obligate and expend resources
July 21	<ul style="list-style-type: none"> • First public hearing of Appropriation Ordinance at Council 	According to the City Charter [71], two public hearings and adoption of the Appropriation Ordinance must be completed during the month of July
July 28	<ul style="list-style-type: none"> • Second public hearing and adoption of Appropriation Ordinance 	

Components of the Budget Document

There are **three** main parts of the City of San Diego's Annual Budget. Those three parts include:

- Volume 1: The Executive Summary
- Volume 2: The Operating Budget
- Volume 3: The Capital Improvements Budget

Executive Summary

The Executive Summary simply put, summarizes the Operations Budget and Capital Improvements Budget. Schedules can be found in the Executive Summary. They provide quick access to some of the general financial information for the City. It is an easy reference point for information about the budget including:

- Glossary
- Schedules (Financial Statistics)
- Mayor's Budget Message
- Debt Obligations
- City Management Program
- Capital Improvements Summary
- Reengineering

Operating Budget

The Operating Budget contains estimates of the total value of resources required for the City to continue to provide services to the citizens. This section of the budget consists of estimates of how much money the city government will collect and estimates of how much money will be allocated to fund City services. Each department is looked at in detail in this section of the budget. A guide to reading the Operating Budget can be found at the beginning of Volume 2.

Capital Improvement Budget

A capital improvement is a project that helps maintain or improve City infrastructure, for example, the replacement of street lights or the development of a new City park. Therefore, the Capital Improvement Budget is specifically for the "brick and mortar" projects. The budget is also a plan of how to finance the necessary improvements over time. A guide to reading the Capital Improvement Budget can be found at the beginning of Volume 3.

OVERVIEW OF FINANCIAL POLICIES

The City of San Diego has adopted several financial policies, which serve as a guide to the Mayor and City Council in making prudent policy decisions which affect the fiscal health of the City. You can find a complete version of each policy at:

<http://www.sandiego.gov/fm/policies/>

City Budget Policy

The adopted set of Budget Policies assist the City in achieving its current and future goals in a fiscally responsible and sustainable manner. These policies serve to 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).

The Budget Policy outlines the requirements for a Five-Year Financial Outlook, and steps for budgetary review, adoption and monitoring.

General Fund 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 outlines the method for establishing fees and the extent to which they recover the cost of the service provided, as recommended by the Government Finance Officers Association (GFOA), National Advisory Council on State and Local Budgeting (NACSLB), and Federal Government Office of Management and Budget (Circular A-87).

City Reserve Policy

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 reserve policy recommends that the City establish and maintain appropriate reserves for the City's major funds. Adequate reserve levels allows 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 Debt Policy

The City's Chief Financial Officer 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/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.

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.

City Council

Six committees, comprised of City Council members, were created to help the Council analyze specific legislative matters in a more efficient manner. Two of the Council Committees are charged with overseeing the City's financial operations.

The ***Budget & Finance Committee*** was created to oversee legislative decisions that directly impact the budget as well as oversee the legislative review of the Annual Budget. These Committee meetings allow members of the public to ask questions of City staff and provide an opportunity for the Council to thoroughly analyze any budget issues.

In addition to the Budget & Finance 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.

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 Office of the Independent Budget Analyst

The Office of The ***Independent Budget Analyst*** is responsible for aiding the City Council by analyzing and reporting on any proposals that affect the budget. The IBA creates detailed reports on numerous fiscal and policy matters and presents them to the City Council in committee meetings and General Council Sessions.

City Attorney

The City Attorney serves the citizens of San Diego as both its Chief Legal Advisor and its misdemeanor prosecutor. The office is divided into four divisions: Advisory, Civil Litigation, Criminal and Community Justice.

The Advisory Division provides advice to the City and each of its departments, including the City Council and Mayor. 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.

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

The ***Chief Financial Officer*** provides the City of San Diego with quality public services in the areas of financial reporting, auditing, management, and stewardship of the 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.

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 annual budgets in accordance with the City Charter each year. During the fiscal year, Financial Management 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, Financial Management develops and updates the City's Five Year Financial Outlook.

The ***City Comptroller*** is responsible for providing oversight of City fiscal management through the City's Comprehensive Annual Financial Report. They also provide the city with services such as: attestation services, internal control reviews, performance reviews, fraud/loss, investigations, and special projects.

IMPORTANT RESOURCES

Office of the Mayor, Mayor Jerry Sanders and Chief Operating Officer, Jay Goldstone

- The Mayor serves as the City's Chief Executive Officer, similar to the governor or the president. Through the Chief Operating Officer, who reports directly to the Mayor, the office oversees the City's daily operations and implements programs and initiatives to carry out the City's policy objectives. The Mayor and COO also work with other City Departments to develop and publish the Proposed Annual Budget. To contact the Office of the Mayor, call (619) 236-6330 or visit the website at www.sandiego.gov/mayor.

Office of the Chief Financial Officer, Mary Lewis and Financial Management Director, Mark Leonard

- The Chief Financial Officer provides management oversight to all of the City's financial operations. Financial Management prepares the proposed and annual budgets in accordance with the City Charter each year. To contact the Office of the City Financial Officer or Financial Management, call (619) 236-6060. Or visit Financial Management's website at <http://www.sandiego.gov/fm/>.

City Comptroller, Ken Whitfield

- Responsible for providing oversight of City fiscal management through accounting services and development of the City's Comprehensive Annual Financial Report. To contact the

WHERE TO FIND BUDGET DOCUMENTS

- Budget documents can be found at the following website:

<http://www.sandiego.gov/budget>

- Hardcopies of all three volumes of the Budget can be found at your local library. Please visit the following website for locations and hours:

<http://www.sandiego.gov/public-library>

- IBA reports on the Budget and other fiscal/policy matters can be found at:

<http://www.sandiego.gov/iba>

- Audit/Budget Committee agendas and documents can be found at:

<http://www.sandiego.gov/city-clerk/officialdocs/legisdocs/>

Comptroller, call (619) 236-6303

City Auditor, Eduardo Luna

- Working with the City's Audit Committee, provides professional internal auditing services in accordance with a risk-based annual audit work plan. To contact the Auditor, call (619) 533-3165

IMPORTANT RESOURCES

City Council

The City of San Diego City Council

Serves as the Legislative branch of City Government setting policy direction; enacting, reviewing, and modifying legislation as appropriate; and adopting the Annual Budget. Contact information for specific council members can be found at :

<http://www.sandiego.gov/citycouncil/>

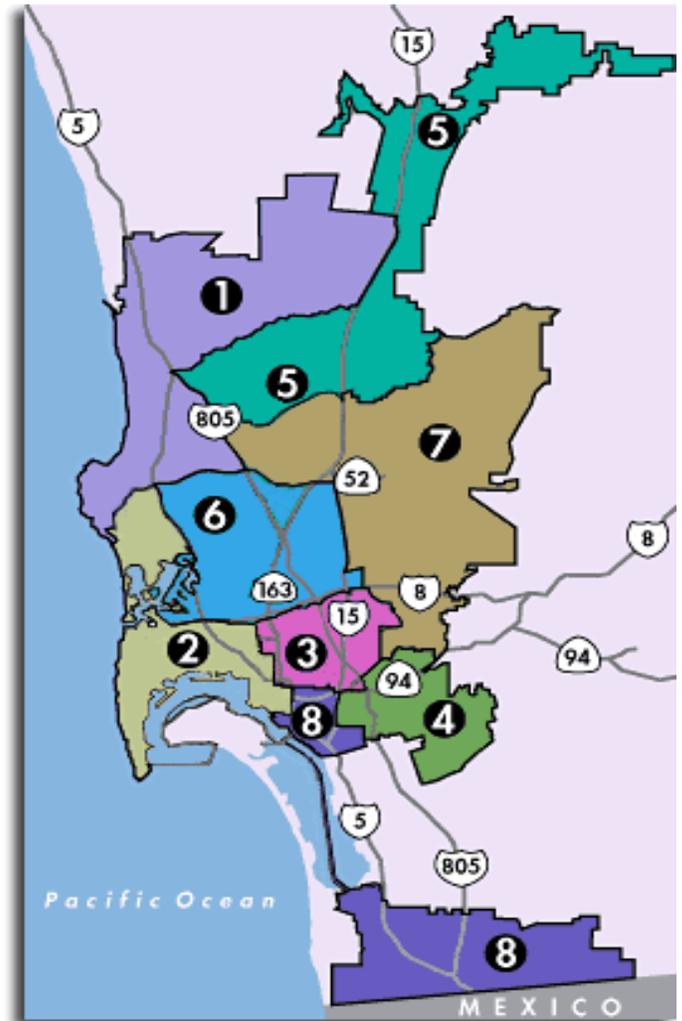
- Councilmember Sherri Lightner - District 1
- Councilmember Kevin Faulconer - District 2
- Councilmember Todd Gloria - District 3
- Council President Tony Young - District 4
- Councilmember Carl DeMaio - District 5
- Councilmember Lorie Zapf - District 6
- Councilmember Marti Emerald - District 7
- Councilmember David Alvarez- District 8

The Office of the Independent Budget Analyst, Andrea Tevlin

Provides clear, objective and unbiased analysis and advice to the City Council regarding all legislative items bearing financial and policy impacts to the City of San Diego. To contact the Office of the Independent Budget Analyst, call (619) 236-6555 or visit the website at <http://www.sandiego.gov/iba/>.

The City Clerk, Liz Maland

Responsible for maintaining the integrity of the legislative process and ensuring an informed citizenry by providing administrative and technical support to the City Council. Docket documents are available through the City Clerk. To contact the City Clerk, call (619) 533-4000 or visit the website at <http://www.sandiego.gov/city-clerk/>.



GLOSSARY

Appropriation

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

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

Budget

Proposed plan of expenditure and revenue over a given period of time

Capital Improvements Project

Generally a large construction project such as the development of park land, the installation of a traffic signal etc. Funds for these projects are derived largely from the issuance of bonds, water and sewer fees, and a one-half cent local sales tax known as Transnet

Comprehensive Annual Financial Report

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

Fiscal Year

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 the fiscal year

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. The General Fund is also supported by fees from licenses and permits, fines, and investment earnings

Operating Budget

Authorized expenditures for ongoing municipal services (i.e. police and fire, street maintenance, parks, and libraries)

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

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

A tax of 10 and one-half cents per dollar assessed on each dollar spent on hotel and motel rooms in the City of San Diego

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