



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: May 11, 2020

TO: Honorable Councilmember Barbara Bry, Budget Review Committee Chair, and  
Honorable Budget Review Committee Members

FROM: Matthew Vespi, Department of Finance Director and City Comptroller

SUBJECT: Fiscal Year 2021 Budget Review Committee Referral Responses for the May 4,  
2020 Afternoon Session

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This memorandum provides responses and/or follow up information to unanswered questions asked at the Budget Review Committee meeting held on the afternoon of May 4, 2020. The responses are listed by department in the order that they were reviewed by the Committee.

In response to Council President Gomez and the Independent Budget Analyst's (IBA) questions regarding Key Performance Indicators (KPIs), the Fiscal Year 2021 Proposed Budget webpage has been updated to include a link to the KPI page built and maintained by the Performance and Analytics Department. These KPIs, in addition to new visualizations, can be found at <https://www.sandiego.gov/finance/proposed>.

**City Treasurer**

**COUNCIL DISTRICT 8**

**QUESTION:**

How much is the Office of the City Treasurer spending on outside contacts in the FY 2021 Proposed Budget? Is this an increase over Fiscal Year 2020?

**RESPONSE:**

For the General Fund, the Department expects to expend \$2.1M for contracts, which includes contracts for IT services; this is a decrease of approximately \$115,000 compared to Fiscal Year 2020. For the Parking Meter Operations Fund, the Department expects to expend \$2.2M for contracts, which is a decrease of approximately \$400,000 compared to Fiscal Year 2020.

**QUESTION:**

In Fiscal Year 2020, the Accountant II and Collections Investigator positions were vacant and continue to be vacant for Fiscal Year 2021. Why have they continued to be left vacant instead of filled?

**RESPONSE:**

Both of these classifications experience a high turnover rate as a result of promotion, transfer

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or accepting other job opportunities outside the City. We continually recruit and interview in an attempt to ensure these vacant positions are filled timely. Unfortunately, we either are unable to find qualified candidates, or the qualified candidates decline our job offer due to uncompetitive wages.

**QUESTION:**

If we do not reopen as quickly as we might plan or hope for in terms of the pandemic, how will this impact the parking meter portion of the budget and current budget allocations based on this?

**RESPONSE:**

If parking meters continue to operate on a weekend/holiday schedule beyond July 1, the projected revenue for parking meters will require an adjustment. On average, parking meters generate approximately \$970,000 in revenue per month. It is important to note that in accordance with Council Policy 100-18, the net revenue generated by this Fund is split 45% to the Community Parking Districts and 55% to City annually. The City's portion is maintained in the Parking Meter Operations Fund and can only be used for parking related expenditures.

## **Debt Management**

### **COUNCIL DISTRICT 1**

**QUESTION:**

Please provide more information on the Municipal Liquidity Program from the Federal Reserve.

**RESPONSE:**

Debt Management does not have a comprehensive response at this time. The department is preparing a formalized response memo which will be released in a few weeks.

## **Risk Management**

### **COUNCIL DISTRICT 1**

**QUESTION:**

Can the City use the funds from the Workers' Compensation, Public Liability, and Long-Term Disability reserves? Please provide details of what is sitting in the reserve account.

**RESPONSE:**

The Public Liability (PL) Reserve is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, and errors and omissions. This Fund is included in the City's Reserve Policy, Council Policy 100-20, to ensure financial stability. The City's Reserve Policy requires that the Public Liability Fund Reserve equals 50% of the average value of the annual actuarial liability (AVAAL) for the three most recent years, or \$33.8 million. The projected Fiscal Year 2020

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ending fund balance for the Public Liability Fund Reserve is \$33.8 million or 50% of the three-year average of the AVAAL. This includes the transfer of the \$1.7 million noted in the Fiscal Year 2020 Mid-Year Report.

The Workers' Compensation reserve provides funding for medical and disability costs for injuries and illnesses occurring in the workplace. The Workers' Compensation Reserve target is 12% of the AVAAL for the three most recent years, or \$32.0 million. This amount is approximately one year of operating cash for the Workers' Compensation Program. The projected Fiscal Year 2020 ending fund balance for the Workers' Compensation Reserve is \$32.0 million, or 12% of the three-year average of the AVAAL.

The Long-Term Disability Reserve provides non-industrially disabled City employees with income and flexible benefits coverage. The City's Reserve Policy requires that the Long-Term Disability Reserve equals 100% of the AVAAL for the three most recent years, or \$3.8 million. The projected Fiscal Year 2020 ending fund balance for the Long-Term Disability Reserve is \$3.8 million, or 100% of the three-year average of the AVAAL.

## **Purchasing & Contracting**

### **COUNCIL DISTRICT 8**

#### **QUESTION:**

What is the amount of outside contracts within all General Fund departments; value and duration? Do they have termination clauses?

#### **RESPONSE:**

Purchasing & Contracting will need additional time to provide a response. The Department's contracting system is set up to monitor and report on contracts in ways that support the Department's process but do not necessarily fit the parameters of the question (for instance, the system tracks contracts by Business Area and not by Fund). Staff is still in the process of confirming and analyzing the data and it is expected that the information will be provided by Friday May 15<sup>th</sup>, 2020.

### **COUNCIL DISTRICT 9**

#### **QUESTION:**

What is the cost savings for Publishing Services when they outsource vs produce in-house?

#### **RESPONSE:**

The City's Publishing Services (Print Shop) provides publishing services to City departments when requested. Typically requests include large printing jobs (Quick copy services), business cards, letterhead, post cards, and brochures, and these print jobs are fulfilled by Print Shop staff. City departments may also request publishing services for jobs that require specialized equipment or skills. These special requests are sent to outside vendors; if the City were to do the work in-house significant capital would need to be expended to purchase equipment and additional staff training to use the machines would need to be added to the budget.

The table below includes estimates of *some* of the investment costs that would be needed to

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provide specialized publishing services currently provides through vendors. Please note that this list of expenditures is not complete; in addition to the one-time costs listed below the Department would also need to budget for ongoing annual costs including additional staff, machine repair costs, additional printing supplies (inks, special materials, etc.), and potentially increased rent and electricity costs to house and run all of the machinery. In addition, please note that approximately 35% of Print Shop work is contracted out, but not all contracted work requires all machines listed below. Purchasing these items would mean significant investment in equipment to support the production of a small portion of the work contracted out by the Print Shop.

Requested Services	Needed Equipment	Estimated One-Time Machinery Costs	Addition of Specialized Staff (FTE)
Printing on plastics, vinyl, metal, such as promotional items	Color Pad Printer	\$ 10,000	1.00
	Automatic Screen-Printing Press	9,000	
	Flexography	372,630	
Print jobs that require a paper size larger than 19x25	Indigo Press	385,000	N/A
Die cutting and foil stamping	Heidelberg Windmills	64,000	1.00
<b>Grand Total</b>		<b>\$ 840,630</b>	<b>2.00</b>

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**Citywide Program Expenditures**

**COUNCIL DISTRICT 6**

**QUESTION:**

What was our total debt service cost this current fiscal year and what's projected for next year?

**RESPONSE:**

Debt Descriptions	Fiscal Year 2020 (Adopted Budget) Debt/Lease Payment	Fiscal Year 2021 (Proposed Budget) Debt/Lease Payment
Total General Fund Lease Revenue Bonds	\$ 49,857,190	\$ 50,111,371 <sup>1</sup>
Total General Fund Supported Capital Leases <sup>2</sup>	33,766,175	34,006,208
Total General Fund Commercial Paper (CP) Notes <sup>3</sup>	900,000	1,300,000 <sup>4</sup>
<b>Grand Total</b>	<b>\$ 84,523,365</b>	<b>\$ 85,417,579</b>

<sup>1</sup> Existing debt service. If the refinancing of the Convention Center Expansion Refunding Bonds and 2012A & 2013A CIP Lease Revenue Bonds occur, debt service will be lower.

<sup>2</sup> Includes Equipment and Vehicle Financing Program, 101 Ash Street, Civic Center Plaza, and other Capital Leases.

<sup>3</sup> General Fund Supported CP Notes debt service is estimated. Figures do not reflect fees of \$390,000 for Fiscal Year 2020 and \$580,000 for Fiscal Year 2021, which are required for CP program operation.

<sup>4</sup> Includes interest from 1 CP installment at \$88.5 million and an additional \$100 million through a combination of CP and bonds.

**COUNCIL DISTRICT 8**

**QUESTION:**

What is the cost of the public use leases at Las Americas and Imperial Marketplace, is there an estimate on the completion of these projects?

**RESPONSE:**

The remaining cost of the public use lease at Las Americas is \$18,495,481. The completion and final payment will be processed in Fiscal Year 2035.

The remaining cost of the public use lease at Imperial Marketplace lease is \$684,923. The completion and final payment will be processed in Fiscal Year 2023.

Honorable Councilmember Barbara Bry, Budget Review Committee Chair, and Honorable  
Budget Review Committee Members  
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QUESTION:

Regarding the use of proceeds from the sale of the stadium, the IBA noted in her report that the total revenue assumption of \$55.2 million is too high by \$2.4 million. Please provide and updated estimate for the anticipated proceeds from the stadium sale.

RESPONSE:

The Department of Finance will reconcile the revenue assumption in the May Revise Process.

Matthew Vespi  
Department of Finance Director and City Comptroller

MV/tr

cc: Honorable Mayor Kevin L. Faulconer  
Honorable City Attorney Mara Elliott  
Kris Michell, Chief Operating Officer  
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