

FISCAL YEAR

2024

PROPOSED  
BUDGET



**Volume 1**  
Citywide Budget Overview

MAYOR TODD GLORIA



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# Citywide Budget Overview

## Citywide Budget Overview

The City of San Diego's Fiscal Year 2024 Proposed Budget of \$5.12 billion is comprised of five operating fund types and the Capital Improvements Program (CIP):

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds

**Table 1** shows the change in expenditures from Fiscal Year 2022 to Fiscal Year 2024 by fund type/program.

**Table 1: Change in Total City Expenditures from Fiscal Years 2022 - 2024 by Fund Type/Program**

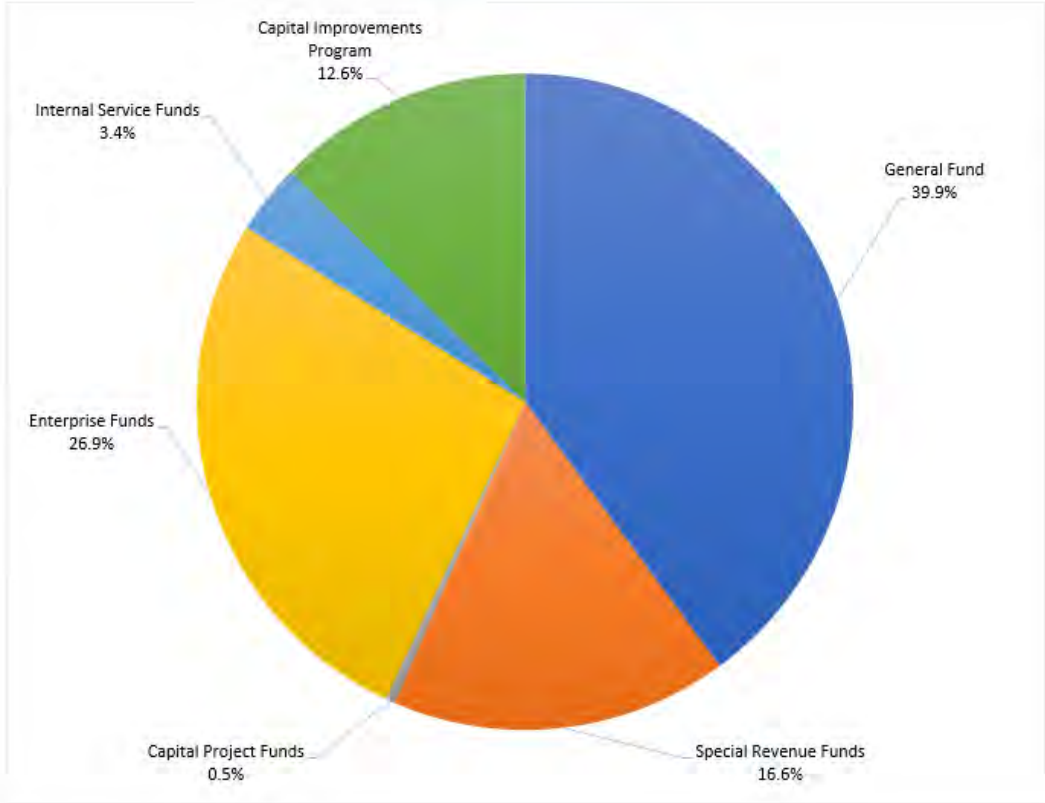
Fund Type	FY 2022 Actual	FY 2023 Adopted Budget	FY 2024 Proposed Budget	FY 2023 - FY 2024 Change	Percent Change
General Fund	\$ 1,760,232,191	\$ 1,955,008,750	\$ 2,043,183,406	\$ 88,174,656	4.5%
Special Revenue Funds	771,367,160	825,390,397	850,787,702	25,397,305	3.1%
Capital Project Funds	22,159,672	27,580,778	23,655,473	(3,925,305)	(14.2%)
Enterprise Funds	1,144,644,867	1,265,280,400	1,380,057,847	114,777,447	9.1%
Internal Service Funds	124,620,505	167,059,170	176,205,250	9,146,080	5.5%
Capital Improvements Program	569,707,579	834,078,291	647,635,343	(186,442,948)	(22.4%)
<b>Total</b>	<b>\$ 4,392,731,974</b>	<b>\$ 5,074,397,786</b>	<b>\$ 5,121,525,021</b>	<b>\$ 47,127,235</b>	<b>0.9%</b>



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Figure 1 displays the Fiscal Year 2024 Proposed Expenditure Budget by Fund Type/Program.

**Figure 1: Fiscal Year 2024 Proposed Expenditure Budget by Fund Type/Program**



Note: Percentages may not add to 100% due to rounding.

Table 2 presents the changes in revenue from Fiscal Year 2022 to Fiscal Year 2024 by fund type.

**Table 2: Changes in Total City Revenue from Fiscal Years 2022 - 2024 by Fund Type**

Fund Type	FY 2022 Actual	FY 2023 Adopted Budget	FY 2024 Proposed Budget	FY 2023 - FY 2024 Change	Percent Change
General Fund	\$ 1,808,942,388	\$ 1,948,804,916	\$ 1,981,455,652	\$ 32,650,736	1.7%
Special Revenue Funds	857,477,457	780,699,002	824,351,259	43,652,257	5.6%
Capital Project Funds	54,698,631	59,431,380	66,932,244	7,500,864	12.6%
Enterprise Funds	1,603,595,594	2,078,753,944	1,920,602,456	(158,151,488)	(7.6%)
Internal Service Funds	142,865,839	177,415,513	172,510,496	(4,905,017)	(2.8%)
<b>Total<sup>1</sup></b>	<b>\$ 4,467,579,909</b>	<b>\$ 5,045,104,755</b>	<b>\$ 4,965,852,107</b>	<b>\$ (79,252,648)</b>	<b>(1.6%)</b>

<sup>1</sup> Operating revenue may be less than operating expenditures due to the use of fund balance in excess of reserves.

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## Expenditure Overview by Fund Type/Program

### General Fund

Departments within the General Fund provide core community services such as public safety (including police/fire protection and life safety), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The City's Fiscal Year 2024 Proposed Budget reflects General Fund expenditures totaling \$2.04 billion, which is an increase of \$88.2 million, or 4.5 percent, from the Fiscal Year 2023 Adopted Budget. Details on the total net increase in the General Fund are described in the General Fund Expenditures section of this Volume.

### Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The four largest special revenue funds are the Engineering & Capital Projects Fund, Transient Occupancy Tax Fund, Information Technology Fund, and Underground Surcharge Fund. The Fiscal Year 2024 Proposed Budget for Special Revenue Funds is \$850.8 million, representing an increase of \$25.4 million, or 3.1 percent, from the Fiscal Year 2023 Adopted Budget. This net increase is primarily due to increased expenditures in the Transient Occupancy Tax Fund associated to reimbursements for eligible expenditures such as public safety and visitor-related facilities. Additional increases in expenditures are associated with the Engineering and Capital Projects Fund, the Convention Center Expansion Administration Fund, and the Environmental Growth Funds.

### Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall CIP, which can be supported by all fund types. The Fiscal Year 2024 Proposed Budget for Capital Project Funds is \$23.7 million, which is a decrease of \$3.9 million, or 14.2 percent, from the Fiscal Year 2023 Adopted Budget. This decrease is primarily due to a decrease in the TransNet Extension Funds as a result of a decrease in projected revenues.

### Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2024 Proposed Budget for Enterprise Funds is \$1.38 billion, representing an increase of \$114.8 million, or 9.1 percent, from the Fiscal Year 2023 Adopted Budget. This net decrease is primarily due to the following adjustments:

- \$86.0 million in the Water Utility Operating Fund primarily associated with citywide compensation increases, Proposition B transition, bond principal payments supporting operations, preventive maintenance, purchase of water, dam and reservoir maintenance, Pure Water operations, water treatment plant chemical safety, and water production support.
- \$24.3 million in the Sewer Funds primarily associated with citywide compensation increases, support for customer engagement, environmental monitoring, utilities, support for pump stations, and cost increases for hauling and disposal of biosolids.
- \$6.9 million in the Development Services Fund primarily associated with citywide compensation increases, software implementation, and customer service support.

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## Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2024 Proposed Budget for Internal Service Funds totals \$176.2 million, which is an increase of \$9.1 million, or 5.5 percent, from the Fiscal Year 2023 Adopted Budget. This net increase is primarily due to increases to the Fleet Operations Operating Fund associated with cost increases for fuel, compensation increases, and fleet repair and maintenance.

## Capital Improvements Program

The CIP Budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital assets. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), General Fund Infrastructure, and developer fees. The Fiscal Year 2024 Proposed CIP Budget appropriates a total of \$647.6 million above the \$2.9 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2024 Proposed CIP Budget reflects a decrease of \$186.4 million, or 22.4 percent, when compared to the Fiscal Year 2023 Adopted CIP Budget of \$834.1 million. This is primarily due to a decrease in Pure Water related enterprise fund appropriations.



The CIP budget project pages include anticipated funding information for CIP projects. For Fiscal Year 2024, a total of \$326.1 million in funding for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2024 Proposed Budget. Anticipated funding includes a variety of funding types, such as commercial paper, lease revenue bonds, revenue bonds and notes, General Fund contributions, donations, grants, and developer funding. Not all anticipated funding materializes; however, as anticipated sources of funds are received, separate City Council actions will be brought forward to appropriate any anticipated funding during Fiscal Year 2024.

## Citywide Reorganization/Restructuring

The Fiscal Year 2024 Proposed Budget reflects the reorganization, and/or restructuring, and the renaming or creation of City departments related to mayoral or executive management priorities and department-initiated requests. The reorganizations are intended to refine programs and processes and provide comprehensive organizational improvements. Reorganizations are, but not limited to, the restructuring of departments and major divisions and program within a department. The following provides an overview of the Fiscal Year 2024 Proposed Budget reorganizations and restructuring of the City's organizational structure. These restructures will be addressed and implemented in the Fiscal Year 2024 budget process. Per Charter Section 26, all newly created departments included in the Adopted Budget must be approved by ordinance via a two-thirds vote of the City Council.

## Airport Management

The Airports Division within the Department of Real Estate and Airport Management (DREAM) has changed its name to Airport Management to align with the renaming of DREAM. There are no programmatic or position changes associated with this change.

## Clean SD Division – Environmental Services

The Clean SD Program will be a new division in the Environmental Services Department that will oversee solid waste related responsibilities such as Clean SD, solid waste code compliance, illegal dump abatements, litter removal, dead animal collection from the public right of way, roll-off bin services to other

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departments, and sidewalk vending impounds. This restructure will move 90.00 FTE positions and associated non-personnel expenditures into this new Division.

## City Planning Department

The Planning Department has changed its name to the City Planning Department. This change does not have any programmatic or position changes.

## Citywide Maintenance Services Division – Parks and Recreation

The Parks and Recreation Department will create a new division titled Citywide Maintenance Services that will enable the department to address new responsibilities and span of control challenges. This new division will be created by transferring 122.00 FTE positions, non-personnel expenditures, and revenue from the Developed Regional Parks Division to the Citywide Maintenance Services Division.

## Department of Finance and Debt Management Merge

The Debt Management Department will be eliminated and will become a division within the Department of Finance. As part of the restructure, a new division called Debt Management and CIP will be created in the Department of Finance and the Capital Improvement Program (CIP) functions will be transferred to this division. This action will transfer all 17.00 FTE positions, non-personnel expenditures, and associated revenue from the Debt Management Department to the Department of Finance. Additionally, the Debt Management Director will be reduced and will offset the addition of 1.00 Principal Accountant to support the CIP program under the new division. Lastly, 1.00 Financial Operations Manager in Debt Management will be repurposed to 1.00 Assistant Director to oversee this new division.

## General Public Benefit Programs – Environmental Services

This restructure will transfer several programs that benefit the public out of the Refuse Disposal Fund into the General Fund. These programs include Street Litter Container Collection Program, Community Cleanups, Abatements, Illegal Dumping Removal, Dead Animal Removal, and the Franchise Administration. This restructure transfers 33.00 FTE positions, non-personnel expenditures, vehicles, and revenue from the Refuse Disposal Fund into the General Fund.

## Historical Resources Program

The Historical Resources Program is being transferred from the Development Services Department to the City Planning Department. This transfer includes the transfer of 5.00 FTE positions, non-personnel expenditures, and revenue from the Development Services Department to the City Planning Department. This program supports the Historic Resources Board associated with the historic preservation.

## Office of Immigrant Affairs

The Office of Immigrant Affairs is transferring to the Office of the Chief Operating Officer from the Office of the Mayor including 3.00 FTE positions and expenditures associated to the positions.

## Office of the Chief Operating Officer

The Office of the Chief Operating Officer (COO) had an organizational management change that included adding 1.00 Deputy Chief Operating Officer that will support the External Services functions of the City. Along with this new position departments were reallocated to fit this new structure that became effective in March 2023. The Office of the Chief Operating Officer also transferred 1.00 Associate Management Analyst to the Department of Finance to support the Mayor's Office and the COO with fiscal analysis and support.

## Publishing Services Division

The Publishing Services Program in the Purchasing and Contracting Department is being transferred to the Communications Department as a new division. The Publishing Services Division transfer includes 8.00 FTE positions, non-personnel expenditures, and associated revenue from the Purchasing and Contracting

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Department to the Communications Department. The Publishing Services Program currently operates from the Concourse in the Civic Center complex. The program will continue to provide the same level of services but under new management.

## Strategic Capital Projects Department

The Strategic Capital Projects (SCP) Department is newly created by splitting the Engineering and Capital Projects (E&CP) Department. The SCP Department will focus on more specialized, large, and complicated projects such as the Pure Water Program, dams and reservoir projects, the potential convention center expansion project, and others. The newly created department includes the transfer of 35.00 FTE positions, non-personnel expenditures, and associated revenue from the Engineering and Capital Project Department.

## Your Safe Place

The Office of the City Attorney has changed the name of the Family Justice Center to Your Safe Place. This change does not have any programmatic or position changes.

## Fiscal Year 2024 General Fund Proposed Budget

The Fiscal Year 2024 General Fund Proposed Budget reflects a multi-year analysis that addresses the Fiscal Year 2024 baseline shortfall that was projected in the Fiscal Year 2024-2028 Five-Year Financial Outlook (Outlook) and makes certain revisions to projections based on updated revenues for Fiscal Year 2024 as well as funding decisions made in Fiscal Year 2024. The multi-year analysis also includes a comprehensive review of critical expenditure requests submitted by each department in Fiscal Year 2024, as well as the recommended allocation of the Coronavirus State and Local Fiscal Recovery Funds included in the American Rescue Plan Act (ARPA), and other resources and mitigation actions to help address the projected revenue shortfalls in Fiscal Year 2024 and in future fiscal years. There is an ongoing need to reach a structurally balanced budget where expenditures are supported with ongoing revenue. To achieve a balanced budget in future fiscal years it will require further mitigations such as use of onetime revenues, reserves, additional budget reductions, or identification of new ongoing revenue sources. The following sections provide additional details considered in the Fiscal Year 2024 General Fund Proposed Budget.

## Fiscal Year 2024-2028 Five -Year Financial Outlook

In November 2022, the Outlook was released with a projected revenue shortfall of \$50.5 million in Fiscal Year 2024, as displayed in **Table 3: Fiscal Year 2024-2028 Five-Year Financial Outlook**.

**Table 3: Fiscal Year 2024-2028 Five-Year Financial Outlook**

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Baseline Revenues	\$ 1,881.12	\$ 1,955.4	\$ 2,017.3	\$ 2,086.1	\$ 2,149.4
Baseline Expenditures	1,931.6	1,978.0	2,038.1	2,085.4	2,143.3
<b>Baseline Revenue (Shortfall)/Surplus</b>	<b>\$ (50.5)</b>	<b>\$ (22.6)</b>	<b>\$ (20.9)</b>	<b>\$ 0.7</b>	<b>\$ 6.1</b>

The Outlook reflected a baseline revenue shortfall in Fiscal Year 2024 primarily due to the use of one-time funding sources to fund on-going baseline expenditures to balance the Fiscal Year 2023 Adopted Budget, including \$147.6 million of one-time American Rescue Plan Act (ARPA) funds. Additionally, the Outlook assumed the baseline revenues would exceed pre-pandemic levels by Fiscal Year 2024 and grow



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moderately through the outlook years. Since the release of the Outlook Report, the Fiscal Year 2024 Proposed Budget reflects updated revenues and expenditures for Fiscal Year 2024 which result in a revised baseline shortfall of \$22.3 million, a decrease of \$28.2 million from the most recent Outlook, as shown in **Table 4: Updated Fiscal Year 2024-2028 Five-Year Financial Outlook**. The \$22.3 million shortfall is anticipated to be mitigated with the use of available fund balance and remaining ARPA funds.

**Table 4: Updated Fiscal Year 2024-2028 Five-Year Financial Outlook<sup>1</sup>**

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Baseline Revenues	\$ 1,922.1	\$ 1,989.0	\$ 2,033.2	\$ 2,099.3	\$ 2,158.8
Baseline Expenditures	1,944.4	1,976.1	2,035.8	2,083.6	2,139.0
<b>Baseline Revenue (Shortfall)/Surplus</b>	<b>\$ (22.3)<sup>2</sup></b>	<b>\$ 13.0</b>	<b>\$ (2.7)</b>	<b>\$ 15.7</b>	<b>\$ 19.8</b>

<sup>1</sup>Note that any new programmatic changes from the baseline such as new revenue sources (including ARPA funds), new expenditures (including the reversal of Proposition B impacts) or enhancements to services are not included in this table.

<sup>2</sup>The Fiscal Year 2024 shortfall and budget additions included in the Proposed Budget are supported by the use of remaining ARPA funds which total \$52.1 million as well as use of \$68.6 million in fund balance above reserves (excess equity).

The updated projections reflect an overall positive growth in revenues due to the continued robust growth in property tax and transient occupancy tax revenues. Property tax revenues continued to remain strong through the pandemic, with both home sales and median home prices positively increasing in calendar year 2022. Additionally, transient occupancy tax revenues have recovered much quicker and more robust than previously anticipated, positively impacting the forecast in future years. Lastly, forecasted franchise fee revenues have increased dramatically from the previous Outlook as a result of the most recent approved rate increases for both gas and electric commodities.

The primary growth in baseline revenue is attributed to transient occupancy tax revenues, increasing by \$12.1 million from the Outlook. This increase is primarily attributed to an accelerated economic recovery fueled by pent up demand for leisure travel, and the continued recovery in business and group travel. The trend continues with moderate increases per year through Fiscal Year 2028, reflecting a normalized year-over-year growth. Property tax revenue is forecasted to be higher by \$11.2 million than previously forecasted in the Outlook for Fiscal Year 2024 due to continued increases in both homes sales and the median home price through calendar year 2022, followed by lower growth rates beginning in Fiscal Year 2025 through Fiscal Year 2028 to reflect a projected decline in home sales- and negative effects from the continuing rise in interest rates. Sales Tax revenues are anticipated to slightly decrease by \$1.8 million in Fiscal Year 2024 than previously projected in the Outlook. The impacts of a continued elevated inflation and concerns over a potential recession has caused consumer confidence to fluctuate month-over-month, projecting a slow-down in consumer spending in Fiscal Year 2024. The changes in franchise fees is a result of the San Diego Gas & Electric statement received in February 2023, which provided an updated base amount to which growth was applied. This resulted in an increase to Fiscal Year 2024 of a net \$9.7 million with higher increases per year through Fiscal Year 2028. This growth is reflective of the recently approved rate increases in both gas and electric commodities. Any potential future rate increases are currently not incorporated in this Outlook forecast.

Baseline expenditures are recalculated based on the expenditure additions included in the Fiscal Year 2024 Proposed Budget, incorporating cost of living increases for salary increases and removing all one-time additions in Fiscal Year 2023. The primary changes to Fiscal Year 2024 baseline expenditures reflect a decrease of \$16.0 million attributed to expected budgeted personnel savings expenditures, offset with a net increase of \$11.5 million in Fringe Benefits, and \$16.0 million in energy and utilities. The increase in

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Fringe Benefits is primarily attributed to an increase of \$8.5 million in the Fiscal Year 2024 Normal Cost for Post Proposition B Employees. The increase in energy and utilities is primarily associated with increased consumption and rate/price increases for electricity, gas, and fuel. Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume.

The Fiscal Year 2025 through Fiscal Year 2028 expenditures reflect updates to the pension payment based on the latest actuarial report from the SDCERS and fiscal impacts for the recently negotiated salary increases based on current approved MOU agreements with the REOs. For those fiscal years for which there are no MOU agreements with the REOs, the outlook baseline continues to assume a 3.05 percent salary increase, consistent with the assumption used by SDCERS actuary. Additionally, these changes to baseline expenditures include impacts from approved General Fund department restructures to commence in Fiscal Year 2024, General Fund Reserve contributions as outlined in the revised Reserve Policy updated in December 2022 and projects subsequent adjustments to the Infrastructure Fund transfer for each year of the updated forecast as a result of increased sales tax projections and projected fluctuations in the California Consumer Price Index (CCPI). Per the Proposition H calculation, the sales tax increment portion is calculated by applying the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the CCPI. The actual CCPI will ultimately determine the final required contribution amount per fiscal year of the outlook.

Lastly, the updated Outlook includes most fiscal impacts from the reversal of Proposition B, and other than contractual or consumer price increases for services that are currently provided. A full update to the Five-Year Financial Outlook for Fiscal Year 2025-2029 will be released in November 2023 following the standard timeline.

## General Fund Reserves

The Reserve Policy was brought forward and amended by City Council in December 2022. The General Fund Reserve is comprised of the Emergency and Stability Reserves. The Emergency Reserve is maintained to sustain General Fund operations in the case of a public emergency or catastrophic event. The Stability Reserve is maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The FY 2024 Proposed Budget includes a contribution of \$6.8 million to the General Fund Reserves to meet the Fiscal Year 2024 Target of 13.58% per the updated Reserve Policy. **Table 5 – General Fund Reserve Contribution** shows the General Fund Reserve contribution needed for the next five years to meet the reserve targets as outlined in the Reserve Policy. The Fiscal Year 2024 Proposed Budget does not appropriate the \$6.8 million reserve contribution as it will not be an expenditure to the General Fund. Instead, the reserve contribution will be earmarked as a component of fund balance. Authority to increase reserves will be included in the Budget Resolution and Appropriation Ordinance which will be approved by the City Council in June 2023.

**Table 5: General Fund Reserve Contribution (in millions)**

Description	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Emergency Reserve Target	7.43%	7.21%	7.21%	7.50%	7.90%	8.00%
Stability Reserve Target	6.87%	6.37%	6.37%	6.60%	6.80%	7.35%
<b>Total Reserve Target</b>	<b>14.30%</b>	<b>13.58%</b>	<b>13.58%</b>	<b>14.10%</b>	<b>14.70%</b>	<b>15.35%</b>
Total Estimated Reserve Target	\$ 207.1	\$ 213.9	\$ 234.2	\$ 255.3	\$ 275.8	\$ 297.2
<b>General Fund Contribution</b>		<b>\$ 6.8</b>	<b>\$ 20.2</b>	<b>\$ 21.2</b>	<b>\$ 20.4</b>	<b>\$ 21.4</b>

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## Fiscal Year 2024 Critical Expenditures

In addition to solving the baseline revenue shortfall, the Fiscal Year 2024 Proposed Budget also required balancing the need to maintain current core services and limiting budget additions to comply with various mandates, and address quality of life issues, provide public safety, support homelessness programs and services, and operate new parks and library facilities. Program summaries for the Infrastructure Fund, Climate Equity Fund, Homelessness Programs and Services, Climate Action Plan, Organics Collection Program mandated by State Bill 1383, and Vision Zero are included in the following sections.

For a summary of all significant budget adjustments included in the General Fund, please refer to the General Fund Expenditures Section of this Volume.

## Infrastructure Fund (Charter Section 77.1)

In June 2016, voters approved Proposition H, requiring the City to dedicate specific sources of revenue to fund new General Fund infrastructure, such as streets, sidewalks, bridges, buildings, and the maintenance and repair of such infrastructure.

The calculation to fund the new Infrastructure Fund is based upon the following:

- Sales Tax Increment – an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the California Consumer Price Index (CCPI) for Fiscal Year 2018 through Fiscal Year 2042
- General Fund Pension Cost Reduction – for Fiscal Year 2018 through Fiscal Year 2042, any amount of pension costs below the base year of Fiscal Year 2016

Prior to Fiscal Year 2023, the calculation to fund the Infrastructure Fund included a Major Revenues Increment based on an amount equal to 50.0 percent of the year over year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees. However, the City Charter only required this increment for Fiscal Year 2018 through Fiscal Year 2022.

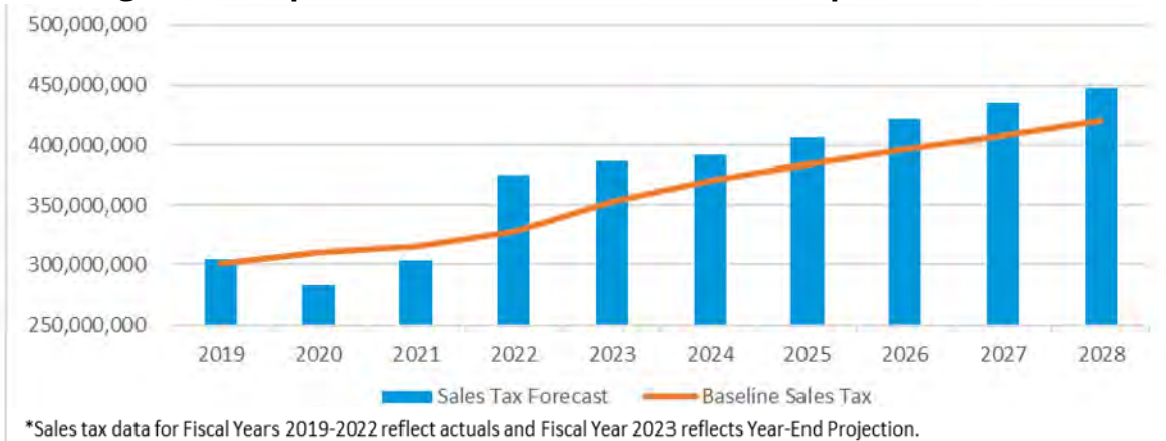
Based on this calculation, the Fiscal Year 2024 required Infrastructure fund contribution totals \$21.5 million. This amount is primarily attributed to the sales tax increment calculation; the General Fund Pension Cost Reduction calculation remains above the base year of Fiscal Year 2016.

Based on the definitions in Charter Section 77.1, \$21.5 million is required to be deposited into the Infrastructure Fund for Fiscal Year 2024 unless the Mayor recommends the suspension of Charter section 77.1 for one fiscal year and two thirds of the City Council approves that suspension. For Fiscal Year 2024, the budget allocates \$20.0 million to the City Capital Improvements Program (CIP), of which \$4.4 million is for General Fund facilities, \$6.8 million is for transportation projects, \$1.4 million is for stormwater projects, and \$7.4 million is for Parks & Recreation projects. The remainder of the allocation will support repairs and tenant improvements for Police facilities.

**Figure 2: Proposition H Sales Tax Baseline Comparison Outlook** illustrates a comparison outlook between the calculated baseline for sales tax and the contribution to the Infrastructure Fund. The Baseline sales tax is subject to change and adjusted by the California Consumer Price Index (CCPI) for each fiscal year of the outlook years.

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**Figure 2: Proposition H Sales Tax Baseline Comparison Outlook**



## Homelessness Programs and Services

The Fiscal Year 2024 Proposed Budget includes \$81.7 million for homelessness programs and services, with \$43.4 million budgeted in the General Fund, \$250,000 budgeted in the Low- and Moderate-Income Housing Asset Fund (LMIHAF) and \$34.7 million in grant funding the City anticipates receiving. Additionally, this also includes \$3.4 million allocated to the Police Department’s Homeless Outreach Team.

**Table 6** shows the Homelessness Services and Programs by Department and Fund below.

**Table 6: Homelessness Programs and Services by Department and Fund**

General Fund	FY 2024 Proposed Budget
<b>Homelessness Strategies &amp; Solutions Department</b>	
Homeless Shelters and Services Programs	\$ 35,342,405
Coordinated Outreach	3,310,000
PEER Program	2,250,000
Coordination of City Homeless Programs and Services <sup>1</sup>	2,487,375
<b>Total Homelessness Strategies &amp; Solutions Department</b>	<b>\$ 43,389,780</b>
<b>Police Department</b>	
Homeless Outreach Team	3,401,162
<b>Total Police Department</b>	<b>\$ 3,401,162</b>
<b>Total General Fund</b>	<b>\$ 46,790,942</b>
<b>Low- to Moderate-Income Housing Asset Fund</b>	
Homelessness Response Center	250,000
<b>Total Low- to Moderate-Income Housing Asset Fund</b>	<b>\$ 250,000</b>
<b>Grant Funding</b>	
Community Development Block Grant (CDBG)	1,316,756
Emergency Solutions Grant (ESG)	1,029,690
Encampment Resolution Grant (ERG)	1,500,000
Family Homelessness Challenge Grant (FHCG)	84,255

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Grant Funding	FY 2024 Proposed Budget
Homeless Housing, Assistance and Prevention (HHAP)	30,769,210
<b>Total Grant Funding</b>	<b>\$ 34,699,911</b>
<b>Total Citywide Resources</b>	<b>\$ 81,740,853</b>

Note: Table is not intended to capture all complementary Homelessness Programs and Services related costs within the City.

The Fiscal Year 2024 Proposed Budget includes \$46.8 million from the General Fund in the Homelessness Strategies & Solutions and Police Department for the following homeless programs and services:

- Homeless Shelters and Service Programs
- Coordinated Outreach
- Prevention Programming
- Coordination of City Homelessness Programs and Services
- Homeless Outreach Team in the Police Department

## Homeless Shelters and Services Program

The City of San Diego partners with agencies to operate congregate and non-congregate shelters which serve individuals experiencing homelessness. These shelters provide meals, restrooms, showers, case management, housing navigation, mental health and substance abuse services and referrals, as well as COVID-19 testing and vaccinations.

In Fiscal Year 2024, the City General Fund will provide \$28.2 million to support beds at 12 shelters, which includes \$2.7 million supported by Opioid Settlement funding. General Fund supported shelters include the following:

- Paul Mirabile Interim Housing Shelter
- Connections Interim Housing Shelter
- Bishops Housing Shelter
- Bridge Shelters for Single Adults
- Criminal Diversion Program
- Safe Haven
- Women's Shelter
- Emergency Harm Reduction Center
- Shelters for Youth
- Winter Weather Shelters
- Non-congregate Shelter for Families
- Non-congregate Shelter for Seniors
- New shelter safe camping program

In addition to these shelter programs the General Fund will provide \$7.1 million to support the following services:

- Serial Inebriate Program
- Homelessness Response Center
- Program for Engaged Educational Resources (PEER)
- Dan Center for Homeless Adults
- Storage Facilities
- Safe Parking Locations

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## Coordinated Outreach

The City's Coordinated Street Outreach Program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services. Street-based case managers practice the "Housing First" principles, working with clients to build individualized plans to move people from unsheltered conditions into housing. The program takes a coordinated approach to ensuring adequate and equitable coverage of outreach teams throughout the City and works to identify trends and proactively respond to critical areas throughout the City. The Coordinated Street Outreach Program includes Caltrans outreach and street outreach from bridge shelters.

The Fiscal Year 2024 Proposed Budget includes \$3.3 million in the General Fund to support this existing program in the Homelessness Strategies & Solutions Department.

## Prevention Programming

The Fiscal Year 2024 Proposed Budget includes \$2.3 million in the General Fund for the continuation of the Housing Instability Prevention Program (HIPP), which helps pay rent and other housing-related expenses over 12 months for 300 families in the City of San Diego with low income and unstable housing situations, such as facing eviction for nonpayment of rent.

## Coordination of City Homelessness Programs and Services

The Fiscal Year 2024 Proposed Budget also includes \$2.5 million in the Homelessness Strategies & Solutions Department associated with staff coordinating citywide homelessness programs and services. The Fiscal Year 2024 Proposed Budget includes the addition of 1.00 Administrative Aide 2. This position will provide administrative support to the department, including scheduling assistance, processing public records requests and assisting the department's senior leadership team. In Fiscal Year 2024, the Proposed Budget includes a total of 16.00 FTE in the department.

## Grant Funding for Homelessness Strategies & Solutions

The Fiscal Year 2024 Proposed Budget includes a total of \$34.7 million in State and federal grant funding. This includes \$1.3 million in Community Development Block Grant (CDBG) funding and \$1.0 million in Emergency Solutions Grant funding for homelessness related programs and services, as shown below. The City is also anticipated to leverage \$32.5 million from multiple State of California grants, including the Homeless Housing, Assistance, and Prevention (HHAP), Encampment Resolution (ERG) and Family Homelessness Challenge (FHCG) grants during Fiscal Year 2024 to address the immediate emergency needs of individuals and families experiencing homelessness or at imminent risk of homelessness. HHAP grants were allocated by the State in four rounds between Fiscal Year 2020 and Fiscal Year 2024.

## Community Development Block Grant (CDBG) and Emergency Solutions Grant Funding

In the Fiscal Year 2024 Proposed Budget, \$1.3 million in CDBG program allocations and \$1.0 million in Emergency Solution Grant (ESG) allocations are anticipated to fund homeless programs, services, and projects.

\$1.3 million in CDBG Block grant funding will support the following programs:

- Day Center for Homeless Adults
- Homelessness Response Center
- Interim Housing for Homeless Adults
- Shelter for Families

# Citywide Budget Overview

\$1.0 million in ESG funding will support the following programs:

- Connections Interim Housing
- Rapid Rehousing
- Paul Mirabile Interim Housing Shelter

## **Homeless Housing, Assistance and Prevention (HHAP) Funding**

The Homeless Housing, Assistance, and Prevention (HHAP) grants are one-time block grants that provides local jurisdictions in the State of California with funding to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. The State awarded the City of San Diego with \$22.5 million in HHAP grant funding for round one of the Grant in 2020. In 2021, the City was awarded an additional \$10.6 million in round two funding, and is expecting the receipt of an additional \$27.5 million, which must be fully expended by June 30, 2027. In June 2020, the City Council approved the use of the round one \$22.5 million, and in June 2021, the City Council approved the use of the second-round funding of \$10.6 million. In June 2022, the third round of funding in the amount of \$27.5 million was approved by the City Council and subsequently submitted to the State for approval. In January 2023, the City was notified it would be awarded \$22.5 million in HHAP round four funding.

In Fiscal Year 2024, It is projected that \$1.3 million of HHAP 1 and HHAP 2 funding will be used to support Fiscal Year 2024 costs. In addition, there are planned expenditures of \$8.7 million from the third round of HHAP funding and \$20.7 million from the fourth round of HHAP funding. In total, \$30.8 million in HHAP funded expenditures are planned in the Fiscal Year 2024 Proposed Budget. In the Fiscal Year 2024 Proposed Budget, HHAP grant funding is planned for use in the following manner:

### ***Shelters and Services***

\$23.2 million is being allocated to support shelter beds at following shelters:

- Bridge Shelter at 16th& Newton
- 17th & Imperial Emergency Bridge Shelter
- Single Adult Shelter (Previously Golden Hall)
- Youth Shelter & Case Management
- LGBT Youth Shelter
- Rosecrans Sprung Shelter

### ***Safe Parking Program***

HHAP funding of \$1.7 million in the Fiscal Year 2024 Proposed Budget is designated for three safe parking lots across the City. These programs are designated parking lots for homeless individuals living out of their vehicles to safely stay overnight and be connected to services to help them obtain permanent housing.

### ***Coordinated Street Outreach Program***

\$2.1 million of HHAP funding is being designated for Coordinated Street Outreach program to amplify the General Fund contribution and ensure adequate and equitable coverage of outreach teams across the city.

### ***Family Reunification Program***

The family reunification program seeks to connect homeless individuals with family members and support systems across the United States. HHAP funding in the amount \$500,000 will continue to support this program in Fiscal Year 2024.

### ***Rapid Rehousing Program***

HHAP programming includes \$1.7 million allocated to continue Rapid Rehousing programs currently in effect. Rapid Rehousing provides homeless individuals or individuals at imminent risk of becoming homeless with identification of housing, short-term rental assistance, and other services.

# Citywide Budget Overview

## **Administrative Costs**

A total of \$1.5 million in costs to administer the HHAP programs are planned for Fiscal Year 2024. These costs are charged by City staff and staff from the San Diego Housing Commission.

## **Family Homelessness Challenge Grant (FHCG) and Encampment Resolution Grant (ERG) Funding**

In the Fiscal Year 2024 Proposed Budget, \$84,000 in Family Homelessness Challenge Grant (FHCG) program allocations and \$1.5 million in Encampment Resolution Grant (ERG) allocations are anticipated to fund homelessness programs, services, and projects.

FHCG funding provides housing resources to families within the existing Safe Parking programs. ERG funding will support outreach and housing solutions for former residents within the E Street Neighborhood Encampment Solution project.

## **Police Department Homelessness Outreach Team (HOT)**

The Police Department's Homeless Outreach Team (HOT) uses a community-oriented policing approach to address the unique needs of the City's homeless population. HOT team leaders bring together behavioral health clinicians from the Psychiatric Emergency Response Team (PERT), public health nurses, and social workers from the County of San Diego Health and Human Services Agency to provide outreach and engagement services throughout the City of San Diego, in order to connect unsheltered individuals with available services. HOT engages with individuals, who may otherwise be subject to enforcement action for violation of various local ordinances and state statutes. Its approach is a means to connect individuals with services in a way that avoids contact with the criminal justice system.

The Fiscal Year 2024 Proposed Budget includes \$3.4 million from the General Fund to support personnel and non-personnel costs in the San Diego Police Department.

## **Implementation of the Climate Action Plan**

On August 2, 2022, the City Council adopted the 2022 Climate Action Plan (CAP), setting a new goal of net zero by 2035. The 2022 CAP establishes a community-wide goal of net zero by 2035, committing San Diego to an accelerated trajectory for greenhouse gas reductions. Achieving net-zero emissions will improve the air we breathe, the communities we live in, and our overall quality of life. The CAP identifies six (6) equity-focused strategies to achieve a goal of net zero emissions by 2035 through reducing and avoiding GHG emissions:

- Strategy 1: Decarbonization of the Built Environment
- Strategy 2: Access to Clean and Renewable Energy
- Strategy 3: Mobility and Land Use
- Strategy 4: Circular Economy and Clean Communities
- Strategy 5: Resilient Infrastructure and Healthy Ecosystems
- Strategy 6: Emerging Climate Actions

Staff developed an Implementation Plan that will include further information on funding needs, performance metrics, time frame, and implementation pathways. Staff released a draft Implementation Plan and Implementation Cost Analysis in February 2023.

Over the next five years of implementation of the CAP, City staff will report on progress to City Council and the public through annual progress reports and comprehensive GHG emissions inventories at least every two years, depending on data availability. Additionally, in response to the 2020 CAP audit, staff is working on an Administrative Regulation (AR) to establish annual department-level work plans for the



# Citywide Budget Overview

implementation of the CAP with established responsibilities for overall CAP implementation. Draft work plans have been developed and can be found at the following link:

<https://www.sandiego.gov/sustainability/climate-action-plan>

The City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, encourage the use of alternative modes of transportation, and have successfully shifted 96 percent of city accounts to 100 percent clean energy through San Diego Community Power and anticipate the remaining accounts to be transitioning over the course of Fiscal Year 2024.

Principles of sustainability and projects that reduce GHG emissions or improve the economic, social, or environmental sustainability of the City are woven throughout many departments and functions within City operations. However, the City budget is structured by functional departments and not by sector or initiatives. Because the efforts that support the CAP cross many departments and are embedded in many different projects and initiatives, the CAP Implementation Budget Summary presented here highlights new funding which is requested through the City's official budget process to support the different strategic areas of the CAP to facilitate a discussion about implementation of the CAP. It is important to note that throughout the year there are other sources of funding (e.g., Community Development Block Grants) or budget adjustments that are not captured in this report but do assist in achieving the City's CAP goals.

San Diego's CAP is considered a national model. The City is breaking new ground in policies, programs, and methodologies to implement the plan. As a national leader, techniques for implementing evolve and improve over time as processes are established, metrics are created or improved, and annual monitoring begins. The Fiscal Year 2024 Proposed Budget demonstrates that the City remains committed to keeping the economic, social, and environmental principles of sustainability at the forefront of decision-making.

## Progress Towards Achieving Climate Action Plan Goals

**Figure 3: Citywide Greenhouse Emissions Inventory and Projections** shows the most recent citywide GHG inventory. The total GHG emissions from San Diego in 2019 were approximately 9.6 million metric tons CO<sub>2</sub>e (MMT CO<sub>2</sub>e), a 25 percent decrease in emissions from 2010. Decreases in GHG emissions from electricity consumption, transportation, solid waste and water use offset some increase seen from natural gas consumption and wastewater production year-over-year. The City is planning to have an updated inventory of GHG emissions in Fiscal Year 2024. The budget analysis incorporated below was developed using the strategies and actions from the 2015 CAP, as the 2022 CAP had not been adopted at the time the analysis was completed.

# Citywide Budget Overview

**Figure 3: Citywide Greenhouse Emissions Inventory and Projections**



## Summary of Climate Action Plan Adopted Budget

**Table 7 - Funding Across City Departments** is a summary of investments across City departments that support the five strategic areas of the CAP. The investment amounts represent new resources included in the Fiscal Year 2024 Proposed Budget. These new resources are added to existing CAP investment in the departments’ base budgets (continuing appropriations).

**Table 7: Funding Across City Departments**

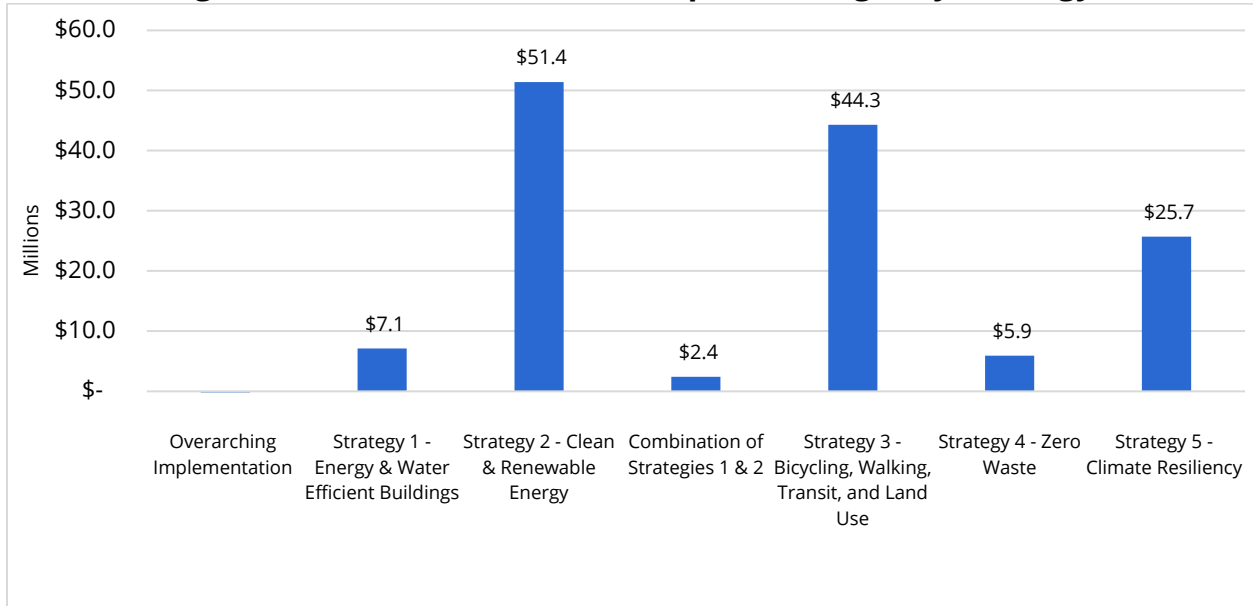
Strategy	Climate Action Plan Fiscal Year 2024 Proposed Budget <sup>1</sup>			
	Direct	Indirect	Direct & Indirect	Total
Overarching Implementation	\$ -	\$ 240,657	\$ -	\$ 240,657
Strategy 1 - Energy & Water Efficient Buildings	6,527,294	542,263	-	7,069,557
Strategy 2 - Clean & Renewable Energy	51,060,000	350,000	-	51,410,000
Combination of Strategies 1&2	2,409,408	-	-	2,409,408
Strategy 3 - Bicycling, Walking, Transit, and Land Use	29,695,304	4,003,984	-	33,699,288
Strategy 4 - Zero Waste	3,752,115	911,857	-	4,663,972
Strategy 5 - Resiliency	26,329,583	15,928,835	341,637	42,600,055
<b>Total</b>	<b>\$ 119,773,704</b>	<b>\$ 21,496,282</b>	<b>\$ 341,637</b>	<b>\$ 141,611,623</b>

<sup>1</sup>Table may not foot due to rounding.

This budget analysis identifies both direct and indirect CAP efforts. Direct CAP efforts are explicitly identified as actions in the CAP (e.g., landfill gas capture) or directly support the CAP GHG reduction goals (e.g., increasing sidewalks or bikeways to increase walking or biking). Indirect CAP efforts are not explicitly referenced in the CAP or only partially support the CAP through climate change efforts (e.g., funding for the Pure Water Program, which supports climate resiliency through a diversified water supply and water results to help prepare or prevent periods of drought). **Figure 4 - Climate Action Plan Proposed Budget by Strategy** is a representation of these investments by each CAP strategy.

# Citywide Budget Overview

**Figure 4: Climate Action Plan Proposed Budget by Strategy**



## Organics Collection – Senate Bill 1383

In September 2016, Governor Brown signed into law Senate Bill 1383 (SB 1383) establishing methane emissions reduction targets in a statewide effort to reduce emissions of Short-lived Climate Pollutants. SB 1383 establishes targets of a 50.0 percent reduction in the level of the statewide disposal of organic waste from 2020, with a 75.0 percent reduction by 2025. The City was required to adopt an ordinance by January 1, 2022; The first and second readings of the City's ordinance were heard at City Council in April. The ordinance took effect on June 8, 2022. The City must implement the following:

- Expand organics collection citywide, including amendments to the Franchise Hauler Agreements
- Adoption of an enforcement mechanism
- Establish an edible food recovery program
- Procurement of recovered organic waste products
- Tracking and reporting of metrics to California's Department of Resources Recycling and Recovery
- Conduct education and outreach
- Development of organic waste processing capacity
- Conduct escalating mandatory enforcement

Full implementation of SB 1383 requirements will be phased over several years and will include upgrading facilities, additional vehicles, contracts, equipment, software and supplies, and the addition of approximately 130 positions. The Fiscal Year 2024 Proposed Budget includes a total of \$21.3 million across various funds to support implementation of SB 1383. This includes a base budget amount of \$16.9 million and an increase of \$4.4 million from the Fiscal Year 2024 Proposed Budget. This increase includes \$346,000 in the General Fund, \$207,000 in the Recycling Fund, and \$3.8 million in the Refuse Disposal Fund. Funding will be used to support vehicles, heavy equipment and outfitting, and the addition of 12.25 FTE positions.

# Citywide Budget Overview

**Table 8 – Senate Bill 1383 by Fund** displays the Fiscal Year 2024 Proposed Budget for SB 1383 by fund.

**Table 8: Senate Bill 1383 by Fund**

General Fund	FY 2023 Adopted Budget <sup>1</sup>	
<b>Environmental Services</b>		
Personnel Expenditures	\$	9,441,178
Non-Personnel Expenditures	\$	5,204,308
<b>General Fund Total</b>	<b>\$</b>	<b>14,645,486</b>
<b>Recycling Fund</b>		
<b>Environmental Services</b>		
Personnel Expenditures	\$	489,626
Non-Personnel Expenditures	\$	557,722
<b>Recycling Fund Total</b>	<b>\$</b>	<b>1,047,348</b>
<b>Refuse Disposal Fund</b>		
<b>Environmental Services</b>		
Personnel Expenditures	\$	2,041,672
Non-Personnel Expenditures	\$	3,547,400
<b>Refuse Disposal Fund Total</b>	<b>\$</b>	<b>5,589,072</b>
<b>Total Fiscal Year 2023</b>	<b>\$</b>	<b>21,281,906</b>

<sup>1</sup>The table includes the anticipated budgeted personnel expenditure savings associated with the positions.

## Vision Zero

The City remains committed to Vision Zero efforts to eliminate all traffic fatalities and severe injuries in San Diego.

In the Fiscal Year 2024 Proposed Budget, \$6.1 million is being allocated to implement the City's Vision Zero goals, including \$1.6 million for bicycle facilities, \$0.6 million for a new sidewalk installation, \$3.7 million for traffic signals, and \$216,000 for traffic calming. **Table 9 – Vision Zero Projects** displays the allocation of funds to applicable Vision Zero projects.

**Table 9: Vision Zero Projects**

Vision Zero Project Type/Grouping	Project ID	FY 2024 Proposed Budget <sup>1</sup>
<b>Bicycle Facilities</b>		
Bike Racks Citywide	O&M	\$ 50,000
Bike Striping Citywide	O&M	400,000
Safe & Sustainable Transportation All Ages & Abilities Team (STAAT)	O&M	1,100,000
<b>Bicycle Facilities Total</b>		<b>\$ 1,550,000</b>
<b>Sidewalks</b>		
<b>New Walkways</b>	<b>AIK00001</b>	<b>\$ 583,000</b>
Genesee Ave-Chateau to Sauk Sidewalk	B15168	583,000
<b>Sidewalks Total</b>		<b>\$ 583,000</b>

# Citywide Budget Overview

<b>Signals - Calming/Speed Abatement</b>		
<b>Traffic Calming</b>	<b>AIL00001</b>	<b>\$ 216,000</b>
Kettner Boulevard & Palm Street Hybrid Beacon	B18046	216,000
<b>Signals - Calming/Speed Abatement Total</b>		<b>\$ 216,000</b>
<b>Traffic Signals</b>		
<b>Traffic Signal Modification</b>	<b>O&amp;M</b>	<b>300,000</b>
<b>Traffic Signals -- Citywide</b>	<b>AIL00004</b>	<b>\$ 2,926,400</b>
47th Street and Solola Avenue Traffic Signal	B20141	30,000
Division Street & Osborn Street Traffic Signal	B15047	707,400
El Cajon Blvd HAWKS	B22000	735,000
Mercado Dr @ Del Mar Heights Rd Traffic Signal	B22046	121,000
Mississippi Street and El Cajon Boulevard Traffic Signal	B20140	97,000
Torrey Pines Road Pedestrian Hybrid Beacon	B20146	1,236,000
<b>Traffic Signals Modification</b>	<b>AIL00005</b>	<b>\$ 487,374</b>
Signal Mods in Barrio Logan	B131010	487,374
<b>Traffic Signals Total</b>		<b>\$ 3,713,774</b>
<b>Total Vision Zero Project Type/Grouping</b>		<b>\$ 6,062,774</b>

## Opioid Settlement

Nationwide settlements between states and municipalities against pharmaceutical distributors has been reached to resolve opioid litigations. The pharmaceutical distributors are anticipated to pay up to \$21 billion over 18 years. The City Attorney's Office currently estimates that the City of San Diego will receive approximately \$40.0 million over 18 years. \$4.4 million has already been received by the City and projections indicate that an average of \$2.5 million will be received annually. The programming of these funds has been set forth as shown below. The \$4.4 million received to-date are proposed to be spent as follows:

- \$2.7 million for the Homelessness Strategies and Solutions Department to support the Harm Reduction Shelter and Safe Haven. The Fiscal Year 2024 Proposed Budget includes revenue to support these programs as a transfer from the Opioid Settlement Fund.
- \$775,771 for the Fire-Rescue Department to purchase vehicles associated to the Resource Access Program. This will be budgeted in the Opioid Settlement Fund.
- \$761,875 for the Police Department to support the Prosecution and Law Enforcement Assisted Diversion Services (PLEADS) Program for two years. This will be budgeted in the Opioid Settlement Fund.
- \$208,444 for the Police Department for Fentanyl Detectors, Spectrometer, and Training for Police Officers on Drug Control Best practices. This will be budgeted in the Opioid Settlement Fund.

## Mitigation Actions

City staff completed a comprehensive review to develop mitigation actions to address the baseline revenue shortfall and fund the critical expenditures mentioned above. The Fiscal Year 2024 Proposed Budget includes the use of American Rescue Plan Act (ARPA) funds, use of fund balance in excess of General Fund reserves (excess equity), and fund balances from special revenue and internal service funds.

# Citywide Budget Overview

## One-Time Resources

Below are additional details regarding one-time resources used as mitigation actions to address the baseline revenue shortfall and fund critical expenditures:

- Use of \$68.6 million in fund balance in excess of reserves, or excess equity.
- Use of \$52.1 million from the American Rescue Plan Act of 2021 (ARPA). These will be used as revenue replacement for general governmental services, which will provide the necessary resources to add and maintain funding for critical expenditures.
- Use of \$5.8 million from the sale of the Tailgate Park, which was approved on April 19, 2022, by the City Council authorizing the sale for development expansion. Pursuant to a compensation agreement with the affected taxing entities, including the City, the City is anticipated to receive an estimated share of \$5.8 million from the sale, which was anticipated to close in Fiscal Year 2023. However, due to unresolved litigation and challenges the sale of the Tailgate Park is now anticipated to close in Fiscal Year 2024.
- Use of \$1.0 million transfer from the Emergency Medical Services Transportation Fund.
- Use of \$410,038 in fund balances from various funds including: Energy Conservation Program Fund, SAP Support Fund, and Central Stores Fund.
- Use of \$197,000 in Opioid Settlement Funds to support the Harm Reduction Shelter and Safe Haven Program.

## The American Rescue Plan Act of 2021 (ARPA)

The American Rescue Plan Act of 2021 was passed on March 11, 2021, which, based on current estimates, allocated \$299.7 million in Coronavirus State and Local Fiscal Recovery Funds to the City. The ARPA provides additional relief to address the continued impact of COVID-19 and aid to states and local governments for direct and flexible relief. The bill expands on the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) that was enacted on December 27, 2020 and provides economic state and local aid. The Fiscal Year 2024 Proposed Budget includes the remaining \$52.1 million in Coronavirus State and Local Fiscal Recovery Funds. In accordance with the ARPA language, funds may be used to:

- Provide government services to the extent of reduction in revenue due to COVID-19 relative to revenues collected in the most recent full fiscal year prior to the emergency
- Respond to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality
- Provide premium pay up to \$13 an hour to eligible municipal or county workers performing essential services to respond to COVID-19. This provision is capped at a maximum benefit of \$25,000 per eligible worker
- Make necessary investments in water, sewer, or broadband infrastructure

The funds were provided to the City in two tranches and the ARPA funds provided by this legislation can be used through December 31, 2024.

The \$52.1 in Coronavirus State and Local Fiscal Recovery Funds will be used as revenue replacement for general governmental services, which will provide the necessary resources to maintain funding for the provision of governmental services. To substantiate the use of these funds for revenue replacement, it is important to demonstrate the extent of revenue reduction when compared to the most recent full fiscal year prior to the COVID-19 emergency. The ARPA guidelines allowed for a growth adjustment of 5.2 percent from the baseline year revenue (Fiscal Year 2019) or the City's average annual revenue growth rate in the

# Citywide Budget Overview

three fiscal years prior to the pandemic<sup>18</sup>. In accordance with the terms of the ARPA, the revenue loss from the COVID-19 pandemic has resulted in projected revenue loss of \$416.7 million in general revenues from Fiscal Year 2020 through Fiscal Year 2021, as compared to Fiscal Year 2019 levels. The guidelines allow for the extent of reduction in revenue to be calculated from the total of four calendar years from 2020 to 2023. The funds cannot be used for offsetting tax cuts or for pension liabilities, therefore, the City will continue to ensure that the funds allocated adhere to federal guidelines. As demonstrated by the \$416.7 million Citywide revenue loss estimate based on only two of the four eligible fiscal years, this substantiates that the total amount of revenue loss to the City is greater than the City's total allocation of ARPA funds of \$299.7 million.

As reflected in **Figure 5 - Fiscal Year 2019 - 2022 Sales Tax and Transient Occupancy Tax Forecast Comparison**, Sales Tax and Transient Occupancy Tax were the City's two major revenues most impacted by the COVID-19 pandemic and show a loss of \$243.6 million. This is but a sample size of the total revenue loss for the City. There were additional revenue losses under other revenue sources that sum up to exceed the \$299.7 million. Under the methodology prescribed under the ARPA for calculating revenue losses, the total City revenue losses were \$416.7 million from Calendar Year 2020 through Calendar Year 2021 when compared to the Fiscal Year 2019 levels. For Fiscal Year 2024 sales tax is projected to recover and surpass pre-pandemic trends, Transient Occupancy Tax revenue has taken longer to recover due to the previous restrictions on group events, and limited business and international travel. The Transient Occupancy Tax revenue is projected to reach pre-pandemic levels in Fiscal Year 2023.

**Figure 5: Fiscal Year 2019-2021 Sales Tax and Transient Occupancy Tax Forecast Comparison**



As mentioned earlier in the Fiscal Year 2024 - 2028 Financial Outlook section, the Fiscal Year 2024 Proposed Budget reflects a multi-year analysis and proposes the use of ARPA Funds from Fiscal Year 2022 through

<sup>18</sup> On January 6, 2022, the U.S. Department of Treasury (DoT) issued their "Final Rule" which took effect on April 1, 2022. This changed the growth adjustment rate from 4.1% to 5.2% and allowed the Department of Finance to calculate the revenue loss with either at the end of each calendar year or the end of each fiscal year.

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Fiscal Year 2024. The City used \$100.0 million in Fiscal Year 2022 and projects to use \$147.6 million in Fiscal Year 2023 to address the baseline revenue shortfall and critical expenditure additions. The remaining \$52.1 million is budgeted to be used in Fiscal Year 2024 to support operations. This multi-year proposal allows the City to minimize budget reductions in the near term.

## Citywide Personnel Expenditures

The Fiscal Year 2024 Proposed Budget includes a total of \$1.22 billion in budgeted salaries and wages, and \$771.0 million for fringe benefit expenditures, resulting in a total personnel budget of \$1.99 billion in personnel expenditures citywide. **Table 10 – Fiscal Year 2024 Proposed Personnel Expenditures Budget** illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type.

**Table 10: Fiscal Year 2024 Proposed Personnel Expenditures Budget**

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Fringe Benefits	Budgeted Personnel Expenses
General Fund	8,506.99	\$ 843,364,884	\$ 544,196,227	\$ 1,387,561,111
Special Revenue Funds	1,075.51	110,592,487	63,733,981	174,326,468
Enterprise Funds	2,964.83	230,636,634	140,921,502	371,558,136
Internal Service Funds	377.60	28,897,229	18,409,037	47,306,266
Other Funds	51.00	6,310,828	3,788,285	10,099,113
<b>Total</b>	<b>12,975.93</b>	<b>\$ 1,219,802,062</b>	<b>\$ 771,049,032</b>	<b>\$ 1,990,851,094</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

**Table 11 – Total City FTE Position Changes** presents the change in positions from Fiscal Year 2023 to Fiscal Year 2024.

**Table 11: Total City FTE Position Changes Fiscal Year 2023 - 2024<sup>1</sup>**

Fund Type	FY 2023 Adopted Budget	Additions	Reductions	Reorganizations	FY 2024 Proposed Budget	FY 2023 - FY 2024 Change	Percent Change
General Fund	8,336.39	242.14	(110.34)	38.80	8,506.99	170.61	2.0 %
Special Revenue Funds <sup>2</sup>	1,074.01	6.35	(4.60)	(0.25)	1,075.51	1.50	0.1 %
Enterprise Funds	2,947.02	74.01	(17.65)	(38.55)	2,964.83	17.81	0.6 %
Internal Service Funds	368.73	9.50	(0.63)	-	377.60	8.87	2.4 %
Other Funds <sup>3</sup>	51.00	-	-	-	51.00	0.00	0.0 %
<b>Total</b>	<b>12,777.15</b>	<b>332.00</b>	<b>(133.21)</b>	<b>-</b>	<b>12,975.93</b>	<b>198.79</b>	<b>1.6 %</b>

<sup>1</sup> Additions and reductions columns include annualizations, hourly changes, and technical corrections. The net hourly changes are 17.66 FTE and (89.42 FTE) for additions and reductions, respectively.

<sup>2</sup> Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

<sup>3</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE positions.



# Citywide Budget Overview

For details on all position changes, refer to **Attachment A - Fiscal Year 2024 Changes in Full-time Equivalent (FTE) Positions** in the Appendix.

## Salaries and Wages

The Fiscal Year 2024 Proposed Budget includes \$1.22 billion in budgeted salaries and wages, with \$843.2 million, or 69.1 percent, budgeted in the General Fund. **Table 12 - Fiscal Year 2024 Proposed FTE Positions by Labor Group** presents the budgeted positions by labor group and fund type.

**Table 12: Fiscal Year 2024 Proposed FTE Positions by Labor Group**

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Labor Group Total
MEA	3,033.08	861.76	1,821.90	144.00	29.00	5,889.74
AFSCME LOCAL 127	1,226.00	39.00	938.50	171.25	-	2,374.75
POA	2,032.23	-	-	-	-	2,032.23
IAFF LOCAL 145	1,056.00	12.00	-	-	-	1,068.00
Unclassified / Unrepresented	622.58	111.75	118.07	35.85	18.00	906.25
Classified / Unrepresented	175.99	51.00	86.36	26.50	4.00	343.85
Teamsters Local 911	175.88	-	-	-	-	175.88
DCAA	174.23	-	-	-	-	174.23
Elected Officials	11.00	-	-	-	-	11.00
<b>Fund Total</b>	<b>8,506.99</b>	<b>1,075.51</b>	<b>2,964.83</b>	<b>377.60</b>	<b>51.00</b>	<b>12,975.93</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

**Table 13 - Fiscal Year 2024 Proposed Budgeted Salaries and Wages** displays the Fiscal Year 2024 Proposed Budget breakdown for salaries and wages by fund type.

**Table 13: Fiscal Year 2024 Proposed Budgeted Salaries and Wages**

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 788,445,846	\$ 117,381,181	\$ 244,865,834	\$ 30,490,967	\$ 6,305,620	\$ 1,187,489,448
Salary Savings	(2,178,156)	(313,501)	(699,139)	(36,952)	(12,790)	(3,240,538)
Vacation Pay In Lieu	7,693,656	1,725,392	1,969,187	268,904	-	11,657,139
Termination Pay/Annual Leave	1,168,147	153,232	266,559	10,384	15,620	1,613,942
Hourly Wages	12,013,982	409,627	584,743	63,474	2,378	13,074,204
Overtime	102,450,782	2,128,908	11,398,701	762,616	-	116,741,007
Other Personnel Expenditures	4,662,161	-	-	-	-	4,662,161
Budgeted Personnel Expenditure Savings	(71,049,227)	(10,892,352)	(27,591,558)	(2,662,164)	-	(112,195,301)
<b>Total</b>	<b>\$ 843,207,191</b>	<b>\$ 110,592,487</b>	<b>\$ 230,794,327</b>	<b>\$ 28,897,229</b>	<b>\$ 6,310,828</b>	<b>\$ 1,219,802,062</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

# Citywide Budget Overview

The Fiscal Year 2024 Proposed Budget includes general wage increases and special salary adjustments approved in the International Association of Firefighters (Local 145), the Police Officers Association (POA), and Teamsters (Local 911) MOUs. At the time of the Fiscal Year 2024 Proposed Budget, the Municipal Employees Association (MEA), American Federation of State, County, and Municipal Employees (AFSCME Local 127), and Deputy City Attorneys Association (DCAA) were still in active negotiations for their Fiscal Year 2024 labor contracts, and so a placeholder amount has been included in the Proposed Budget with the hope that negotiations will be completed prior to finalizing the Adopted Budget.

## Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings are used as a budgeting tool to allocate resources that are projected to remain unspent to other priority needs. As part of the development of the Fiscal Year 2024 Proposed Budget, the City estimates an amount of personnel savings by department that is attributed to the following: vacancies, normal attrition, leaves of absence, under-filled positions, delays in the creation/filling of positions, time-dependent add-ons, unplanned termination pay and overtime, and variances in all personnel salary groups due to unforeseen circumstances. These estimates will require that departments monitor Fiscal Year 2024 personnel expenditures against available allocated appropriations, however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2024 Proposed Budgeted Personnel Expenditures is \$112.2 million, representing an increase of \$18.9 million, or 20.2 percent, from the Fiscal Year 2023 Adopted Budget. This fiscal year, budgeted personnel expenditure savings was increased in the public safety departments to align with over budget overtime expenditures and minimize the variances between these two salaries and wages categories. Budgeted Personnel Expenditure Savings is included in **Table 13 - Fiscal Year 2024 Proposed Budgeted Salaries and Wages**. **Table 14 - Budgeted Personnel Expenditure Savings** displays the budgeted personnel expenditure savings by Department and Fund from Fiscal Year 2022 through Fiscal Year 2024.

**Table 14: Budgeted Personnel Expenditure Savings  
Fiscal Year 2022 – 2024**

Departments/Funds	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2024 Proposed Budget
City Attorney	\$ 1,407,245	\$ 2,099,306	\$ 1,080,652
City Auditor	94,986	-	-
City Clerk	101,995	158,678	218,175
City Council	67,395	-	-
City Planning	411,440	608,995	631,177
City Treasurer	432,063	522,825	636,492
Commission on Police Practices	24,696	-	193,262
Communications	120,144	123,833	134,173
Compliance	65,869	93,750	98,635
Debt Management	60,007	122,153	-
Department of Finance	70,542	74,069	77,772
Development Services	383,269	746,190	723,958
Economic Development	265,101	255,912	317,280
Environmental Services	490,983	1,407,963	1,333,195
General Services - Facilities Services	546,780	659,925	2,032,153
Fire-Rescue	6,656,512	6,579,965	16,916,930
Homelessness Strategies & Solutions	89,286	-	72,939

# Citywide Budget Overview

Departments/Funds	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2024 Proposed Budget
Human Resources	89,286	81,732	391,380
Library	918,572	1,082,950	2,370,160
Mobility	211,410	-	-
Office of Emergency Services	74,090	93,750	113,197
Office of Race & Equity	-	227,316	-
Office of the Chief Operating Officer	-	314,000	80,065
Parks & Recreation	1,758,247	3,354,138	4,670,536
Performance & Analytics	121,918	-	267,770
Personnel	39,998	509,740	56,219
Police	17,790,832	21,372,414	30,052,838
Purchasing & Contracting	945,929	963,159	1,136,422
Real Estate & Airport Management	-	-	509,948
Stormwater	832,408	2,695,867	2,730,019
Sustainability & Mobility	-	471,417	459,269
Transportation	1,793,346	2,374,432	3,744,611
<b>Total General Fund</b>	<b>\$ 35,864,349</b>	<b>\$ 46,994,479</b>	<b>\$ 71,049,227</b>
Airports Fund	\$ 79,498	\$ 144,142	\$ 226,519
Central Stores Fund	76,945	234,324	270,285
Development Services Fund	3,892,147	9,610,179	6,467,868
Energy Conservation Program Fund	-	230,000	80,065
Engineering & Capital Projects Fund	8,006,052	11,483,057	9,340,563
Facilities Financing Fund	138,617	76,386	-
Fire/Emergency Medical Services Transport Program Fund	47,986	535,390	-
Fleet Operations Operating Fund	1,078,726	1,999,665	1,906,081
GIS Fund	89,286	278,329	230,267
Golf Course Fund	200,832	470,326	493,045
Information Technology Fund	211,204	365,303	463,719
Metropolitan Sewer Utility Fund	4,068,373	5,079,864	5,674,702
Municipal Sewer Revenue Fund	3,539,558	3,858,731	4,404,376
OneSD Support Fund	211,204	428,729	339,591
Publishing Services Fund	-	43,960	-
Recycling Fund	440,359	535,234	635,909
Refuse Disposal Fund	528,652	1,401,273	1,258,700
Risk Management Administration Fund	148,309	387,274	405,733
Underground Surcharge Fund	67,437	67,291	74,020
Water Utility Operating Fund	7,598,768	8,637,004	8,430,439
Wireless Communications Technology Fund	74,003	475,345	444,192
<b>Total Non-General Fund</b>	<b>\$ 30,497,956</b>	<b>\$ 46,341,806</b>	<b>\$ 41,146,074</b>
<b>Total</b>	<b>\$ 66,362,305</b>	<b>\$ 93,336,285</b>	<b>\$ 112,195,301</b>

# Citywide Budget Overview

## Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with recognized employee organizations, City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$571.2 million, or 74.1 percent, of budgeted fringe allocations in Fiscal Year 2024. The remaining budgeted fringe allocations are variable fringe costs that are dependent on payroll activity, such as reductions or additions in staff, and salary increases or decreases. **Table 15 - Fiscal Year 2024 Annual Budgeted Fringe by Fund Type** displays the citywide fringe allocation which totals \$771.0 million for Fiscal Year 2024, of which \$544.2 million, or 70.6 percent, is budgeted in the General Fund.

**Table 15: Fiscal Year 2024 Annual Budgeted Fringe by Fund Type**

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Fringe Totals
Retirement ADC	\$ 324,941,440	\$ 37,417,866	\$ 74,400,817	\$ 9,027,045	\$ 2,332,719	\$ 448,119,887
Flexible Benefits	99,321,147	12,627,941	31,461,969	4,449,360	679,817	148,540,234
Retiree Health/Other Post-Employment Benefits	43,372,385	5,339,240	14,467,367	1,901,667	291,465	65,372,124
Supplemental Pension Savings Plan	10,559,591	2,926,359	5,515,490	717,866	142,281	19,861,587
Workers' Compensation	30,964,513	771,660	4,859,230	967,477	37,672	37,600,552
Risk Management Administration	9,811,191	1,207,445	3,274,279	430,246	65,943	14,789,104
Medicare	10,706,611	1,541,254	3,122,206	403,840	91,243	15,865,154
Employee Offset Savings	5,571,355	435,884	618,168	91,125	54,348	6,770,880
Retirement DROP	1,881,051	188,806	504,623	72,388	11,717	2,658,585
Unemployment Insurance	796,171	115,547	246,645	31,810	7,360	1,197,533
Retiree Medical Trust	1,249,977	172,447	338,966	44,276	9,715	1,815,381
Retirement 401 Plan	2,295,572	594,294	1,269,626	163,146	38,850	4,361,488
Long-Term Disability	2,725,223	395,238	842,116	108,791	25,155	4,096,523
<b>Fund Type Totals</b>	<b>\$ 544,196,227</b>	<b>\$ 63,733,981</b>	<b>\$ 140,921,502</b>	<b>\$ 18,409,037</b>	<b>\$ 3,788,285</b>	<b>\$ 771,049,032</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

# Citywide Budget Overview

## City Retirement Contributions

The City's payment for retirement benefits in the Fiscal Year 2024 Proposed Budget is \$451.7 million and its components are described in further detail below:

- In January 2023, the San Diego City Employees' Retirement System (SDCERS) Board adopted methods to fund the Plan for missed normal cost payments and expected shortfall due to the unwinding of Proposition B. Based on the funding methods adopted by the Board, the City's pension payment for Fiscal Year 2024 is \$448.1 million, an increase of \$63.8 million from the Fiscal Year 2023 Adopted Budget; approximately \$324.9 million, or 72.5 percent, of the ADC is budgeted in the General Fund. A significant change which led to the increase in the pension payment was the amortization of the unfunded pension liability for Proposition B-affected employees over a 20-year period, which resulted in an increase to the ADC of approximately \$10.8 million per fiscal year. In addition, the Fiscal Year 2024 normal costs for Proposition B-affected employees, estimated to be \$36.8 million, will be included with the ADC payable July 1, 2023. The remaining \$16.2 million increase is primarily the due to partial recognition of the market value asset loss for the year ending June 30, 2022, and liability experience loss due to salary increases that were greater than expected.
- \$1.5 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits. Note this figure is not reflected in **Table 15 – Fiscal Year 2024 Annual Budgeted Fringe by Fund Type**.
- \$2.1 million has been budgeted citywide of which \$1.5 million is in the General Fund in the Citywide Program Expenditures Department. This is to fund the pay-go costs for the supplemental cost of living adjustment (COLA) benefit. The supplement COLA benefit was established by San Diego Ordinance O-18608, adopted on January 11, 1999, to increase the monthly retirement allotment for retirees who retired before July 1, 1982 with at least ten years of service credit and whose benefits had fallen below 75.0 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earning from previous fiscal years to fund this benefit; however, this reserve was depleted in Fiscal Year 2015. As a result, Ordinance O-20282 was adopted on July 23, 2013 and the City funds the supplemental COLA benefit annually. Note this figure is not reflected in **Table 15 – Fiscal Year 2024 Annual Budgeted Fringe by Fund Type**.

## Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2024 Proposed Budget for Flexible Benefits is \$148.5 million, which represents an increase of \$2.7 million from the Fiscal Year 2023 Adopted Budget due to position additions/reductions and changes in coverage selections of employees.

Through the Flexible Benefits Plan, the City currently offers healthcare coverage to all of its full-time, three-quarter time, half-time employees, and non-standard hour employees working an average of at least 30 hours per week or 130 hours per month, per the Affordable Care Act (ACA), through the Flexible Benefits Plan. The majority of City employees qualify for the Flexible Benefits Plan, thus complying with a key component of the ACA. The City continues to monitor ACA mandates and clarifications to assess the impacts on City benefit plans.

## Retiree Healthcare/Other Post-Employment Benefits (OPEB)

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its recognized employee organizations and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements discuss the City's

# Citywide Budget Overview

annual OPEB budget, and the Fiscal Year 2024 Proposed Budget is \$65.4 million for retiree health care benefits. If the retiree health defined contribution and pay-as-you-go actuals exceed \$65.4 million, then the shortfall is funded by withdrawing funds from the City's CalPERS Employer Retiree Benefit Trust (CERBT) account.

## Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In 1982, the City opted out of Social Security and established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must contribute a mandatory 3 percent. Employees hired on or before July 1, 1986 can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2024 Proposed Budget for SPSP is \$15.0 million.

As a result of the unwinding of Proposition B, most general members hired on or after July 1, 2009 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2024 Proposed Budget for the City's contribution match is \$4.4 million based on 5,263.08 FTE general members. Some eligible general members elected to stay in the SPSP-H Plan in lieu of joining SDCERS. These employees are required to contribute 9.2 percent of compensation to the plan, which is matched by a 9.2 percent employer contribution. The Fiscal Year 2024 Proposed Budget for the City's Interim Defined Contribution Retirement Plan is \$4.1 million, which represents a decrease of \$25.3 million from the Fiscal Year 2023 Adopted Budget.

Additionally, the Fiscal Year 2024 Proposed Budget includes \$692,000 in the SPSP-H account for hourly employees. **Table 15 – Fiscal Year 2024 Annual Budgeted Fringe by Fund Type** reflects a total budgeted amount of \$19.9 million which includes SPSP, SPSP-H and hourly SPSP-H contributions.

Lastly, City employees hired after July 10, 2021, with no prior City service, are now being placed in SDCERS.

## Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related injuries or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City. The workers' compensation contribution in the Fiscal Year 2024 Proposed Budget is \$37.6 million.

## Risk Management Administration

The Risk Management Administration (RMA) rate was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2024 Proposed Budget for Risk Management Administration is \$14.8 million.

## Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime or other employee special pays. The Fiscal Year 2024 Proposed Budget for Medicare is \$15.9 million.

## Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution; in exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension UAL. Each City department is charged based upon its respective payroll and these funds are

# Citywide Budget Overview

transferred into the EOS Fund. The Fiscal Year 2024 Proposed Budget includes Employee Offset Savings of \$6.8 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$6.8 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

## Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2024 Proposed Budget for Retirement DROP contributions are \$2.7 million, or 3.05 percent of the current DROP participants' salary of \$87.2 million.

## Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2024 Proposed Budget for Unemployment Insurance is \$1.2 million.

## Retiree Medical Trust (RMT)

The Fiscal Year 2024 Proposed Budget for retiree health trust contributions is \$1.8 million. General members hired on or after July 1, 2009 must contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2024 Proposed Budget for the City's contribution match to general members is \$1.2 million. In addition, \$636,000 is included in the Fiscal Year 2024 Proposed Budget for contributions to the Southern California Firefighters Benefit Trust for each active International Association of Firefighters (IAFF) Local 145 member.

## Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2024 Proposed Budget is \$4.1 million. This contribution funds the pay-go requirements for the LTD Fund.

## Proposition B Status

**Proposition B Litigation.** On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the City Charter. While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the Pension Plan. Instead, those employees were only eligible to participate in a defined contribution plan, Supplemental Pension Savings Plan-H ("SPSP-H Plan"). In early 2021, the California Superior Court invalidated Proposition B. Since then, the City has struck the Proposition B provisions from the Charter and has conformed with the Municipal Code and any related enactments accordingly. The City must also comply with a directive from the California Court of Appeal related to a ruling of the Public Employment Relations Board ("PERB"). The PERB case was separate but related to the quo warranto case that was brought forward by four of the City's six Recognized Employee Organizations ("REOs"). PERB had ruled that the City had violated the Meyers-Milias-Brown Act when it failed to meet and confer with the REOs over the



# Citywide Budget Overview

language of Proposition B prior to placing it on the June 2012 ballot and that the City must make whole the affected employees.

The Court ruling required that the City meet and confer with the REOs over the effects of Proposition B and the invalidation thereof and that the City pay the affected current and former employees represented by the REOs the difference, plus 7% annual interest (the "Interest Penalty"), between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the "Make-Whole Provision").

**Unwinding of Proposition B.** On June 22, 2021, the City Council approved amendments to both the Municipal Code and the SPSP-H Plan so that most employees hired on or after July 9, 2021 now enter SDCERS. Subsequently, the City entered into labor agreements with all six REOs except for the POA.

The agreements provided MEA and Local 127-represented employees with a one-time, irrevocable option for participants to remain in an amended SPSP-H Plan in lieu of participating in SDCERS, prospectively. Those employees who elected to participate in SDCERS were required to purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases of service credit were accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding if the SPSP-H account balances were not sufficient to fully purchase the service credit. The Interest Penalty was calculated on an individual basis, then combined as an aggregate amount by REO following inclusion of adjustments to the Make-Whole Provision amounts and was reallocated to all impacted employees based on years of service. The City Council extended the terms of the joint MEA and Local 127 agreement to unclassified, unrepresented employees, with the exception of the Interest Penalty.

Employees represented by DCAA, Local 911, and Local 145 must participate in SDCERS, prospectively. The agreements do not provide these employees with an option to remain participants in the modified SPSP-H Plan. DCAA, Local 911, and Local 145-represented employees, like MEA and Local 127-represented employees, must also purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases were accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding. The Interest Penalty for these employees was calculated and paid on an individual employee basis.

**Costs to Unwind Proposition B.** The estimated one-time cost for unwinding Proposition B for affected, current employees is \$142.0 million City-wide (\$80.1 million allocable to the General Fund), which comprises the unfunded liability costs related to Proposition B-affected employees owed to SDCERS (approximately \$119 million), and the costs to comply with the court-ordered Interest Penalty and the Make-Whole Provision (approximately \$22.8 million). While these costs represent the most significant portion of the costs associated with unwinding Proposition B, the final actual costs will vary based on ongoing negotiations with the POA regarding its members impacted by Proposition B and negotiations with the REOs regarding employees who are also eligible to receive benefits under the Make-Whole Provision but have left the City (1,908 individuals).

In January 2023, the SDCERS Board approved the amortization of the \$119 million unfunded pension liability for Proposition B-affected employees over a 20-year period, commencing with the ADC payment due on July 1, 2023. The estimated increase to the ADC resulting from such amortization is approximately \$10.8 million per Fiscal Year (\$6.6 million allocable to the General Fund). In addition, Fiscal Year 2024 normal costs for Proposition B-affected employees is estimated to be \$36.8 million. In the aggregate, the actions approved by the SDCERS Board as well as the Fiscal Year 2024 normal costs for Proposition B-



## Citywide Budget Overview

affected employees increased the Fiscal Year 2024 ADC to \$448.1 million, which was established upon the final approval of the 2022 Actuarial Valuation by the SDCERS Board on March 10, 2023.

In Fiscal Year 2023, the City paid, in full, \$22.8 million in one-time costs related to the Interest Penalty payments mandated by the court, of which \$14.0 million is allocable to the General Fund, as well as \$37.5 million in unpaid normal costs associated with Fiscal Year 2022 and Fiscal Year 2023, of which \$23.1 million is allocable to the General Fund. Additional costs associated with Proposition B employees who have separated from the City are expected in future fiscal years but cannot be reasonably estimated at this time.



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