

FY: 2017

Citywide Budget Overview



CITY OF SAN DIEGO

PROPOSED BUDGET

MAYOR KEVIN L. FAULCONER



Citywide Budget Overview

The City of San Diego's Fiscal Year 2017 Proposed Budget of \$3.3 billion is comprised of six fund types:

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Enterprise Funds;
- Internal Service Funds; and
- Capital Improvements Program (CIP)

Table 1 shows the change in expenditures for from Fiscal Year 2015 to Fiscal Year 2017 by fund type.

Table 1: Total City Expenditure Changes Fiscal Years 2015 - 2017 by Fund Type/Program

Fund Type	FY 2015 Actual	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2016 - FY 2017 Change	Percent Change
General Fund	\$ 1,203,292,459	\$ 1,288,039,029	\$ 1,326,198,980	\$ 38,159,951	3.0%
Special Revenue Funds ¹	408,186,198	486,126,141	506,733,747	20,607,606	4.2%
Capital Project Funds	12,457,223	13,177,479	13,266,509	89,030	0.7%
Enterprise Funds	899,067,539	1,006,970,552	991,811,690	(15,158,862)	(1.5)%
Internal Service Funds	94,561,271	113,123,679	117,057,803	3,934,124	3.5%
Capital Improvements Program	307,593,862	367,636,374	372,726,168	5,089,794	1.4%
Total	\$ 2,925,158,552	\$ 3,275,073,254	\$ 3,327,794,897	\$ 52,721,643	1.6%

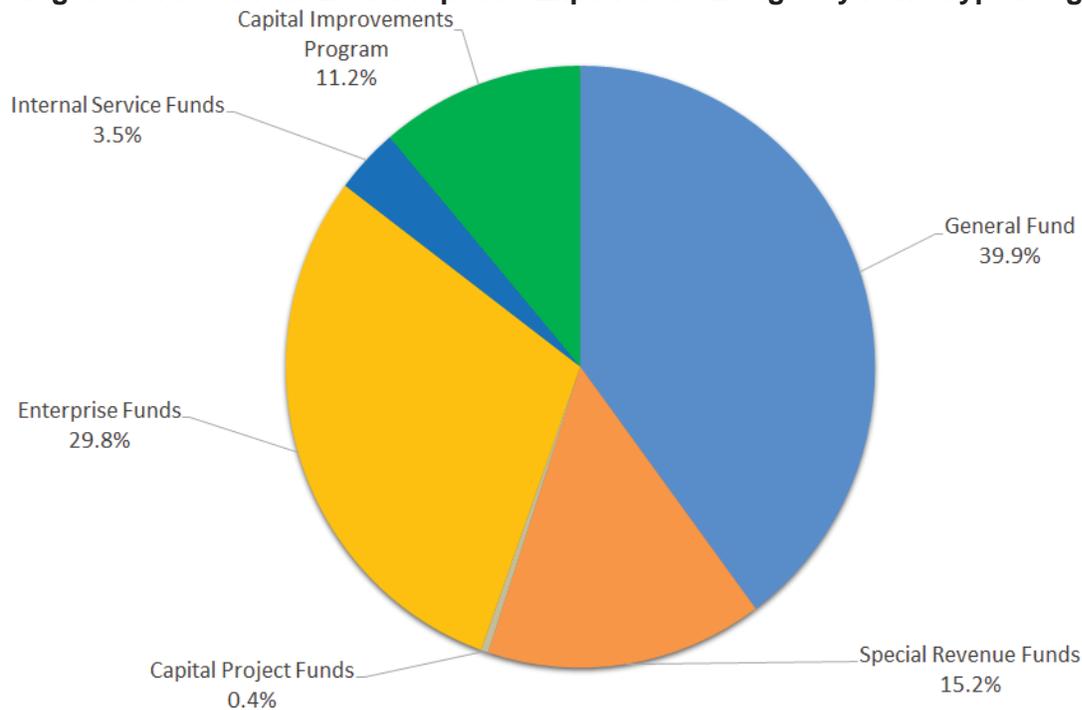
¹The Engineering & Capital Projects Fund was reclassified from an Internal Service Fund to a Special Revenue Fund in Fiscal Year 2016.



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Figure 1 displays the Fiscal Year 2017 Proposed Expenditure Budget by Fund Type or Program.

Figure 1: Fiscal Year 2017 Proposed Expenditure Budget by Fund Type/Program



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

Table 2 presents the changes in revenues from Fiscal Year 2015 to Fiscal Year 2017 by fund type.

Table 2: Total City Revenue Changes Fiscal Years 2015 - 2017 by Fund Type

Fund Type	FY 2015 Actual	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2016 - FY 2017 Change	Percent Change
General Fund	\$ 1,221,224,500	\$ 1,281,877,509	\$ 1,326,198,980	\$ 44,321,471	3.5%
Special Revenue Funds ¹	455,770,601	471,094,501	495,402,458	24,307,957	5.2%
Capital Project Funds	28,407,602	32,007,000	32,297,000	290,000	0.9%
Enterprise Funds	1,025,741,555	1,033,076,823	1,121,100,828	88,024,005	8.5%
Internal Service Funds	102,208,761	102,832,809	110,516,928	7,684,119	7.5%
Total²	\$ 2,833,353,019	\$ 2,920,888,642	\$ 3,085,516,194	\$ 164,627,552	5.6%

¹ The Engineering & Capital Projects Fund was reclassified from an Internal Service Fund to a Special Revenue Fund in Fiscal Year 2016

² Non-General Fund operating revenues may be less than operating expenditures due to the budgeted use of fund balance.

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), park and recreation, library services, and refuse

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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 2017 Proposed Budget reflects General Fund expenditures totaling \$1.3 billion, which is an increase of \$38.2 million or 3.0 percent from the Fiscal Year 2016 Adopted Budget. Detail on the total net increase in the General Fund is described in the General Fund Expenditures section of this Volume.

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 Capital Improvements Program (CIP), which can be supported by all fund types. The Capital Project Funds included in the Fiscal Year 2017 Proposed Budget are limited to the TransNet Funds. The Fiscal Year 2017 Proposed Budget for Capital Project Funds is \$13.3 million, which is an increase of \$0.1 million or 0.7 percent from the Fiscal Year 2016 Adopted Budget. This increase is primarily due to revenue projections from the San Diego Association of Governments (SANDAG) to fund operations in the Transportation & Storm Water Department.



Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger special revenue funds include Transient Occupancy Tax (TOT) and Engineering & Capital Projects. The Fiscal Year 2017 Proposed Budget for Special Revenue Funds is \$506.7 million, representing a net increase of \$20.6 million or 4.2 percent from the Fiscal Year 2016 Adopted Budget. This net increase is primarily due to:

- \$13.9 million increase in the Transient Occupancy Tax Fund due to anticipated increases in TOT receipts; and
- \$4.1 million for 49.50 FTE positions and associated non-personnel expenditures in the Engineering & Capital Projects Fund to support the expansion of the Capital Improvements Program (CIP). The Engineering & Capital Projects Fund was reclassified from a Internal Service Fund to a Special Revenue Fund in Fiscal Year 2016.

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 2017 Adopted Budget for all Enterprise Funds is \$991.8 million, representing a net decrease of \$15.2 million or 1.5 percent from the Fiscal Year 2016 Adopted Budget. This net decrease is primarily due to the removal of one-time additions in the amount of \$14.4 million included in Fiscal Year 2016 Adopted Budget. These adjustments are offset by the following adjustments in the Public Utilities Department:

- reduction of \$12.3 million to reflect the reclassification of Advanced Metering Infrastructure (AMI) Project's operating budget to the capital improvement program budget;

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- reduction of \$5.0 million due to lower than anticipated contractual obligations related to the Sweetwater Desalination Facility;
- reduction of \$3.2 million related to operational efficiencies identified within the Department;
- an addition of \$8.5 million for consulting services associated with the Pure Water Program;
- an addition of \$5.1 million for maintenance and repair of Wastewater Treatment and Disposal facilities;
- an addition of \$4.5 million for two condition assessments related to high priority water transmission pipelines and the upgrade of the Supervisory Control and Data Acquisition (SCADA) equipment for the City's water distribution system;

Additionally, there was an increase of \$982,168 in the Airports Fund due to the addition of 1.00 FTE position to conduct mandated environmental studies and non-personnel expenditures for structural repair of airport terminals and consultant services associated with general airport operations. Also, there is an increase of \$353,400 in the Development Services Fund as a result of the addition of 4.00 FTE positions to support the implementation of the Accela project tracking system. Lastly, there is an increase of \$365,438 in the Golf Course Fund due to the addition of 3.77 FTE positions to support the operations of various golf course pro shops and to redevelop the Torrey Pines Golf Course.

Internal Services Funds

Internal Services Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2017 Proposed Budget for Internal Service Funds totals \$117.1 million, which is a net increase of \$3.9 million or 3.5 percent from the Fiscal Year 2016 Adopted Budget. This net increase is primarily due to the following additions in the Fleet Services Operating Fund:

- \$1.0 million for the replacement and maintenance of Fleet car wash facilities;
- \$750,000 for the maintenance and improvements of Fleet facilities;
- \$525,000 for the implementation and upgrade of the Fleet Focus System;
- \$298,161 for equipment rental and printing services; and
- \$174,914 of 3.00 FTE positions to support the operations at Fleet facilities.

Additionally, there is an increase of \$306,966 in the Risk Management Department as a result of the addition of 4.00 FTE positions to support state-mandated business functions in the Workers' Compensation Division.

Capital Improvements Program

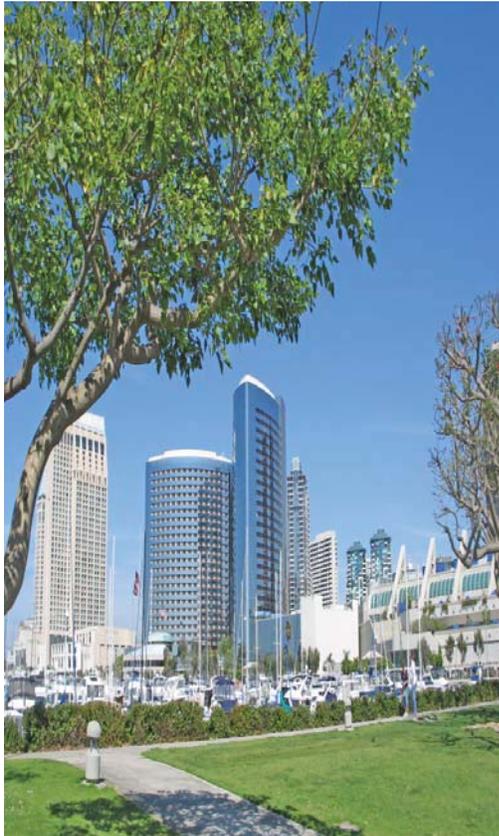
The Capital Improvements Program (CIP) budget allocates available revenue to rehabilitate, restore, improve, enhance and increase the City's capital facilities. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one-half-cent local sales tax for transportation improvements (TransNet Extension), Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2017 Proposed CIP Budget totals \$372.7 million. This is an increase of \$5.1 million, or 1.4 percent, from the Fiscal Year 2016 Adopted CIP Budget of \$367.6 million, primarily due to an increase in General Fund funded projects.



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The CIP budget projects *Anticipated* funding in the CIP project pages. For Fiscal Year 2017, a total of \$261.4 million in anticipated funding for CIP projects is included but will not be appropriated in the Fiscal Year 2017 Proposed Budget. A separate council action is required to appropriate any anticipated funding in the Fiscal Year 2017 Proposed Budget. Anticipated funding includes a variety of funding such as lease revenue bonds, water revenue bonds, donations, grants, developer funding, and Facilities Benefit Assessments.

Citywide Reorganization/Restructuring



The Fiscal Year 2017 Proposed Budget reflects the restructuring of several departments and programs as a result of executive management decisions and department-initiated reorganizations. Reorganizations include restructuring of departments and major divisions within a department and are intended to increase the overall efficiency and effectiveness of City operations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2017 Proposed Budget.

Citywide Solid Waste Code Enforcement Program

Personnel and non-personnel expenditures associated with the Citywide Solid Waste Code Enforcement Program was transferred to the General Fund as part of the Zero Waste Plan. This Citywide program includes 18.00 FTE positions and provides transient camp inspections and abatements; illegal dumping and scavenging enforcements; hazardous waste investigations and violations.

Economic Research Position/Function Transfer

An Economic Research Specialist, who monitors economic performance Citywide, was transferred from the Planning Department to the Economic Development Department.

Employee Assistance Program

The Employee Assistance Program was transferred from the Risk Management Department to the Human Resources Department.

Historic Resources Section

The Historic Resources section, which reviews private development permits, was transferred from the Planning Department to the Development Services Department.

Infrastructure and Utilities Loan Program Unit

The Infrastructure and Utilities Loan Program Unit, which is responsible for implementing and administering the program, was transferred from the Public Utilities Department to the Debt Management Department.

Land Development Code Function

The Land Development Code function, which oversee the City's regulations and policies that govern land use and development, was transferred from the Development Services Department to the Planning Department.

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Performance & Analytics

The Performance & Analytics Department will now report directly to the Chief Financial Officer.

Fiscal Actions in the Fiscal Year 2017 Proposed Budget

The Fiscal Year 2017 Proposed Budget continues to fully fund the annual pension payment, Actuarially Determined Contribution (ADC), in addition to funding retiree health benefits. This budget also includes funding for reserves to policy targets, storm water obligations, infrastructure improvements, and the Climate Action Plan, which are described in more detail in the following sections.

Maintaining Reserves

The City's Reserve Policy currently defines a goal of maintaining a minimum of 14.0 percent of the most recent three-year average of annual audited General Fund operating revenues held in reserves. The 14.0 percent target for total General Fund Reserves includes the Emergency Reserve target of 8.0 percent and the Stability Reserve target of 6.0 percent. The City currently projects that it will meet these targets in Fiscal Year 2016, and no additional transfers to the reserves are needed to reach 14.0 percent.

For the Public Liability Reserve, the Reserve Policy has a Fiscal Year 2017 target of 43.0 percent of the average actuarial liability valuation of the three most recent fiscal years. Financial Management will include a funding proposal to add \$3.0 million to the Public Liability Reserve in the Fiscal Year 2016 Year-End Budget Monitoring Report. The Fiscal Year 2017 Proposed Budget includes an additional contribution of \$2.8 million to reach the 43.0 percent target.

The Reserve Policy requires that the Workers' Compensation Fund Reserves equal 25 percent of the value of outstanding claims. As of the Fiscal Year 2016 Mid-Year Monitoring Report, it is projected that the City will need to contribute an additional \$3.0 million to meet the policy goal in Fiscal Year 2016. Financial Management will include a funding proposal in the Fiscal Year 2016 Year-End Budget Monitoring Report to reach the policy goal in Fiscal Year 2016, with no additional contributions needed in the Fiscal Year 2017 Proposed Budget.

Finally, the Reserve Policy requires the Long-Term Disability Fund Reserves equal the average actuarial liability valuation of the three most recent fiscal years. The reserve is currently projected to be funded above the policy level, and the Fiscal Year 2017 Proposed Budget does not include any additional contributions.

On April 12, 2016, the City Council was scheduled to hear a proposal to update the City's Reserve Policy. The Mayor's proposed revisions included a plan to incrementally increase the City's General Fund Reserves from 14.0 percent to 16.7 percent by increasing the Stability Reserve policy goal from 6.0 percent to 8.7 percent by Fiscal Year 2021. The proposal also includes the revised reserve policy establishment of a new Pension Payment Stabilization Reserve (Pension Reserve) equal to 8.0 percent of the average Actuarially Determined Contribution of the three most recent fiscal years.

In order to reach the Fiscal Year 2017 General Fund reserve target goal of 14.75 percent, Financial Management will bring forward a funding proposal to add \$5.7 million to the Stability Reserve and \$20.8 million to the Pension Reserve in the Fiscal Year 2016 Year-End Budget Monitoring Report. The Fiscal Year 2017 Proposed Budget also includes a contribution of \$7.6 million to the Stability Reserve in order to reach the 14.75 percent target. No additional contributions to the Pension Reserve are included in the Fiscal Year 2017 Proposed Budget.

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As the City Council meeting was scheduled after the publication deadline of this document, the Proposed Budget includes funding recommendations consistent with the proposed changes to the Reserve Policy. Any differences in what was approved by the City Council will be reflected in the Mayor's May Revision of the Fiscal Year 2017 Proposed Budget.

Flood Risk and Storm Water Quality Improvement

The City of San Diego owns and maintains over 39,000 storm drain structures, approximately 900 miles of drainage pipe, and 14 storm water pump stations. The City has adopted a Storm Water Program to maintain and keep facilities in good repair to mitigate flood risk and reduce pollutants in urban runoff and storm water, and to comply with all local, State, and federal environmental regulations. Currently, the City's Storm Water Program is funded primarily from the General Fund and partially funded from property-related storm water fees. On May 8, 2013, the Regional Water Quality Control Board (RWQCB) issued a new storm water permit (Permit) in order to establish the conditions under which pollutants can be discharged from the City's storm drain system to local streams, lagoons, bays, and the ocean. The Permit took effect in July 2013, and establishes a series of interim and final water quality milestones beginning in calendar year 2018 and continuing through 2034.

The Fiscal Year 2017 Proposed Budget includes the addition of 31.00 FTE positions and \$10.5 million in Fiscal Year 2017 to support channel and catch basin cleanings, environmental permitting, and storm drain pipe maintenance and repair. An additional \$5.5 million will be transferred from the Storm Water Division's Operations and Maintenance budget to support storm water CIP projects in Fiscal Year 2017.

Infrastructure Investment

Since assuming office, the Mayor has made investing in neighborhood infrastructure a top priority, committing at least 50 percent of new major General Fund revenue growth to streets, sidewalks, park and recreation facilities, and libraries. In the Fiscal Year 2017 Proposed Budget, new major General Fund revenue growth is projected to be \$29.6 million, resulting in a \$14.8 million minimum target allocation to infrastructure improvements. The Fiscal Year 2017 Proposed Budget includes a net \$20.9 million in new infrastructure expenditures, exceeding the minimum target for a third consecutive fiscal year.

Table 3 illustrates General Fund infrastructure expenditures for Fiscal Year 2015 through Fiscal Year 2017

Table 3: General Fund Infrastructure Expenditures (in millions)

	FY 2015 Adopted Budget	FY 2016 Adopted Budget	FY 2017 Proposed Budget
New Major General Fund Revenue	\$ 39.8 ¹	\$ 71.9 ²	\$ 29.6
50% of New Major General Fund Revenue	19.9	35.9	14.8
Mayor's Investment Commitment To Infrastructure	22.5	43.9	20.9
Percentage of New Major General Fund Revenue To Infrastructure	56.6%	61.1%	70.6%

¹The Fiscal Year 2015 Adopted Budget Major General Fund revenue is based on Fiscal Year 2014 year-end projections.

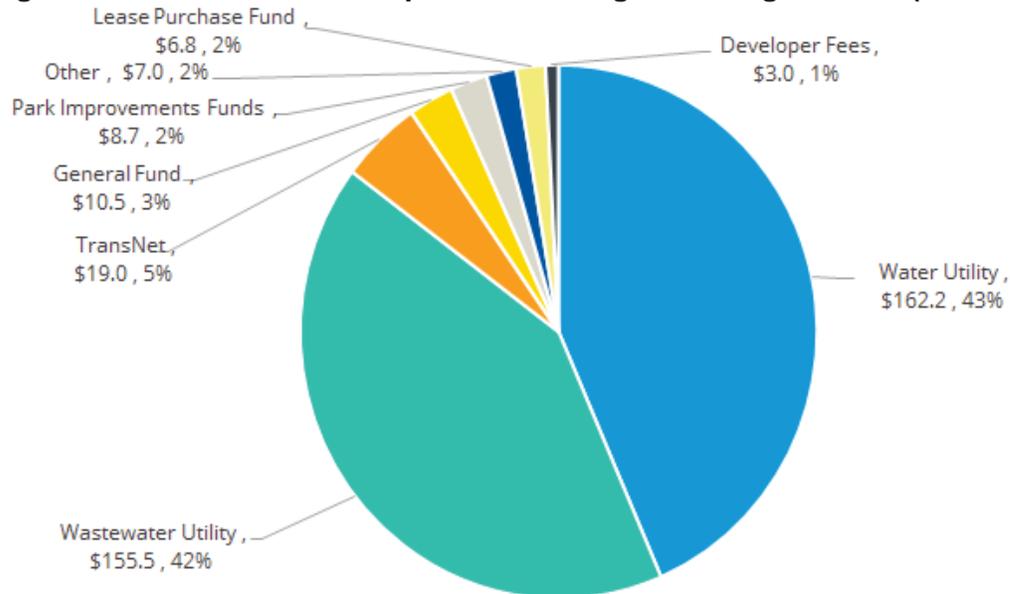
²The Fiscal Year 2016 Adopted Budget Major General Fund revenue growth includes a \$12.3 million one-times increases in Sales Tax due to the end of the triple flip.

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The Mayor's pledge of at least 50 percent of new major General Fund revenue growth to infrastructure improvements has also resulted in additional General Fund contributions to the City's Capital Improvements Program (CIP) of approximately \$53.0 million, in Fiscal Years 2015-2017. In addition, the General Fund also contributes to ongoing maintenance and repair of infrastructure assets not part of the capital budget.

Figure 2 displays the Fiscal Year 2017 Proposed CIP Budget Funding Sources

Figure 2: Fiscal Year 2017 Proposed CIP Budget Funding Sources (\$372.7 million)



Even though the General Fund contributions to CIP have grown during the Mayor's administration, the General Fund is not a primary funding source for the City's CIP, as displayed in the chart above. Primary sources of funding for the CIP include, but are not limited to, Capital Outlay (General Fund land sales restricted for CIP per the Charter), Water and Sewer Funds, Developer Fees, TransNet, Gas Tax and Utility Undergrounding Funds. Detailed information can be found in Volume III of the Fiscal Year 2017 Proposed Budget.

Implementation of the Climate Action Plan

On December 15, 2015, City Council adopted the Climate Action Plan (CAP). The CAP set greenhouse gas (GHG) emissions reduction targets for 2020 (15% reduction) and 2035 (50% reduction) from a 2010 baseline.

The CAP identifies goals and actions in the following five strategic areas to reach or exceed GHG targets and ensure the City is prepared for a changing climate:

- Energy & Water Efficient Buildings
- Clean & Renewable Energy
- Bicycling, Walking, Transit & Land Use
- Zero Waste
- Climate Resiliency

The CAP is a specific plan that fits within a broader frame of sustainability - achieving economic, social, and environmental benefits for all San Diegans. As such, in addition to tracking progress

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towards achieving GHG emission reduction targets, CAP reporting will also address jobs and social equity to ensure the full scope of sustainability is captured.

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 budget summary presented below highlights new funding to support the different strategic areas of the CAP in order to facilitate a discussion about implementation of the CAP.

As a leader, implementation strategies will continue to be refined over time as processes are established, metrics are created or improved, and annual monitoring begins. The Fiscal Year 2017 Proposed Budget demonstrates that the City remains committed to keeping the economic, social, and environmental principles of sustainability at the forefront of decision-making.

Below is a summary of investments across City departments and examples of activities that support the five strategic areas of the CAP. The investment amounts represent new resources included in the Fiscal Year 2017 Proposed Budget. These new resources are added to existing CAP investment in department's existing budgets. Additional details will be available in the forthcoming update on the CAP Implementation Plan scheduled to be released in April 2016.

Strategic Area (Fiscal Year 2017 Proposed Budget)

- Energy & Water Efficient Buildings (\$2.1 million)
 - Facilities energy upgrades (HVAC upgrades, streetlight upgrades, building lighting, IT systems, etc.)
 - Water conservation measures (cooling tower water reuse, drip irrigation installation, waterwise landscaping/turf replacement, expansion of gray water/recycled water use, etc.)
- Clean & Renewable Energy (\$9.7 million)
 - Solar energy installation at City facilities (libraries, recreation centers, etc.)
 - Landfill gas-to-energy system improvements and monitoring
 - Solar photovoltaic and energy storage permitting support
 - Fleet conversion study (e.g., gas/diesel to electric)
- Bicycling, Walking, Transit & Land Use (\$30.4 million)
 - Transportation Master Plan
 - Transit-oriented development/community plan updates and related studies
 - Planning, design, installation, and maintenance of bicycle facilities, sidewalks, roadways
 - School traffic safety improvements
 - Bicycle safety enforcement
- Zero Waste (\$11.4 million)
 - New resource recovery center and other facilities to improve processing of organic materials for renewable energy production, composting, recyclables and waste streams
- Climate Resiliency (\$76.3 million)
 - Urban forestry management including tree planting and maintenance

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- Water purification system progress (Pure Water program)
- Water reclamation expansion (Purple Pipe)
- Storm water system upgrades to increase capacity, function, and storm water capture

Citywide Personnel Expenditures

The Fiscal Year 2017 Proposed Budget includes a total of \$762.4 million for salaries and wages, and \$533.6 million for fringe expenditures, resulting in a total budget of \$1.3 billion in personnel expenditures citywide. **Table 4** illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type.

Table 4: Fiscal Year 2017 Proposed Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,517.44	531,075,162	377,577,049	908,652,211
Special Revenue Funds	923.55	63,260,373	40,307,054	103,567,427
Enterprise Funds	2,480.79	143,800,206	98,230,856	242,031,062
Internal Service Funds	343.58	19,311,667	14,269,376	33,581,043
Other Funds ¹	63.00	4,969,206	3,221,916	8,191,122
Total	11,328.36	\$ 762,416,614	\$ 533,606,251	\$ 1,296,022,865

¹Other Funds reflects San Diego City Employees' Retirement System (SDCERS) FTE positions.

Total City Personnel

The Fiscal Year 2017 Proposed Budget includes a total of 11,328.36 FTE positions with 7,517.44 or 66.4 percent of these positions budgeted within the General Fund. **Table 5** presents the change in positions from Fiscal Year 2016 to Fiscal Year 2017.

Table 5: Total City FTE Position Changes Fiscal Year 2016 - 2017

Fund Type	FY 2016 Adopted Budget	Additions	Reductions	Reorganizations	FY 2017 Proposed Budget	FY 2016 - FY 2017 Change	Percent Change
General Fund	7,299.48	213.31	(13.95)	18.60	7,517.44	217.96	3.0%
Special Revenue Funds ¹	872.30	55.50	(4.25)	-	923.55	51.25	5.9%
Enterprise Funds	2,475.08	37.06	(12.65)	(18.70)	2,480.79	5.71	0.2%
Internal Service Funds ²	331.03	12.50	(0.05)	0.10	343.58	12.55	3.8%

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Table 5: Total City FTE Position Changes Fiscal Year 2016 - 2017

Fund Type	FY 2016 Adopted Budget	Additions	Reductions	Reorganizations	FY 2017 Proposed Budget	FY 2016 - FY 2017 Change	Percent Change
Other Funds ³	63.00	-	-	-	63.00	-	-%
TOTAL	11,040.89	318.37	(30.90)	(0.00)	11,328.36	287.47	2.6%

¹ Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

² The Engineering & Capital Projects Fund was reclassified from an Internal Service Fund to a Special Revenue Fund in Fiscal Year 2016.

³ Other Funds reflects San Diego City Employees' Retirement System (SDCERS) FTE positions.

For details on all position changes, refer to *Attachment A - Fiscal Year 2017 Changes in Full-time Equivalent (FTE) Positions* in the Appendix.

Table 6 represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, the Municipal Employees Association (MEA), represents 35.5 percent of General Fund positions and 44.6 percent of all City positions.

Table 6: Fiscal Year 2017 Proposed FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
MEA	2,670.73	709.20	1,493.44	145.23	37.00	5,055.60
IAFF LOCAL 145	917.00	22.00	-	-	-	939.00
AFSCME LOCAL 127	1,017.77	71.00	835.17	163.00	-	2,086.94
POA	2,032.35	-	-	-	-	2,032.35
Teamsters Local 911	168.39	-	-	-	-	168.39
DCAA	150.40	-	-	-	-	150.40
Classified / Unrepresented	143.74	36.35	77.59	19.00	7.00	283.68
Unclassified / Unrepresented	406.06	85.00	74.59	16.35	19.00	601.00
Elected Officials	11.00	-	-	-	-	11.00
Fund Total	7,517.44	923.55	2,480.79	343.58	63.00	11,328.36

Salaries and Wages

The Fiscal Year 2017 Proposed Budget includes \$762.4 million in budgeted salaries and wages, with \$531.1 million or 69.7 percent budgeted in the General Fund. **Table 7** displays the Fiscal Year 2017 Proposed Budget for salaries and wages by fund type.

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Table 7: Fiscal Year 2017 Proposed Budgeted Salaries and Wages

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 488,099,008	\$ 64,237,972	\$ 139,749,084	\$ 19,097,879	\$ 4,973,422	\$ 716,157,365
Vacancy Savings	(30,334,961)	(2,749,718)	(9,889,592)	(351,790)	-	(43,326,061)
Salary Savings	(1,712,419)	(187,221)	(509,619)	(29,020)	(6,594)	(2,444,873)
Vacation Pay in Lieu	5,116,404	29,000	514,200	-	-	5,659,604
Termination Pay/ Annual Leave	2,839,121	133,112	354,807	23,572	-	3,350,612
Hourly Wages	13,893,836	490,592	2,173,831	93,064	2,378	16,653,701
Overtime	53,174,173	1,306,636	11,407,495	477,962	-	66,366,266
TOTAL	\$ 531,075,162	\$ 63,260,373	\$ 143,800,206	\$ 19,311,667	\$ 4,969,206	\$ 762,416,614

The Healthy Workplaces, Healthy Families Act of 2014 (A.B. 1522) requires that any employee who, on or after July 1, 2015, works in California for 30 or more days within a year from the beginning of employment is entitled to paid sick leave. Hourly non-benefitted employees, will earn one hour of paid Hourly Sick Leave (A.B. 1522) for every 30 hours worked, up to a maximum accrual of 48 hours. The Fiscal Year 2017 Proposed Budget includes \$400,247 in the General Fund and \$471,282 citywide for Hourly Sick Leave (A.B. 1522).

Vacancy Savings

Vacancy savings is 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 2017 Proposed Budget, the City is estimating an amount of personnel savings or vacancy savings by department that is attributable to normal attrition, extended leaves of absence, under-filled positions, and newly hired employees that may start at a lower salary than the salary of the prior incumbent. Savings from vacant reimbursable positions have been excluded from the estimated vacancy savings as the City does not realize savings due to offsetting revenue for these unfilled positions. These estimates of vacancy savings will require that departments monitor Fiscal Year 2017 personnel expenditures to available allocated appropriations. The Fiscal Year 2017 vacancy savings is \$43.3 million, representing an increase of \$8.9 million or 25.9 percent from the Fiscal Year 2016 Adopted Budget. This increase is primarily due to projected vacancy savings in the Fire-Rescue and Police Department and based on historical expenditure levels.

Table 8 displays the changes in budgeted vacancy savings from Fiscal Year 2015 to Fiscal Year 2017.

Table 8: Budgeted Vacancy Savings Fiscal Year 2015 - 2017

Departments/Funds	FY 2015 Adopted Budget	FY 2016 Adopted Budget	FY 2017 Proposed Budget
City Attorney	\$ 752,503	\$ 772,927	\$ 775,166

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Table 8: Budgeted Vacancy Savings Fiscal Year 2015 - 2017

Departments/Funds	FY 2015 Adopted Budget	FY 2016 Adopted Budget	FY 2017 Proposed Budget
City Clerk	37,835	32,968	32,968
City Comptroller	234,592	172,785	236,278
City Planning	159,858	-	-
City Treasurer	228,134	173,722	187,491
Communications	-	54,059	54,059
Debt Management	31,491	-	-
Development Services	155,605	155,355	202,655
Economic Development	117,687	108,118	109,346
Environmental Services	304,173	159,905	338,964
Financial Management	124,758	59,467	59,467
Fire-Rescue	4,685,728	4,684,562	7,327,282
Library	606,796	672,721	787,452
Office of the Mayor	85,582	-	-
Park & Recreation	1,401,576	1,007,337	974,299
Performance & Analytics	-	-	109,855
Personnel	66,539	59,114	53,893
Planning	-	159,578	146,079
Police	8,281,929	11,522,051	16,313,637
Public Works - Contracts	42,578	36,962	57,866
Public Works - General Services	253,761	254,945	314,580
Purchasing & Contracting	108,014	108,118	134,659
Real Estate Assets	66,768	31,491	66,768
Transportation & Storm Water	929,538	1,248,168	2,052,197
Total General Fund	\$ 18,675,445	\$ 21,474,353	\$ 30,334,961
Airports Fund	\$ -	\$ 34,944	\$ 33,322
Central Stores Fund	34,611	34,611	29,931
City Employees' Retirement System Fund	255,424	341,182	-
Development Services Fund	5,347,918	4,067,601	4,551,001

Citywide Budget Overview

Table 8: Budgeted Vacancy Savings Fiscal Year 2015 - 2017

Departments/Funds	FY 2015 Adopted Budget	FY 2016 Adopted Budget	FY 2017 Proposed Budget
Energy Conservation Program Fund	-	18,013	-
Engineering & Capital Projects Fund	1,321,366	1,779,822	2,051,733
Facilities Financing Fund	31,491	31,491	-
Golf Course Fund	57,366	88,265	132,652
Information Technology Fund	126,131	126,131	109,855
Local Enforcement Agency Fund	60,674	60,674	60,674
Maintenance Assessment District (MAD) Management Fund	42,578	51,459	59,363
Metropolitan Sewer Utility Fund	1,133,574	1,409,955	1,251,724
Municipal Sewer Revenue Fund	822,467	1,056,351	1,063,422
OneSD Support Fund	-	695,334	219,855
Parking Meter Operations Fund	-	41,330	41,330
QUALCOMM Stadium Operations Fund	63,253	80,454	109,855
Recycling Fund	221,136	224,210	304,572
Refuse Disposal Fund	307,046	324,624	289,208
Risk Management Administration Fund	177,663	347,110	321,859
Water Utility Operating Fund	1,537,281	2,006,445	2,263,691
Wireless Communications Technology Fund	116,314	112,715	97,053
Total Non-General Fund	\$ 11,656,293	\$ 12,932,721	\$ 12,991,100
Total	\$ 30,331,738	\$ 34,407,074	\$ 43,326,061

Total Budgeted Fringe Allocations

Total budgeted fringe allocations represent personnel costs that are non-wage related. A significant portion of the total budgeted fringe allocations are considered fixed fringe costs. Fixed fringe costs are expenditures that meet specific obligations established through agreements with the labor unions, City ordinances, or the City's Reserve Policy, regardless of current FTE 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 \$365.9 million or 68.6 percent of budgeted fringe in Fiscal Year 2017. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

Citywide Budget Overview

Table 9 displays the citywide fringe allocation which totals \$533.6 million for Fiscal Year 2017, of which \$377.6 million or 70.8 percent is budgeted in the General Fund.

Table 9: Fiscal Year 2017 Annual Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Retirement ADC	\$ 190,989,087	\$ 18,500,792	\$ 44,218,323	\$ 5,826,309	\$ 1,566,233	\$ 261,100,744
Supplemental Pension Savings Plan	16,432,535	3,793,106	8,016,294	1,160,717	311,777	29,714,429
Retirement DROP	1,734,767	175,785	494,212	83,850	3,296	2,491,910
Employee Offset Savings	6,399,337	436,065	730,133	86,717	60,405	7,712,657
Workers' Compensation	24,692,286	965,975	3,884,402	661,642	63,064	30,267,369
Flexible Benefits	81,449,843	9,154,734	22,686,291	3,765,798	673,635	117,730,301
Risk Management Administration	6,900,149	886,423	2,298,308	340,669	64,449	10,489,998
Long-Term Disability	1,424,350	190,282	413,300	58,099	15,819	2,101,850
Unemployment Insurance	817,413	109,186	237,152	33,291	9,074	1,206,116
Medicare	6,407,756	857,263	1,783,860	255,313	70,335	9,374,527
Retiree Health / Other Post-Employment Benefits	39,923,226	5,128,806	13,299,088	1,971,087	372,897	60,695,104
Retirement 401 Plan	209,752	53,517	85,362	12,086	5,708	366,425
Retiree Medical Trust	196,548	55,120	84,131	13,798	5,224	354,821
Fund Type Totals	\$ 377,577,049	\$ 40,307,054	\$ 98,230,856	\$ 14,269,376	\$ 3,221,916	\$ 533,606,251

City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2017 is budgeted at \$264.8 million and is described below:

- The SDCERS Actuarially Determined Contribution (ADC), formerly the ARC, for Fiscal Year 2017 is \$261.1 million, representing an increase of \$6.2 million from the Fiscal Year 2016 Adopted Budget. The ADC had been expected to decrease to \$248.1 million for Fiscal Year 2017; however, several factors caused the ADC to be greater than expected. The primary factors that contributed to the change in the ADC include investment losses on the market value of assets, which increased the ADC by \$5.4 million, a liability experience loss, which increased the ADC by \$2.1 million, and the net impact of reducing the discount rate and wages inflation assumptions by 0.125 percent, which increased the ADC by \$6.8 million. Approximately \$191.0 million or 73.1 percent of the ADC is budgeted in the General Fund.

Citywide Budget Overview

- \$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 9.
- \$2.1 million has been budgeted citywide (\$1.6 million in the General Fund) to fund the pay-go costs for the supplemental cost of living adjustment (COLA) benefit. The supplemental COLA benefit was funded 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 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from the previous fiscal year 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 9.

Other Post Employment Benefits

The Retiree Health or Other Post Employment Benefits (OPEB) UAAL as of June 30, 2015 is approximately \$537.3 million and the Annual Required Contribution (ARC) for Fiscal Year 2017 was determined to be \$47.3 million.

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its labor organizations and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements set the City's annual OPEB funding at \$57.8 million for Fiscal Years 2013 through 2015, with annual increases of up to 2.5 percent after 2015. The City has budgeted \$60.7 million in Fiscal Year 2017 for retiree health care benefits. If the retiree health defined contribution and pay-as-you-go actuals exceed \$60.7 million, then the excess will be withdrawn from the City's CalPERS Employer Retiree Benefit Trust (CERBT) account.

Employee Offset Savings (EOS)

The Fiscal Year 2017 Proposed Budget includes Employee Offset Savings of \$7.7 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$7.7 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 2017 Proposed Budget for Retirement DROP contributions is \$2.5 million.

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



Citywide Budget Overview

Fiscal Year 2017 Proposed Budget is \$30.3 million. The increase of approximately \$5.2 million from the Fiscal Year 2016 Adopted Budget is due to a projected pay-go increase of approximately \$2.7 million and an anticipated increase in the reserve target of \$2.5 million.

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 2017 Proposed Budget is \$2.1 million. This contribution funds the pay-go requirements for the LTD Fund; the reserve goal for the LTD Fund has been met.

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 2017 Proposed Budget for Flexible Benefits is \$117.7 million.

The City currently offers healthcare coverage to all of its full time, three-quarter time, and half-time employees through the Flexible Benefits Plan. The majority of City employees qualify for the Flexible Benefits Plan, thus complying with a key component of the Affordable Care Act. Health care coverage has been extended to non-standard hour employees working an average of at least 30 hours per week or 130 hours per month, per the Affordable Care Act, with minimum fiscal impact in Fiscal Year 2017. The City continues to monitor Affordable Care Act mandates and clarifications to assess the impacts on City benefit plans.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In 1982, the City opted out of the Federal Social Security Income Program (FSSIP) 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 2017 Proposed Budget for SPSP is \$17.0 million.

General members hired on or after July 1, 2009 but before July 20, 2012 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 2017 Proposed Budget for the City's contribution match is \$366,425, based on 603.50 FTE general members as of November 2015.

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter. As a result, all employees hired on or after July 20, 2012, other than sworn police officers, are no longer eligible to participate in the City's defined benefit plan and are only eligible to participate in a defined contribution plan. New hires with offers of employment made on or after July 20, 2012, with no prior City service, are placed in the SPSP-H Plan, which is being used as an Interim Defined Contribution Retirement Plan for benefited employees. Eligible new hires who are non-safety employees are required to contribute 9.2 percent of compensation to the plan, which is matched by a 9.2 percent employer contribution. For safety employees, the mandatory employee and matching employer contributions is 11.0 percent of compensation. In December 2015, the Public Employment Relations Board (PERB) issued a decision in favor of the City unions in an Unfair Practice Charge (UPC) filed by the San Diego Municipal Employees

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Association (MEA), the International Association of Firefighters (IAFF) Local 145, the American Federation of State County And Municipal Employees (AFSCME) Local 127, and the Deputy City Attorneys Association of San Diego (DCAA), ruling that the City had violated the Meyers-Milias-Brown Act when it failed to meet and confer over the language of Proposition B. The City has filed a petition for writ of extraordinary relief with the 4th State District Court of Appeal, asking for the PERB decision to be vacated.

The Fiscal Year 2017 Proposed Budget for the City's Interim Defined Contribution Retirement Plan is \$11.8 million, which represents an increase of \$2.5 million over the Fiscal Year 2016 Adopted Budget. This increase is primarily due to the assumption that vacant and new positions being added to the budget will be filled by employees in the Interim Defined Contribution Retirement Plan. An additional \$919,237 is included in the SPSP-H account for hourly employees in the Fiscal Year 2017 Proposed Budget.

Retiree Medical Trust (RMT)

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 2017 Proposed Budget for the City's contribution match is \$354,821.

Risk Management Administration

The Risk Management Administration (RMA) rate is established to support the appropriated expenditures that fund all of 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, Safety and Environmental Health Services, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2017 Proposed Budget for Risk Management Administration is \$10.5 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 2017 Proposed Budget for Medicare is \$9.4 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 2017 Proposed Budget for Unemployment Insurance is \$1.2 million.

Labor Group Contracts

The City Council has approved Memoranda of Understanding (MOU) with terms through Fiscal Year 2020 with the San Diego Police Officers Association (POA) and the San Diego Municipal Employees Association (MEA), which include pensionable and non-pensionable compensation increases. For Fiscal Year 2017, POA and MEA



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represented employees will receive non-pensionable compensation increases consistent with the San Diego Charter requirements set forth in section 70.2.

The City is currently undergoing contract negotiations with the International Association of Firefighters (IAFF) Local 145, the American Federation of State County And Municipal Employees (AFSCME) Local 127, California Teamsters Local 911, and the Deputy City Attorneys Association of San Diego (DCAA) as part of the re-opener terms to meet and confer regarding increases to non-pensionable compensation for Fiscal Year 2017 included in their current Memoranda of Understanding (MOU). The Fiscal Year 2017 Proposed Budget includes anticipated non-pensionable compensation increases related to labor contract negotiations as prudent fiscal planning in advance of final labor agreements with these labor groups.



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