

FY: 2017

Executive Summary



CITY OF SAN DIEGO

PROPOSED BUDGET

MAYOR KEVIN L. FAULCONER

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

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

This represents an increase of \$52.8 million or 1.6 percent compared to the Fiscal Year 2016 Adopted Budget.

The Fiscal Year 2017 Proposed Budget includes a total of 11,328.36 Full-Time Equivalent (FTE) positions, representing an increase of 287.47 FTE positions or 2.6 percent compared to the Fiscal Year 2016 Adopted Budget. These new positions are primarily focused on maintenance and repair of City streets, sidewalks and street lights, flood risk mitigation, and storm water quality, Fire Department staffing, staffing for new parks and recreation centers, engineering support, and facilities maintenance.

In 2015, the Mayor released a new City Strategic Plan to guide the performance management of the City. The City Strategic Plan defines the City's mission, vision, values, goals, objectives, and key performance indicators. It sets the framework for City employees' work and gives branches and departments the foundation to develop tactical plans to implement the Strategic Plan.

Budget Process

The Budget Process for the annual operating budget is developed in conjunction with the Mayor, City Council, City departments, Independent Budget Analyst and public input. The Budget Process consists of three main phases: Budget Development, Budget Review, and Budget Adoption.

Total City Expenditures Fiscal Years 2016-2017 by Fund Type

(in millions)

Fund Type	FY 2016	FY 2017
General Fund	\$ 1,288.0	\$ 1,326.2
Special Revenue Funds ¹	486.1	506.7
Capital Projects Funds	13.2	13.3
Enterprise Funds	1,007.0	991.8
Internal Service Funds	113.1	117.1
Capital Improvements Program	367.6	372.7
Total	\$ 3,275.0	\$ 3,327.8

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

Total City FTE Positions Fiscal Years 2016-2017 by Fund Type

Fund Type	FY 2016	FY 2017
General Fund	7,299.48	7,517.44
Special Revenue Funds	872.30	923.55
Enterprise Funds	2,475.08	2,480.79
Internal Service Funds	331.03	343.58
Other Funds	63.00	63.00
Total	11,040.89	11,328.36

The Budget Development phase began with the release of the Five-Year Financial Outlook for Fiscal Years 2017-2021 on November 13, 2015, which created the framework for the development of the Fiscal Year 2017 Proposed Budget.

Next, City departments submitted budget requests that were then analyzed, reviewed, and prioritized by City management. General Fund revenues were projected and expenditures balanced through the budgeting process and included in the Fiscal Year 2017 Proposed Budget, along with changes to the non-general funds and CIP.

During the Budget Review phase, the City Council will hold a series of public meetings to

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obtain input from San Diego residents on spending priorities. The Mayor and Council members will use the information at these hearings to recommend changes to the Fiscal Year 2017 Proposed Budget. Once the City Council approves the budget and final changes have been made, the City Council will be presented with the Appropriation Ordinance, where it is anticipated that the Fiscal Year 2017 budget will be enacted into law.

General Fund Overview

The Fiscal Year 2017 Proposed Budget includes balanced General Fund revenues and expenditures of \$1.3 billion. Expenditures are supported by a combination of revenues to fund reserves, infrastructure, public safety needs, neighborhood improvements and services, and enhanced transparency. In addition, per the City's Budget Policy, one-time revenues do not support ongoing expenditures.

Departments within the General Fund provide core community services, such as public safety (including police and fire protection), park 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. These major revenue sources total \$968.5 million, which accounts for 73.0 percent of the

City's General Fund revenue in the Fiscal Year 2017 Proposed Budget.

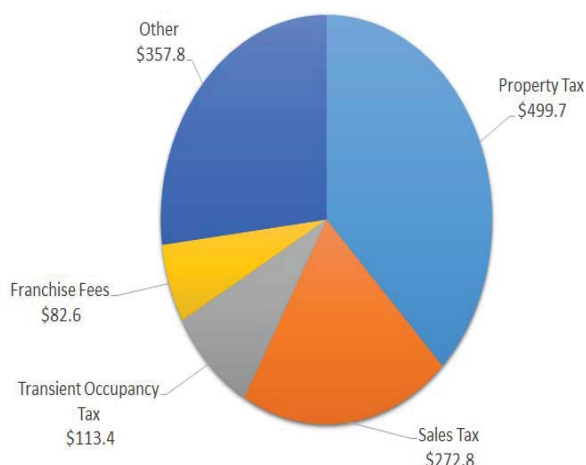
As projected in the Fiscal Year 2017-2021 Outlook, revenues are anticipated to continue to modestly improve in Fiscal Year 2017. While the Fiscal Year 2017 Proposed Budget incorporates moderate revenue growth, the growth rates have been modified slightly from the growth rates included in the Outlook. Modifications to growth rates include a slight increase in the projected property tax growth, offset by a decrease in projected sales tax growth. Projected growth rates for Fiscal Year 2017 for the City's major General Fund revenue categories are as follows:

- **Property Tax:** 5.25 percent
- **Sales Tax:** 3.5 percent
- **Transient Occupancy Tax:** 6.0 percent
- **Franchise Fees:**
 - SDG&E: 2.0 percent
 - Cable: 0.0 percent

While the City's local and regional economic indicators remain mostly positive, economic uncertainty exists both in the stock market and major sales tax generating categories. This economic uncertainty makes Fiscal Year 2017 an important year to continue building and enhancing the City's reserves. Therefore, the Fiscal Year 2017 Proposed Budget includes transferring a total of \$10.4 million to adequately fund the General Fund Reserve, Public Liability Reserve, and the Workers' Compensation Reserve.

FY 17 Proposed General Fund Revenue

(in millions)



Service Enhancements and Adjustments

As a result of the continuing modest positive trends in revenue growth, the Fiscal Year 2017 Proposed Budget includes a number of service enhancements for the residents of San Diego. These service enhancements focus on four main areas:

- repairing streets and investing in infrastructure;
- safe and livable neighborhoods;

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- an economically prosperous City with opportunity in every community; and
- excellent customer service and open data.

The list below highlights some of these key enhancements.

Repairing Streets and Investing in Infrastructure

The Repairing Streets and Investing in Infrastructure category includes allocations for streets, sidewalks, storm water, park and recreation facilities, and libraries, and demonstrates the Mayor's pledge of dedicating at least 50 percent of new major revenue growth to investments in infrastructure. In 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.

- **Flood Risk Management:** includes funding and positions for projects related to managing flood risks within the City.
- **Water Quality:** includes funding and positions for catch basin cleaning.
- **Street Lights:** additional funding for CIP projects to upgrade existing street light circuits.
- **Sidewalks:** additional funding for the repair and reconstruction of sidewalks, curbs, and gutters citywide.
- **Park Improvements:** additional funding for a park masters plan, artificial turf, playground outlay and rubberized surfacing, and playground improvements and repairs.
- **Compressed Natural Gas Fueling Station:** additional funding for a new Compressed Natural Gas (CNG) fueling station at the Environmental Services Operations Station.
- **Zero Waste:** includes funding for the implementation of the City's Zero Waste Plan.
- **Facilities Maintenance:** additional funding for facility condition assessments and positions that will help the upkeep and preventative maintenance for General Fund owned and operated facilities.

Safe and Livable Neighborhood

The Safe and Livable Neighborhood category focuses on critical programs and projects with the purpose of increasing public safety.

- **Fire Academies:** addition of one Fire academy for a total of two ongoing academies to maintain staffing in the Fire-Rescue Department.
- **Staffing for Fire Stations and Fire Fast Response Squads:** funding of staffing positions related to the conversion of overtime to FTE position budget for two Fire Stations and two Fast Response Squads.
- **Fire Dispatchers:** funding positions to increase service levels at the Fire communications center.
- **Advanced Lifeguard Academy:** additional funding for positions and equipment needed to maintain adequate levels of trained lifeguards.
- **Lifeguard Positions:** additional funding and positions to increase staffing at Ocean Beach and Sunset Cliffs.
- **Police Recruitment and Retention:** additional funding for the implementation of the memorandum of understanding (MOU) between the City and the San Diego Police Officers Association to improve the recruitment and retention of police officers.
- **Sworn and Civilian Positions:** funding the addition of sworn and civilian positions to support the Police Department.
- **Crime Lab Unit:** funding of positions to support the Crime Lab Unit.

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- **Body Worn Cameras:** funding for the purchase of body worn cameras for new officers and implement the program throughout the entire Police Department.
- **Improvement/Maintenance of Police Facilities:** includes funding for the maintenance and improvement of police facilities used on a 24/7 basis.
- **Fire and Police Overtime Budget:** includes funding to align overtime budget with historical expenditure levels.
- **Training:** includes funding with the purpose of developing a skilled and effective public safety workforce.

An Economically Prosperous City with Opportunity in Every Community

An economically prosperous City focuses on creating dynamic and sustainable neighborhoods, preparing and responding to climate change, enhancing the City's global standing, diversifying and growing the local economy.

- **Staffing for New and Enhanced Park & Recreation Facilities:** additional funding and positions to support new and enhanced Park & Recreation facilities coming online in Fiscal Year 2017.
- **Expanded Recreation Center Hours:** additional funding and positions to increase operations from 45 to 60 hours per week at eight recreation centers.
- **La Jolla Cove Bluffs Odor Mitigation:** funding for service and materials to mitigate odor caused by animal waste at La Jolla Cove Bluffs.
- **Library After School Program:** enhanced funding of the Do Your Homework @ the Library after-school program for 18 of the 36 City libraries. Includes the addition of administrative staff to support the high demand for the program.
- **Youth Education Center:** funding for staff coverage for the Youth Education Center located at Valencia Park/Malcolm X Library.
- **Education/Community Engagement and Development:** includes funding to support education/community engagement and development programs throughout the library system.
- **Connect2Careers:** additional funding to expand the CONNECT2Careers program, which provides youth with summer employment opportunities, job-readiness training, and job placement assistance.
- **Memorial Pool Staff and Citywide Aquatics Program Support:** funding to staff tournaments, swim meets, and other aquatic activities citywide.
- **Senior Therapeutic Recreation Program Support:** includes funding to establish a senior therapeutic recreation program at Park de la Cruz.
- **Climate Action Plan:** funding of position to support the implementation and maintenance of the Climate Action Plan.
- **Expand Serial Inebriate Program:** Funding to provide supportive services for residents experiencing homelessness and struggling with substance abuse.
- **24/7 Restroom Access:** additional funding to provide 24 hours per day, 7 days a week restroom access to homeless residents. The restrooms will be located at the Paul Mirabile Center located on the St. Vincent de Paul Campus.
- **Small Businesses Enhancement Program:** includes funding to expand the economic opportunities for small businesses by supporting not-for-profit organizations that provide specialized services to small businesses citywide.
- **San Diego Economic Development Corporation:** funding to San Diego Economic Development Corporation to assist in attracting businesses to the City, increase employment opportunities, and work with companies to retain jobs. Additionally, these funds will focus on

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supporting the goals of the GoGlobal Initiative by assisting San Diego companies in their ability to export products abroad, grow their companies and to attract foreign direct investment.

Excellent Customer Service and Open Government

The Excellent Customer Service and Open Government category focuses on increasing transparency, increasing the ease of access to online resources, implementation of the Open Data Policy, and overall efficiency.

- **311 Customer Experience and Service Delivery Program:** additional funding and positions to support and coordinate the Customer Experience and Service Delivery program citywide. The program will utilize technology to meet customer needs in the most cost-effective manner.
- **Successor Agency Activities Management:** additional funding for the purpose of completing the necessary actions to maintain compliance with the redevelopment dissolutions laws.
- **Project Tracking System Replacement/Accela Software:** includes funding for the replacement of the Project Tracking System with the new Accela software. The new system will track and manage Code Enforcement cases, as well as integrate the information into the City's SAP system.

Labor Contract Negotiations

The Fiscal Year 2017 Proposed Budget includes funding for non-pensionable compensation increases for Police Officers Association (POA) and the San Diego Municipal Employees Association (MEA) represented employees. Also, includes funding for anticipated non-pensionable compensation increases for the following bargaining groups: 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 the date of publication the labor negotiations with these bargaining units are ongoing.

Non-General Fund Overview

In addition to the General Fund, the Fiscal Year 2017 Proposed Budget includes the following major changes in other non-general funds:

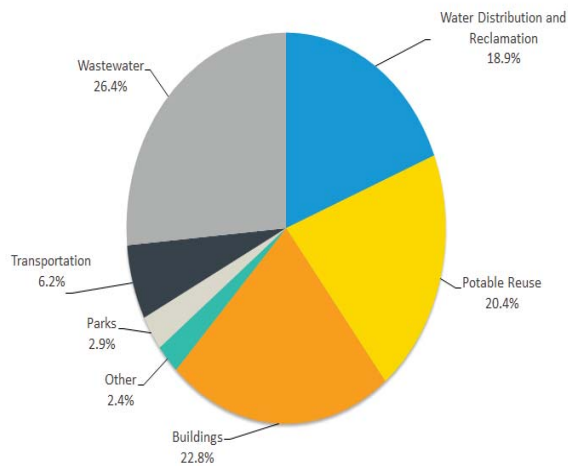
- **Engineering & Capital Projects:** additional funding and 49.50 FTE positions to support the expanded Capital Improvements Program (CIP).
- **Fleet Services:** includes funding for the replacement and/or maintenance of City Fleet facilities.
- **Penny for the Arts:** additional funding of \$1.3 million to maintain the Penny for the Arts blueprint allocation at 6.44 percent of total Transient Occupancy Tax (TOT).
- **Information Technology:** additional funding to enhance cyber security, public safety communication, data management/archiving, and SAP procurement process.
- **Public Utilities:** continued focus on implementation of San Diego Pure Water; drought response initiatives; commitment to infrastructure through replacement and rehabilitation of water and wastewater pipelines and mains; and efficiency through optimization of operations.

Capital Improvements Program Overview

The Fiscal Year 2017 Proposed Capital Improvements Program (CIP) Budget for all funds is \$372.7 million. This budget allocates existing funds and anticipated revenues to both new and continuing projects. The allocation of funds is based upon an analysis of available funding sources as well as a review of project needs and priorities.

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Proposed FY17 Budget by Project Type



Conclusion

The Fiscal Year 2017 Proposed Budget increases funding for the City's priorities: repairing streets and investing in infrastructure, safe and livable neighborhoods, an economically prosperous city with opportunity in every community, and excellent customer service and open government. Additional details are included throughout this Volume.